

# WHAT IS "STOCK"?



**INVESTOR**

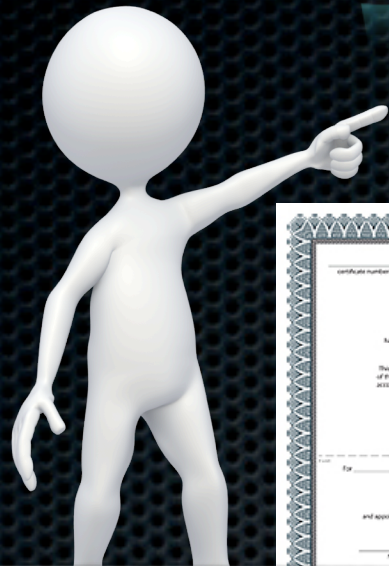


**COMPANY**

A sample stock certificate form is shown on the right side of the image. The form is titled "STOCK CERTIFICATE" and contains several fields for information. At the top, there are fields for "Certificate Number" and "Number of Shares". Below that, there are fields for "Corporate Name", "Incorporated in", "Shares of", and "Par Value". The main body of the form contains a paragraph of text certifying the ownership of the shares. At the bottom, there are fields for "President", "Secretary", and "Treasurer", followed by lines for "For" and "and appoint" with corresponding signature lines. The form is framed by a decorative border.



# WHAT IS "STOCK"?



**INVESTOR**

**COMPANY**





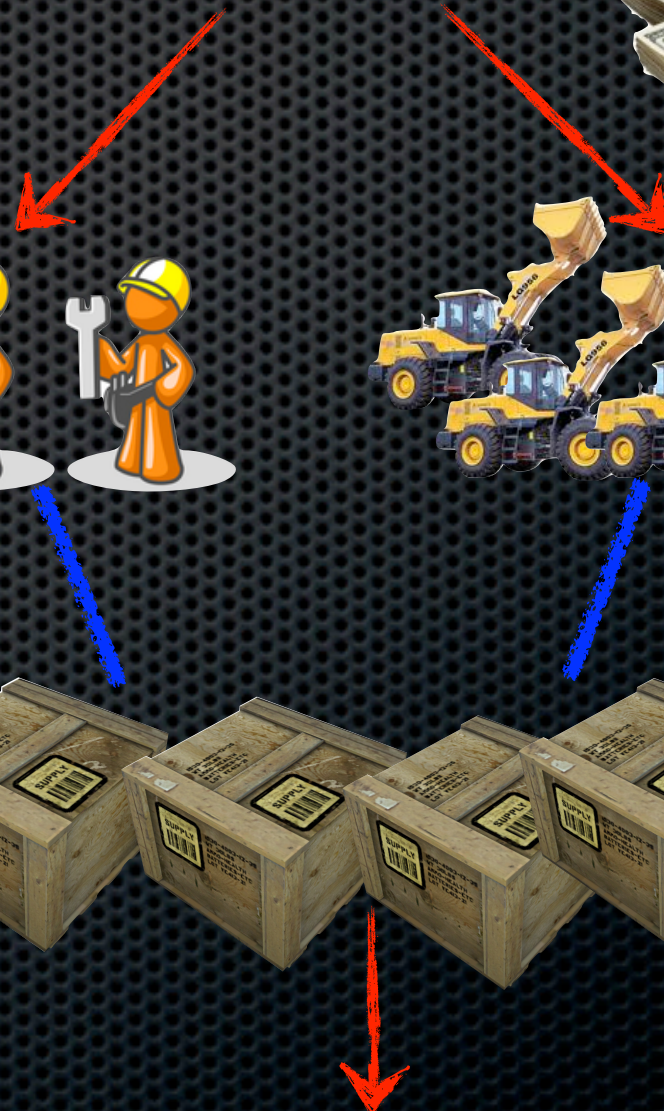
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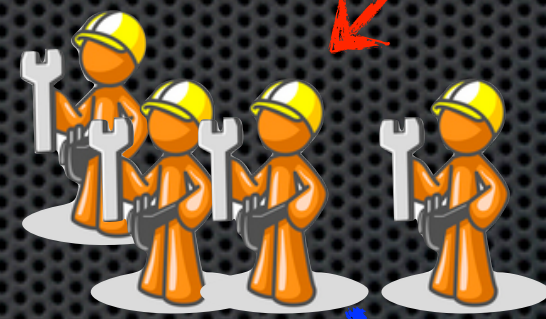
**PROFITS**





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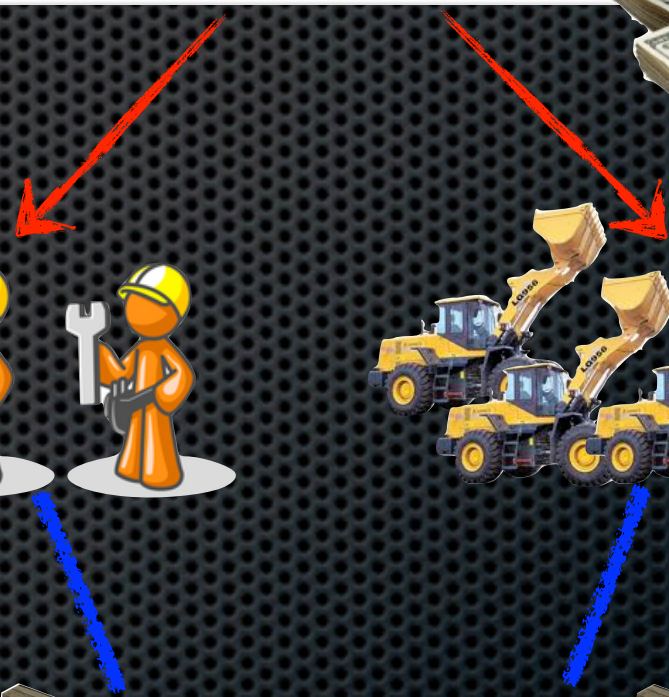
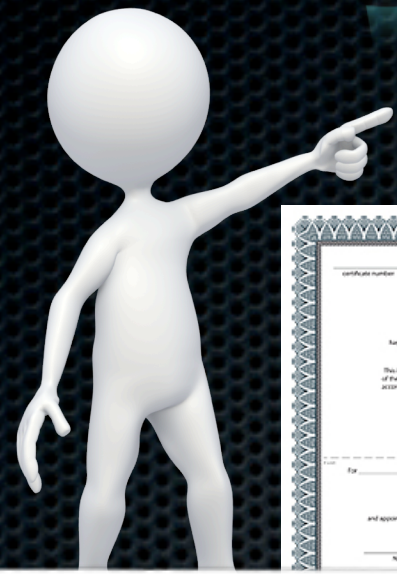


**PROFITS**



**INVESTOR**

**INVESTOR #2**

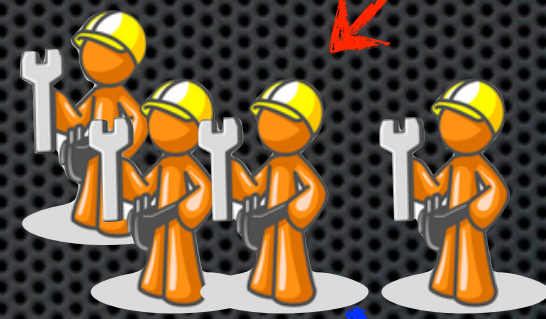




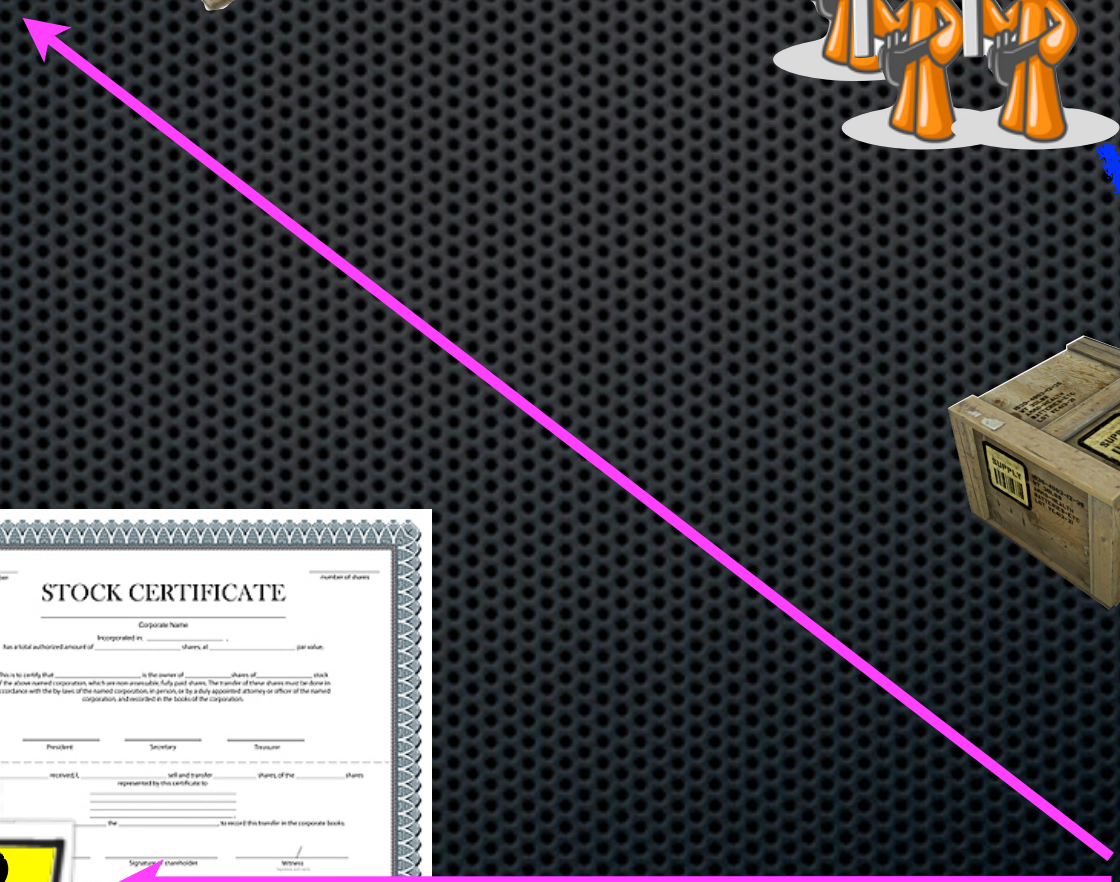
# WHAT IS "STOCK"?



**COMPANY**



**PROFITS**





The background of the entire image is a stylized American flag with a distressed, paper-like texture. The top-left corner features a blue field with white stars, while the rest of the image is composed of horizontal stripes of red and white. The text is overlaid on this background.

***UNITED STATES***

*HISTORY*

**with Mr. Willis**



## UNIT 5

# The GREAT dePRESSION & The new deal



## UNIT 5 - DAY 1

# The GREAT CRASH



**BY THE END OF THE 1920s, SOMETHING WAS TERRIBLY WRONG WITH THE US ECONOMY...**

**PRICES WERE RISING FAST BUT WAGES WERE STAGNANT**



**CONSUMERS REACHED THEIR CREDIT LIMITS & SPENDING SLOWED**



**SLOW SALES MEANT US FIRMS STRUGGLED TO MAKE PROFITS**



**WHICH LEADS TO...**



# AN ARTIFICIAL PROSPERITY

THE SIGNS THAT THE TWENTIES BUBBLE WAS ABOUT TO BURST!



## INDUSTRIES IN TROUBLE

Key US industries **weren't making profit**  
COAL, OIL, STEEL, TEXTILES, HOUSING, AUTO

## FARMERS STRUGGLE TO SURVIVE

**Falling prices** made it hard to **repay debts**  
FARMERS LOST HOMES, RURAL BANKS FAILED  
Gov. enacted **price supports** to set **crop prices high** and help farmers make profits

## CONSUMERISM GRINDS TO A HALT

Consumers ran out of **disposable income** & credit, so purchases slowed

## RISING DEBT

Both consumers & firms spent beyond their means & ran up **unpayable debts**



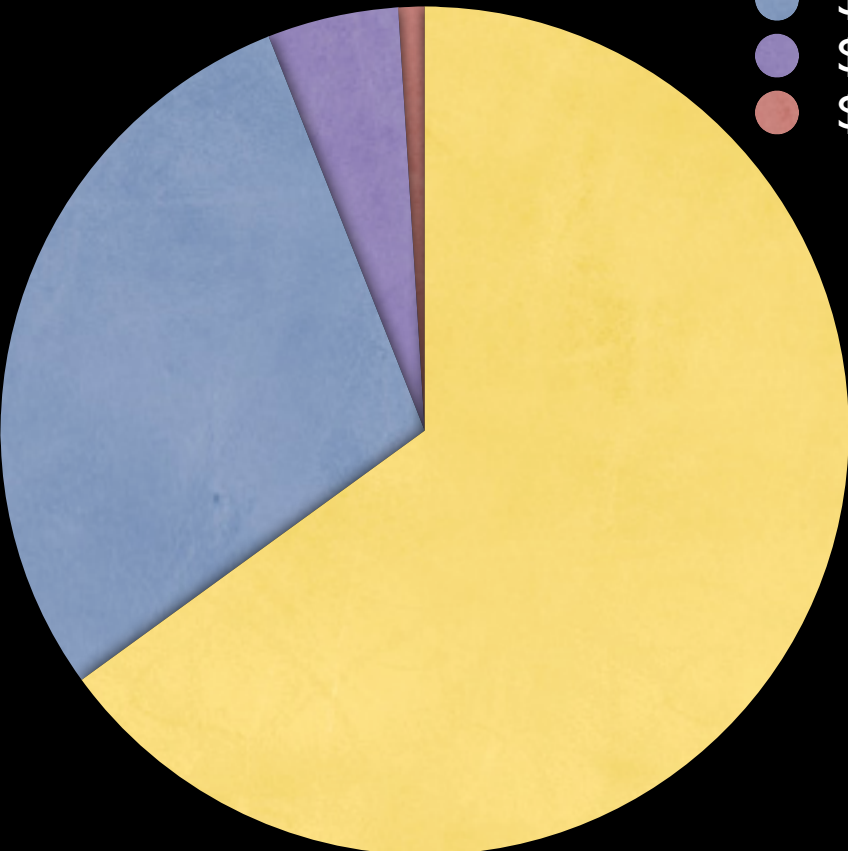
# UNEVEN DISTRIBUTION OF INCOME



More important, the prosperity of the 1920s hid a vast **inequality of income**  
**DURING THE 20s, THE RICH GOT RICHER AND THE POOR GOT POORER**

Only a **very small number** of Americans **actually prospered** during the 20s boom  
**WEALTHIEST 1% SAW THEIR WEALTH GROW 75%, WHILE MOST SAW ONLY 7% INCREASE**

ANNUAL U.S. INCOME IN THE 1920S



- \$1999 & under (65%)
- \$2000 - \$4999 (29%)
- \$5000 - \$9999 (5%)
- \$10,000 & over (1%)

## SIGNIFICANCE?

**MORE THAN 70%** OF AMERICAN FAMILIES LIVED AT THE POVERTY LINE

MOST **COULDN'T AFFORD** BASICS, **DIDN'T SAVE MONEY** FOR NEST EGG & **USED CREDIT** TO GET BY!



**IN ADDITION, AMERICANS LOOKED  
FOR QUICK RICHES IN...**

**The  
STOCK market**



# RISKY STOCK MARKET PRACTICES



AS RICH GREW RICHER, THEY INVESTED IN THE **Stock Market** Looking for **quick wealth** THEY OBSESSED OVER THE **DOW JONES INDUS. AVER.** (SHOWS MARKET'S HEALTH W/ POINTS)

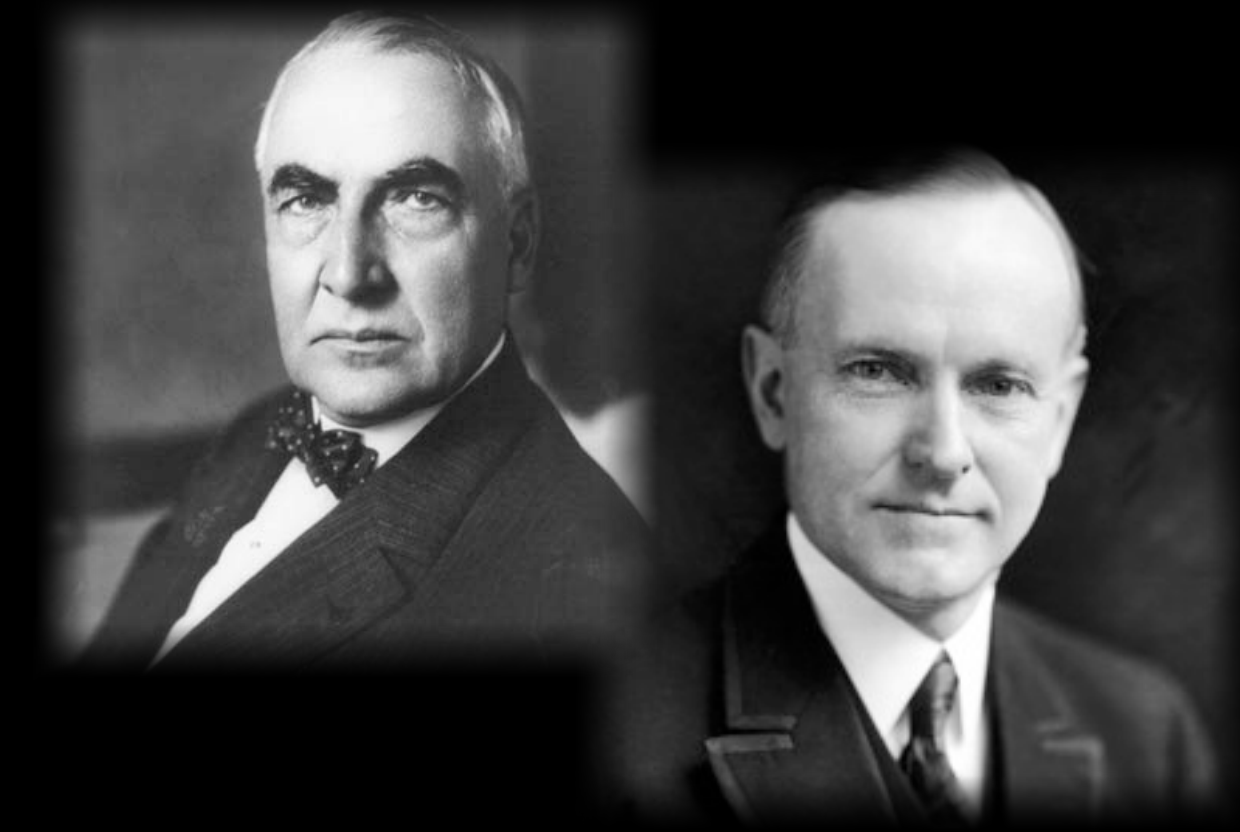
DURING THE 20s, **deregulation** of markets & **pro-business policies** had **eased rules** **HARDING & COOLIDGE** HAD RECKLESSLY EASED **GOV REG.** THAT ALLOWED RISKY PRACTICES

## SPECULATION

Investors bought stocks based on **hopes** for a **quick profit**, NOT ON **merits of firm**

## BUYING "ON MARGIN"

Investors bought stocks w/ **only small** **down payment** & paid the rest w/ **credit**





**LET'S LOOK AT THE SYMBOLIC  
START OF THE GREAT DEPRESSION...**

# **The STOCK MARKET CRASH**



# THE MARKET BEGINS TO CRASH



By 1929, the Dow had risen 300% from the previous decade

ONLY 3% OF AMERICANS WERE IN STOCKS, BUT IT SEEMED ANYONE COULD GET RICH

Oct. 1929 - Rumors spread that big investors were ready to sell their stock

MARKET CONFIDENCE STUMBLER, INVESTORS HURRIEDLY SOLD STOCK TO AVOID LOSSES

OCTOBER 24, 1929

Panicked investors dumped their stocks in mass numbers

As stock prices sank, wealthy bankers bought bad stocks to stabilize the market

THE DOW STABILIZED GOING INTO THE WEEKEND

October 24th, 1929

## WALL ST. PANIC AS STOCKS CRASH

Billions lost; wave of selling engulfs the financial market



# "BLACK TUESDAY"

OCTOBER 29, 1929

When trader's returned to the Exchange Monday, the **bottom fell out** of the market

**OCTOBER 29, 1929**

"Black Tuesday" was the **worst day of the crash**, saw the **biggest drop in stocks**

**PANIC OVERTOOK INVESTORS AS THEY DUMPED**

**16.4M SHARES AND STOCK PRICES SANK**

**SMALL INVESTORS WERE LEFT W/ HUGE DEBT,**

**FIRMS LOST MONEY, MANY LOST ALL SAVINGS**

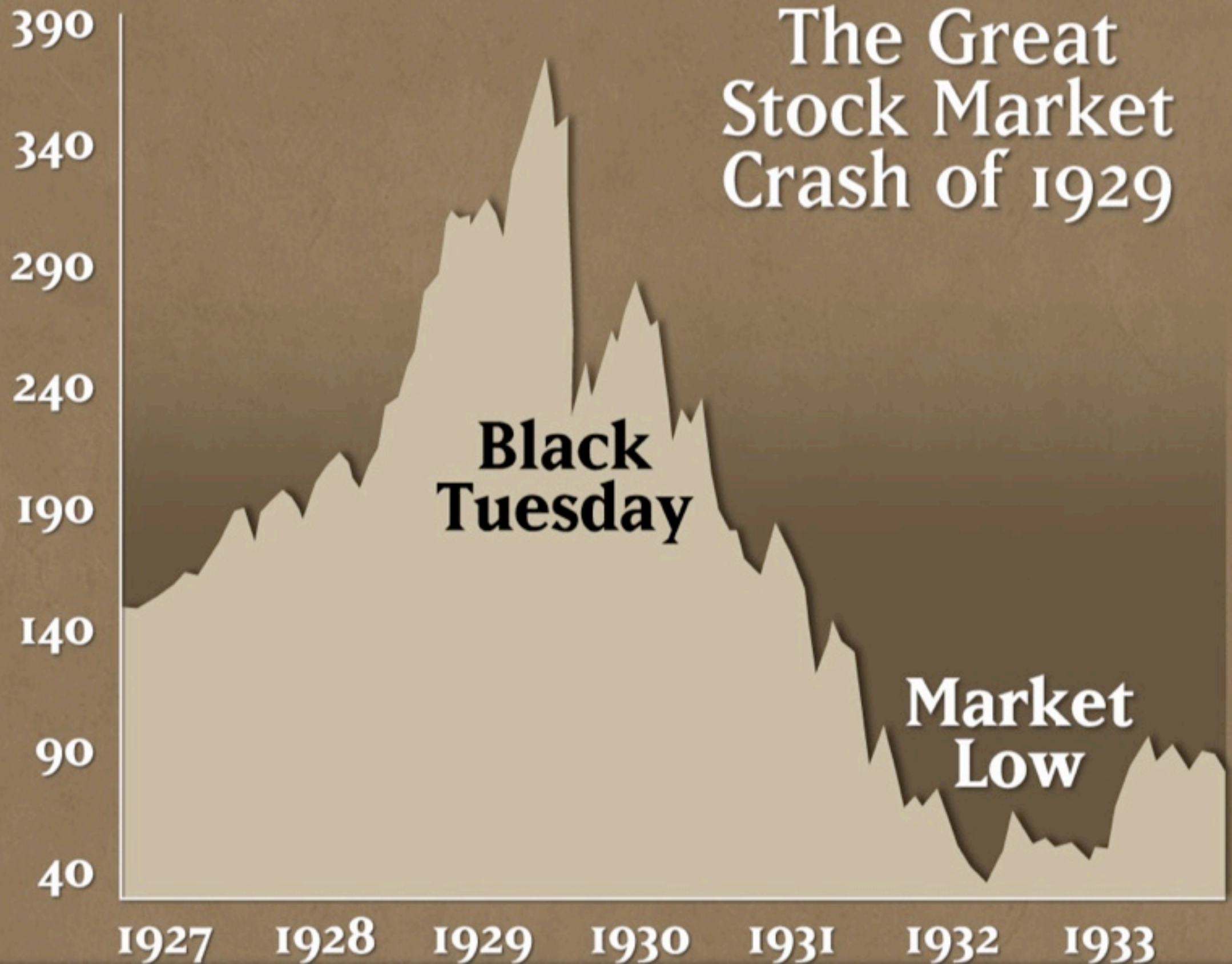
By November 1929, the market had **lost \$30 billion**, US output was **cut in half**





# The Great Stock Market Crash of 1929

Dow Jones





**THE CRASH WAS FOLLOWED BY**

**Bank failures**



# PANIC LEADS TO FINANCIAL COLLAPSE

Most Americans didn't have money in stocks, but **they had money in banks**

**THE UNCERTAINTY CAUSED BY THE CRASH LED TO PANIC TO WITHDRAW SAVINGS FROM BANKS**

**Banking Panic of 1929** - Millions rushed the banks to withdraw all savings at once

**THE BANK RUSH DRAINED FUNDS, MANY BANKS FAILED B/C COULDN'T COVER WITHDRAWALS**

Over **600 banks failed** by December 1929 & millions of Americans **lost their savings**

Banks that had invested in stocks **lost \$\$** & failed, evaporating **private savings**

**UNLIKE TODAY, THE GOV DIDN'T INSURE BANK DEPOSITS, SO MONEY LOST WAS LOST FOREVER**





# CLOSURE

analyze the following:



*"Keep out of there, you bum! That's the millionaires' bread line!"*