

Section 1 Causes of the Depression

- **Election of 1928**—country enjoying prosperity—Coolidge decides not to run for re-election.
- Herbert Hoover-Republican candidate vs. Al Smith- Democratic candidate (1st Roman Catholic Presidential candidate)
- Issues of election (1) Prohibition (2). Religion (3). Economy
- Hoover wins 1st time sound movie cameras covered inauguration
- **The Bull Market**—period of rising stock prices is known as a bull market, dropping prices is a bear market.
- By 1929, 3 million Americans owned stock. Prices at new highs
- Investors buying on margin (small down payment borrow rest) If prices drop brokers could call in margins for immediate payment.
- By late 1920s investors were engaging in speculation bidding prices up without regard to a company's earnings, hoping to make a fortune overnight
- **The Great Crash**—by the end of 1929 market was running out of investors. Professional investors began selling off shares, prices slipped.
- Monday Oct. 23—margins called, causing rapid selling and prices drop
- Black Tuesday, Oct 24 prices took steepest drop. Socks lost \$10-15 billion in value.
- The Crash was not the major cause of the depression but weakened the economy so much it couldn't recover from other problems.
- Crash hurt banks in two ways (1) banks lent money to speculators (2) banks invested depositors money in market
- Banks then cut back on loans to consumers and businesses pushing us into recession.
- Some banks forced to close—People panic causing run on banks forcing more to close. During first two years 3,000 banks closed
- **Roots of Depression**—The causes of depression were entangled in the economy of the 1920s (1) overproduction (2)uneven distribution of wealth (3) increased personal debt (4)slowdown causes domino effect (5)loss of export sales (6) mistakes by Federal Reserve