

The Wall Street crash of 1929

Key question: What were the reasons for the 1929 Wall Street crash and what was its economic and social impact?

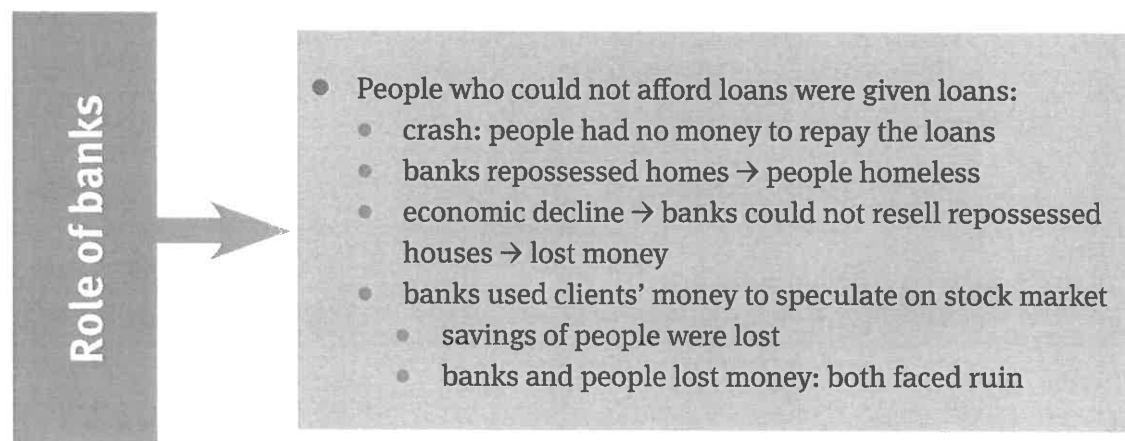
1 What were the causes of the 1929 Wall Street crash?

- New York Stock Exchange (NYSE) = Wall Street (its location).
- 1929: Thursday October 24th → first indication of something wrong:
 - share prices dropped
 - panic selling
 - 13 million shares sold.

After that, stock market stable for a few days.

- 1929: Tuesday October 29th = Black Tuesday:
 - share prices crashed again
 - millions of investors lost wealth, unable to repay loans
 - forced to declare bankruptcy
 - = beginning of terrible economic depression.

1.1 Immediate causes of the Wall Street crash



1.2 Other causes of the Wall Street crash

The Depression was made worse by factors other than Stock Market speculation.

**Prohibition
and crime**

- big increase in especially violent crime
- bootlegging = great profit → people willing to protect this income by any means, including violence
- armed gangs employed to protect illicit liquor in trucks → gun battles between rivals

Al Capone

- most notorious, most powerful in Chicago
- forced bootlegging operation owners to pay for 'protection'
- otherwise threaten to destroy shops
- bribed people, including police, to leave him alone
- killed anyone who defied him

**End of
Prohibition**

- speakeasies = places where illegal liquor could be bought
- crime extended to armed robbery, prostitution:
 - more and more called for end of Prohibition
 - 1931: end of Depression, states realised liquor tax would bring much needed revenue
 - Roosevelt (Democrat) won 1932 election: Democrats opposed Prohibition
 - → 1933: ended

Inbalance of wealth

- businesses kept prices high, made huge profits, but kept wages low
- uneven wealth; division between productivity and spending power
- banks giving too many loans hid this imbalance in wealth for a while

Government policies

- tax reductions favoured rich: fuelled fever of speculation
- lack of government intervention: monopolies and high prices
- hostility towards labour unions, no bargaining, kept wages low
- trade tariffs had opposite effect to that intended → stopped flow of trade between US and rest of world

Agriculture

- after WWI high demand for agricultural products declined
- result: surplus of produce → drove prices down
- farmers left farms → farmworkers unemployed

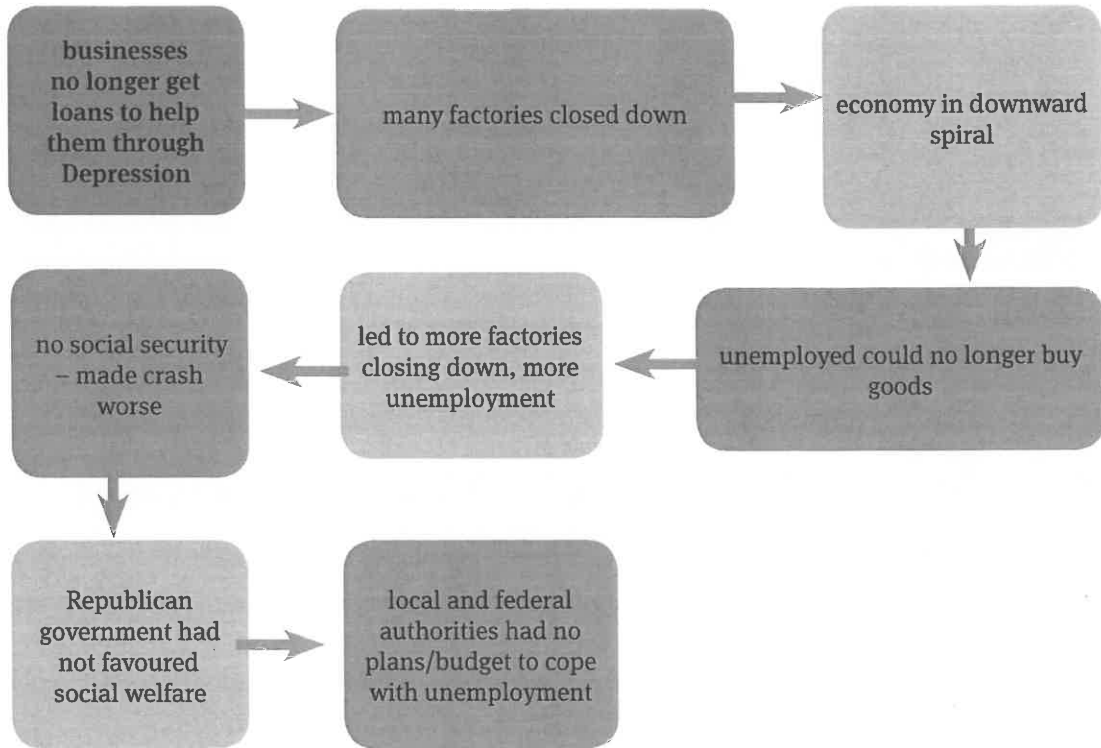
2 What was the economic and social impact of the Wall Street crash?

USA entered a period of economic downturn = Great Depression: had enormous economic and social impact.

2.1 The economic impact of the Great Depression

USA totally unprepared for major economic slump BUT lack of government action deepened economic crisis:

- By March 1933:
 - production output had dropped 30% below 1929 levels
 - prices were 25% down
 - national income had declined by 50%.
- Small speculators:
 - lost everything they had.
- Big businesses
 - financiers, bank managers
 - lent money for business → went bankrupt
 - 1929: 650 banks went bankrupt
 - 1933: 4 000 banks went bankrupt
 - = unable to recover what was lost in crash.



Also:

- Decline in international trade
- → exports dropped because of closures of factories
 - = loss of income for US businesses + government:
 - worsened crisis.

2.2 The social consequences of the Great Depression

Misery caused by unemployment	For vast majority of unemployed – no aid schemes	Unemployed could not meet rent/ mortgage payments	Homelessness → slept in parks, subways, shantytowns
→			
Shantytowns	<ul style="list-style-type: none"> ● Informal settlements on edges of cities/towns <ul style="list-style-type: none"> ● shacks of tin/sacking/ material from rubbish dumps ● ‘Hoovervilles’ → mocking Hoover ● food from dustbins, charity shops or breadlines 		
Rioting			
<ul style="list-style-type: none"> ● Food riots broke out in two small towns, Henryetta (Oklahoma) and England (Arkansas) <ul style="list-style-type: none"> ● people threatened relief agencies and food shops ● Bonus Marchers = small group of WWI veterans and their families → demand the payment of post-War bonuses promised by the government ● protesters violently dispersed by army 			

Growth of unemployment:

- In some areas, 1/4 of people unemployed and same number under-employed.
- Relief payments average = \$7 to \$8 a week.
- No food → malnutrition and anaemia
- Families broken up:
 - → men to men’s shelters, women to women’s shelters, children in orphanages
 - → suicide rates rose.

Poverty carried stigma of laziness and dishonesty



Poverty and aid

- authorities considered relatives to be first source of aid
- could only apply for help when completely destitute
- at first, all aid organised by private charities/individuals
- states forced to take on some responsibility when private aid organisations ran out of funds



Government acknowledgment

- few public leaders acknowledged crisis
- Hoover encouraged public to keep up hope
- eventually Hoover introduced some measures to help poor
 - increased public works programmes to provide jobs, increased federal government spending and introduced some tax relief
 - = too little too late

