

# Secretary of Commerce Herbert Hoover, while running for President:



"We in America today are nearer to the final triumph over poverty than ever before in the history of any land."

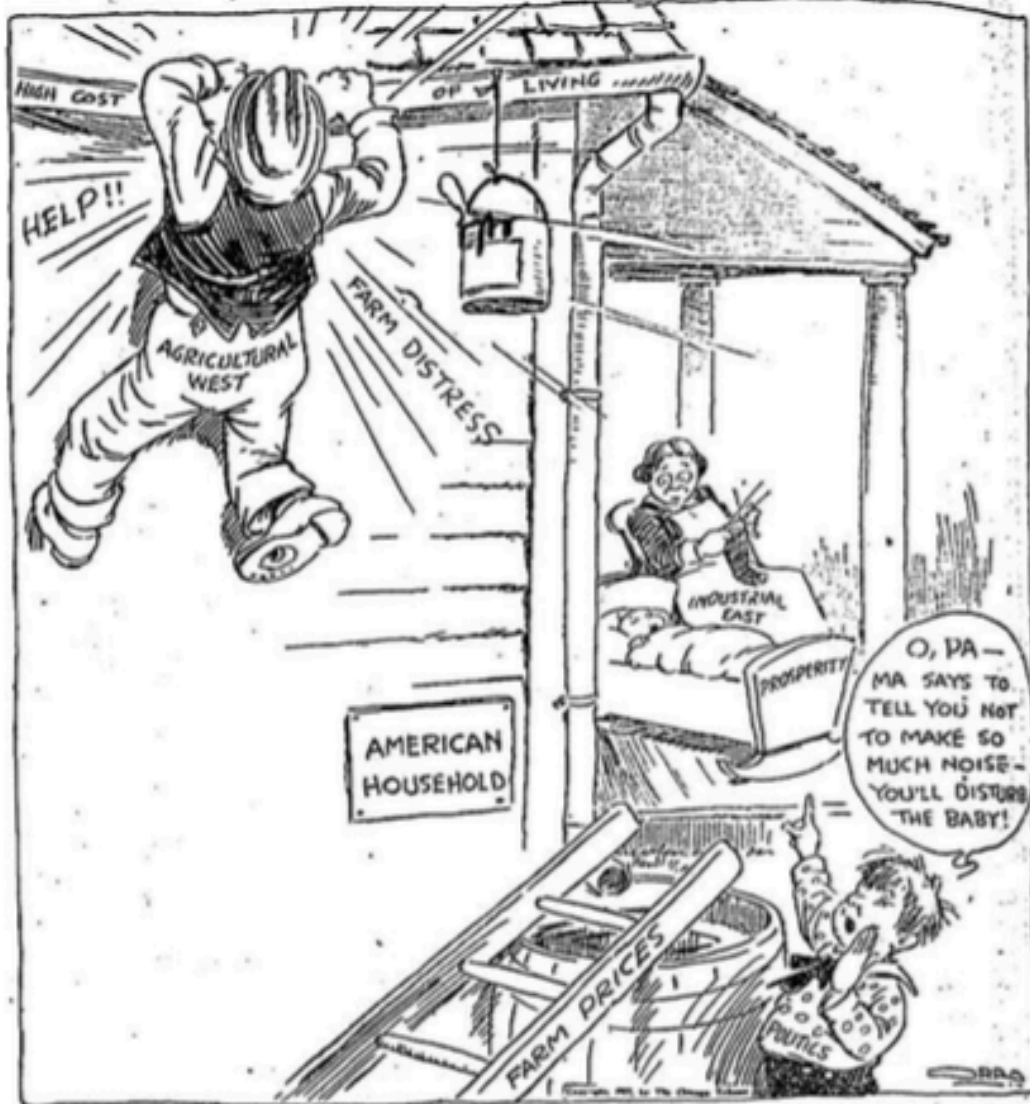
- August 11, 1928



**"Watch Your Step!"**

*Los Angeles Times*, November 14, 1925

Cartoonist: Edmund Gale



### "The Farmer's Predicament"

*Chicago Daily Tribune*, April 15, 1927

Cartoonist: Carey Orr

Agricultural West. Farm distress. High cost of living. American household.  
Farm prices. Politics. Industrial East. Prosperity.

In April 1927 a joint report of the National Industrial Conference Board and the U.S. Chamber of Commerce recommended measures to provide relief for American farmers who continued to struggle through an intransigent postwar agricultural depression while the nation's business and industrial sectors expanded at a seemingly unstoppable rate.

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**"Sound as a Dollar"**

*Los Angeles Times*, October 20, 1927

Cartoonist: Edmund Gale

Regular surveys of business "health" were conducted by the U.S. Dept. of Commerce under Secretary Herbert Hoover.

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# Stock Market Terms

**Stock**: A share of ownership of a company

- Example: One share of Apple stock =  $\frac{1}{5,830,000,000}$  ownership of the company
  - In other words, there are 5.83 Billion total shares of Apple stock
- Each share of Apple is worth \$118 (as of yesterday)
  - Apple was worth about \$6 per share 12 years ago in 2003

# Why would you want to own stock?

- If the value of the company increases, the value of each share of its stock increase
  - The reason Apple's stock value has risen is because the overall value of the company has increased
- You can get actual wealth (not just imaginary stock wealth) if you can sell your stock for more than you bought it
- If you knew the value of your stock shares would increase, it would make sense to borrow money to buy more shares. This is called **speculation**.





The home of the New York Stock Exchange (the largest stock market in the U.S.) is on Wall Street in Manhattan, NYC



# Stock Markets

- Also known as “stock exchanges”
- This is where stocks can be bought and sold
- The actual buying and selling is done by a registered “stockbroker”
- There are stock exchanges in major cities around the world – New York, London, Hong Kong, Tokyo, Frankfurt, Sao Paulo
- The value of the market is all driven by demand – the more people *want* to buy the stock, the higher its value goes



**“Bull Market”**: An upward market trend, share prices are rising, people are optimistic and want to buy



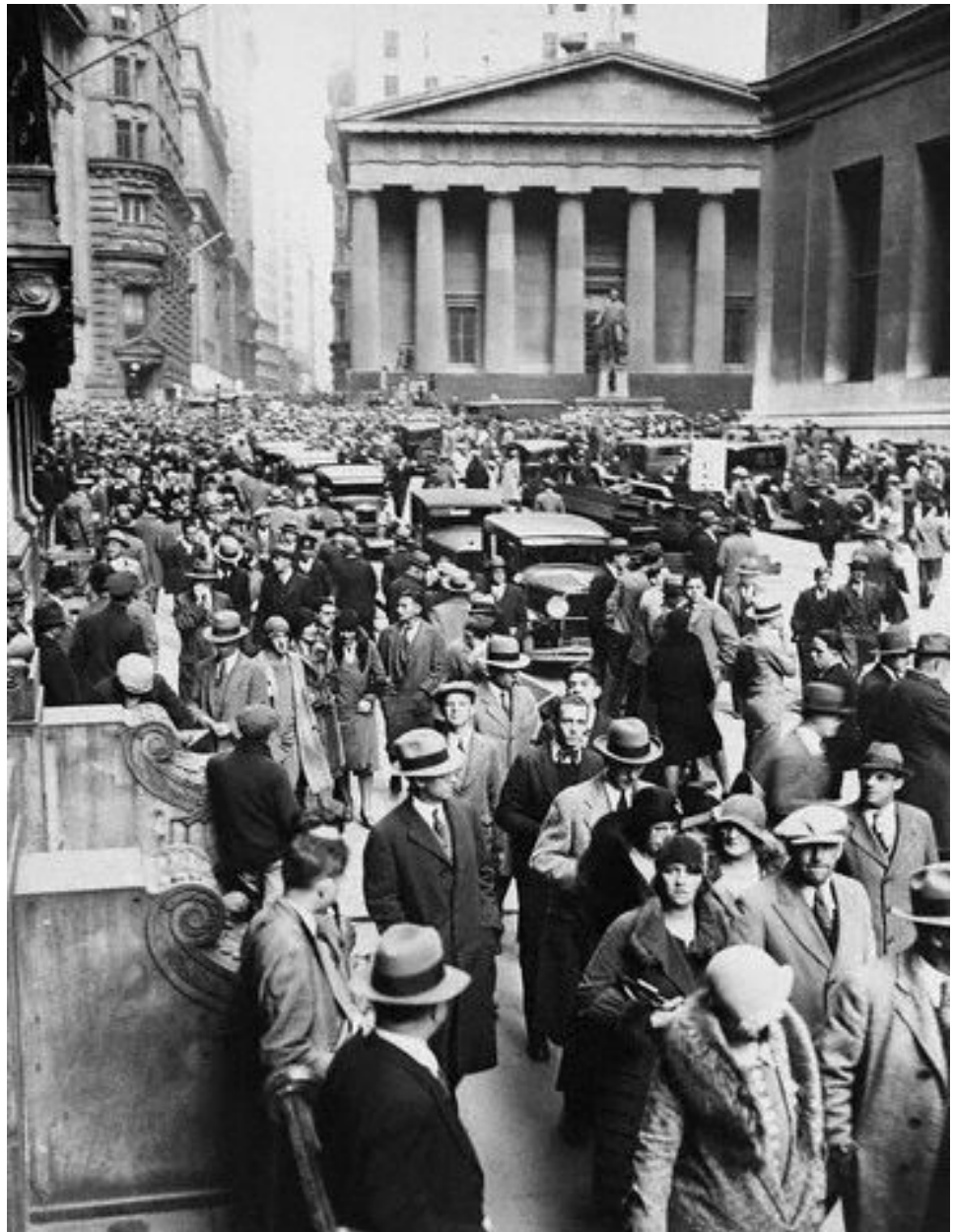
A **“Bear Market”** is a downward trend, when people are pessimistic about share prices and want to sell.

# Dividends

- These are payments made to the owners of the stock (if the company does well and gains value)
- They are like a “thank you for being a stockholder” bonus

# **“Black Tuesday” October 29, 1929**

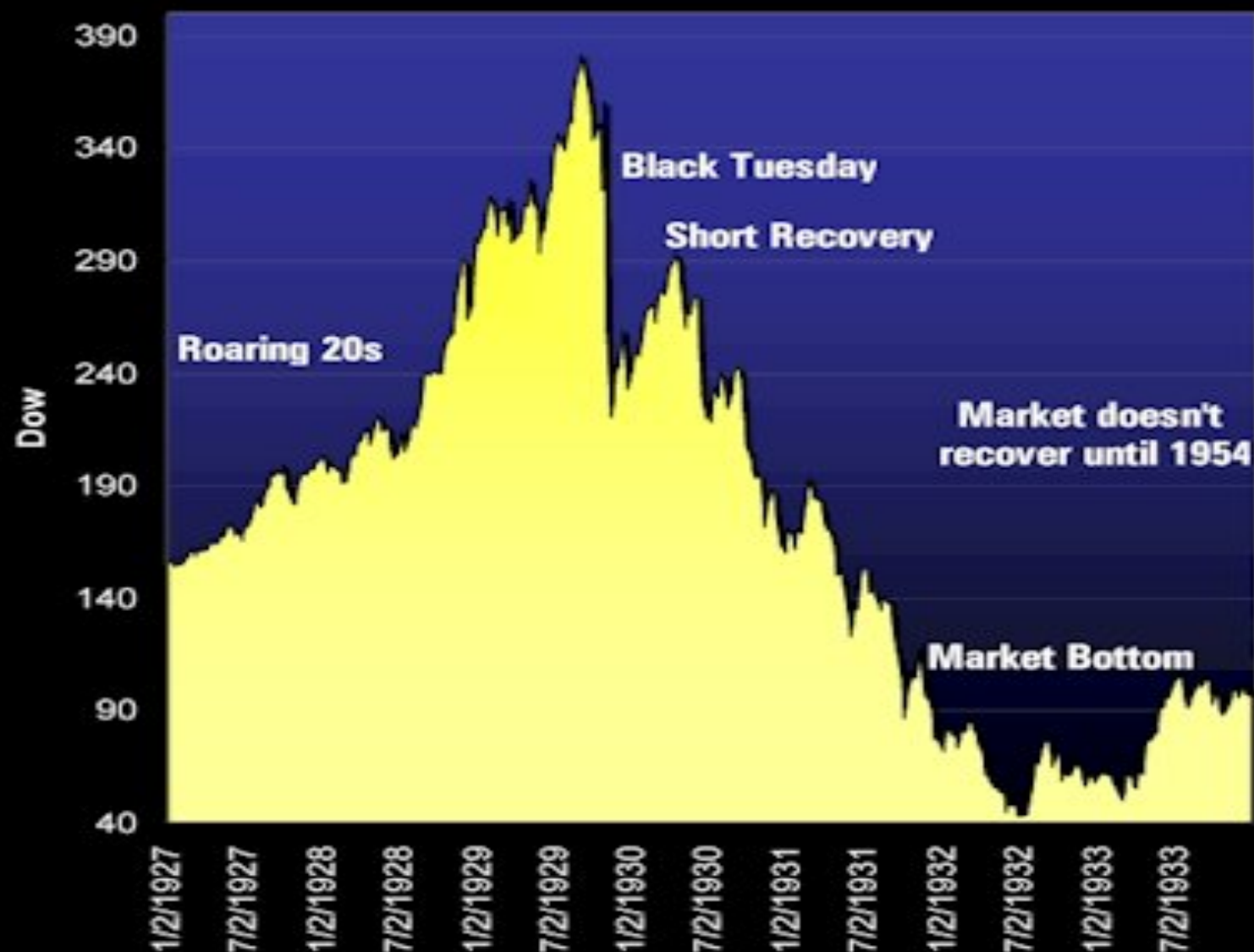
Panic on Wall Street, Black Tuesday. An extra 400 police officers were needed to patrol the scene.



# What actually happens during a stock market “crash”?

1. People take out loans to buy stocks, thinking the value will keep rising
2. Bad business forecast, people fear value of stocks will fall
3. People try to sell before value goes down
4. Everyone trying to sell, no one trying to buy, stocks lose value

## The Great Stock Market Crash of 1929





# What were the immediate effects of the crash of 1929?

- Black Tuesday was the busiest day of trading in history, with everyone trying to sell their stocks
- Massive losses in value of stocks: more than \$30 billion in lost over the following month
- People who had taken out loans to buy stocks could not pay back their loans = DEBT
- Large banks had invested too, so banks quickly fell into debt as well

## President Hoover, again:

“Any lack of confidence in the economic future or the basic strength of business in the United States is foolish.”

- November, 1929 (after the initial crash)

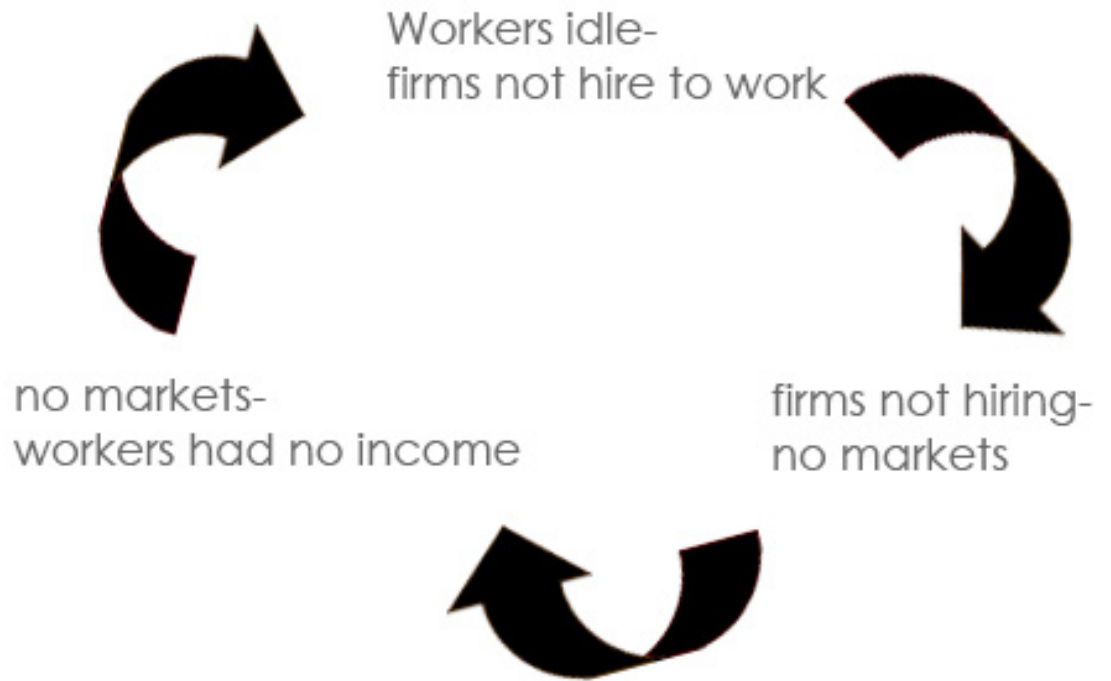
# What industries will do when they predict they will not make a profit?

- Cut hours
- Lay people off
- Close plants



# Circular Effect: Markets and Labor

“The  
Depression  
was collective  
insanity”  
-J. Bradford  
DeLong



<b>Unemployment as Percentage of the Labor Force</b>	
<b>1900</b>	<b>5 percent</b>
<b>1910</b>	<b>5.9 percent</b>
<b>1920</b>	<b>4 percent</b>
<b>1925</b>	<b>4 percent</b>
<b>1929</b>	<b>3.2 percent</b>
<b>1930</b>	<b>8.7 percent</b>
<b>1932</b>	<b>23.6 percent</b>
<b>1933</b>	<b>24.9 percent</b>
<b>1934</b>	<b>21.7 percent</b>
<b>1935</b>	<b>20.1 percent</b>
<b>1936</b>	<b>16.9 percent</b>
<b>1937</b>	<b>14.3 percent</b>
<b>1938</b>	<b>19 percent</b>
<b>1939</b>	<b>17.2 percent</b>
<b>1940</b>	<b>14.6 percent</b>
<b>1950</b>	<b>5 percent</b>