

Why did the US stock Exchange  
collapse in 1929?

# Back ground

- Republican, Herbert Hoover was elected President in March 1929.
- The US economy appeared to be still booming.
- Hoover promised a **'chicken in every pot and a car in every garage'**.
- He claimed that the USA had almost **got rid of poverty for ever**.

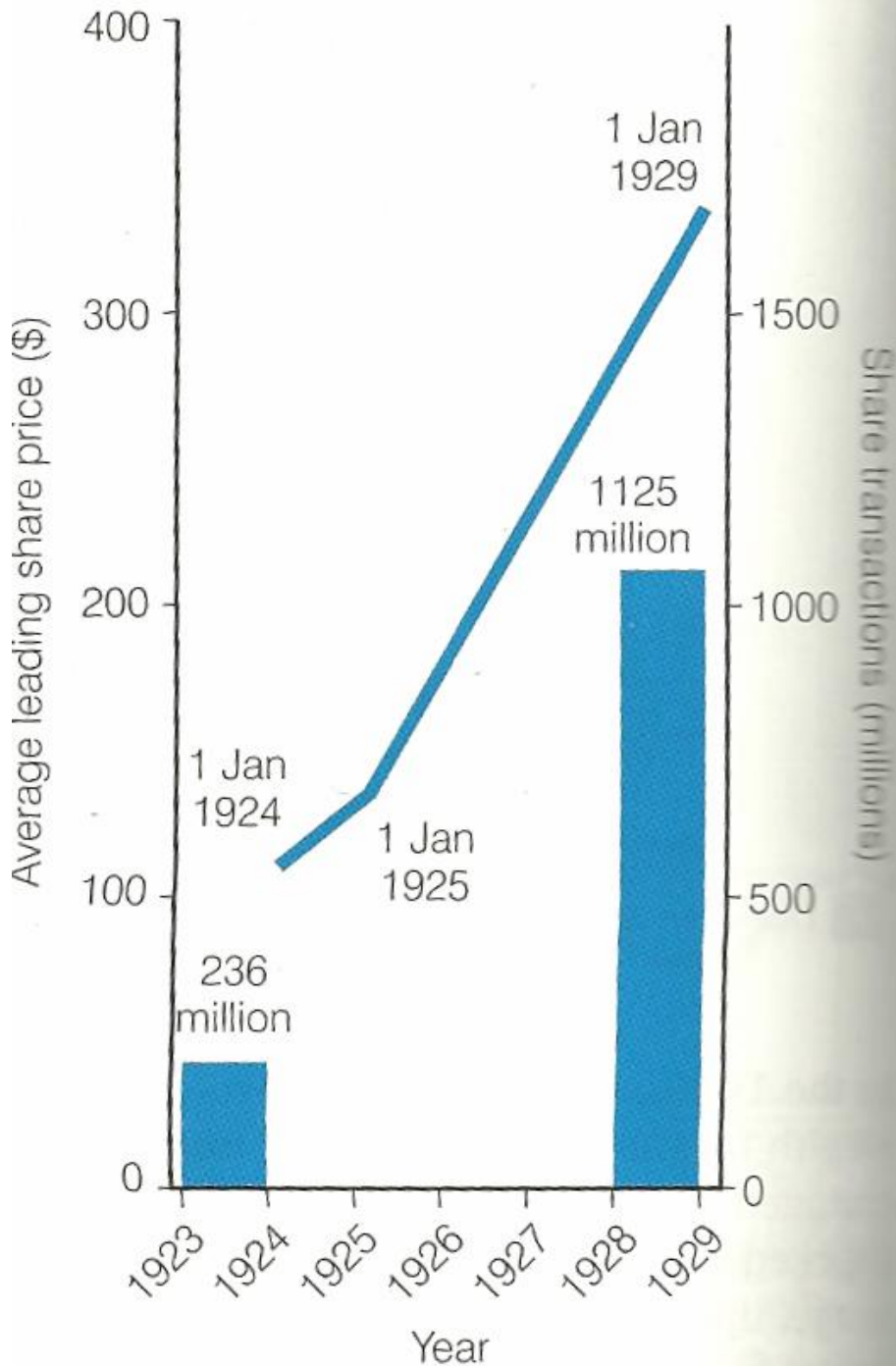
- **June 1929** Production was beginning to fall
- Over production was effecting output
- September 1929 share prices fell slightly so the banks restored stability by buying up vast numbers of shares.
- **October 1929**
- 24<sup>th</sup> October PANIC set in.
- 13 million shares were sold in one day.
- Banks could not afford to intervene again.
- This led to a loss of confidence and more panic selling.
- **By 29<sup>th</sup> October** investors sold their shares for whatever price they could get.

**B** *Changes in the price of shares in some US companies in 1929*

Company	3 September 1929 (cents)	13 November 1929 (cents)
General Electric	396	168
General Motors	182	36
United States Steel	279	150
Woolworths	251	102
Radio	505	28

**Explain what you can learn from source B about the effects of the Wall Street Crash in 1929**  
**4 marks**

- **Target: Comprehension and inference from a source**
- no evidence or fail to address the question. **0**
- **Level 1 Answer that takes information from the source**
- e.g. there was a price of shares fell; radio share prices fell the most; **1-2**
- **Level 2 Answer shows understanding and is able to make inference(s) from source**
- In 2 months share prices fell heavily; the price of shares shows a lack of confidence in the market;
- It affected all areas of the US economy – department stores, consumer goods, cars, electricity and raw materials;
- Most prices fell by at least 50% but some by more than 200%
- Lots of investors lost money in the crash **3-4**



- How useful is source A for studying the state of the US economy in early 1929?
- Use source A and your own knowledge to explain your answer.
- 10 marks

- **Target: Evaluation of a source for utility using own knowledge (AOs 1, 2 and 3)**
- Candidates give no evidence or fail to address the question. **0**
  
- **Level 1: EITHER**
- **Accepts the content of the source at face value**
- e.g. the source shows that share prices rose rapidly between 1920 and 1929
- **OR**
- **Generalised or learned response which could apply to any source**
- e.g. it is a graph, we do not know where they got the data from or why it was produced.
- **1-2**

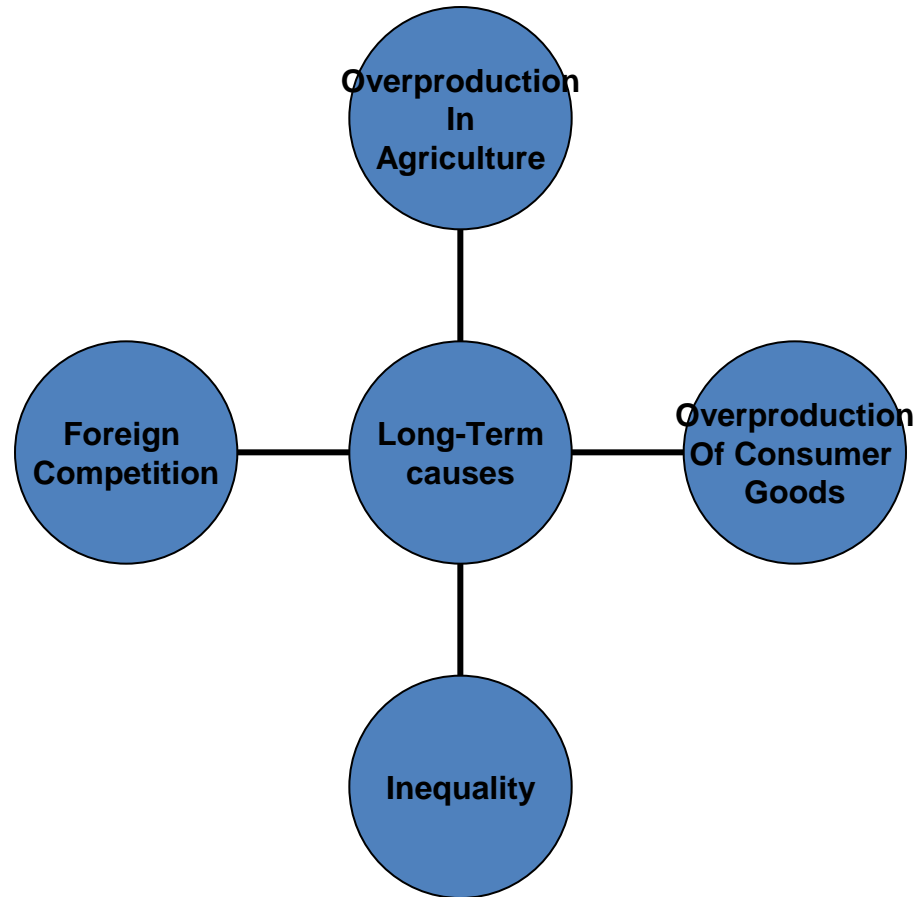
- **Level 2: EITHER**
- **Simple comments on the usefulness or the limitations of the source based on information in the source and/or own knowledge**
- e.g. the source is useful for showing how the prices of shares on the stock market rose quickly between 1923 and 1929
- It shows how many times shares were sold between 1923 and 1929
- **OR**
- **Simple comments on the usefulness or the limitations of the source in**
- **terms of provenance or reliability or bias.**
- e.g. the source is limited in use because it is a graph and statistics can be manipulated.
- We do not know where the data has come from
- It covers a much wider period than just 1929
- **3-5**

- **Level 3: EITHER**
- **Developed explanation about the utility/limitations of the source using the source and own knowledge**
- e.g. the source is useful for showing how some American newspapers assumed that their readers were familiar with stock market activities as indeed they were in many sections of society during the boom of the 1920s, with many people tempted to invest their money, even mortgaging their homes.
- **OR**
- **Developed explanation about the utility/limitations of the source focusing on the provenance of the source in relation to the content and/or own knowledge.**
- e.g. the source is useful for showing how some Americans were prepared to ridicule the American preoccupation with the stock market, and suggest that there might be other priorities in life such as health. By 1927 there were significant criticisms of the stock market developing.
- The answer demonstrates developed understanding of the rules of spelling, punctuation and grammar. It is well organised with an appropriate form and style of writing. Some specialist vocabulary is used.
- **6-8**

- **Level 4: Both strands above, one at Level 3, the other at Level 2 9**
- History – AQA GCSE Mark Scheme SPECIMEN
- 17
- **Both strands above at Level 3**
- The answer demonstrates highly developed/ complex understanding of the
- rules of spelling, punctuation and grammar. It is well structured, with an
- appropriate form and style of writing. Specialist vocabulary is used effectively.



# The Wall Street Crash



# The Wall Street Crash

## Short Term Causes

- Most of these related to shares
- Many ordinary Americans bought shares
- Normally this is good for business but in the USA in the 1920s the rush to buy shares caused problems
- Many people bought and sold shares to make quick profits instead of keeping their money invested. Speculators not investors.
- Companies were forced by shareholders to pay out profits to shareholders rather than re-investing the profits.
- Americans borrowed money on credit to buy their shares.
- All this depended on share prices continuing to rise.
- In September 1929 share prices started to edge down – slowly at the beginning but soon people began to panic.
- ‘Black Tuesday’ 29<sup>th</sup> October 1929 – share prices collapsed.

# The Wall Street Crash

## The immediate effects of a crash

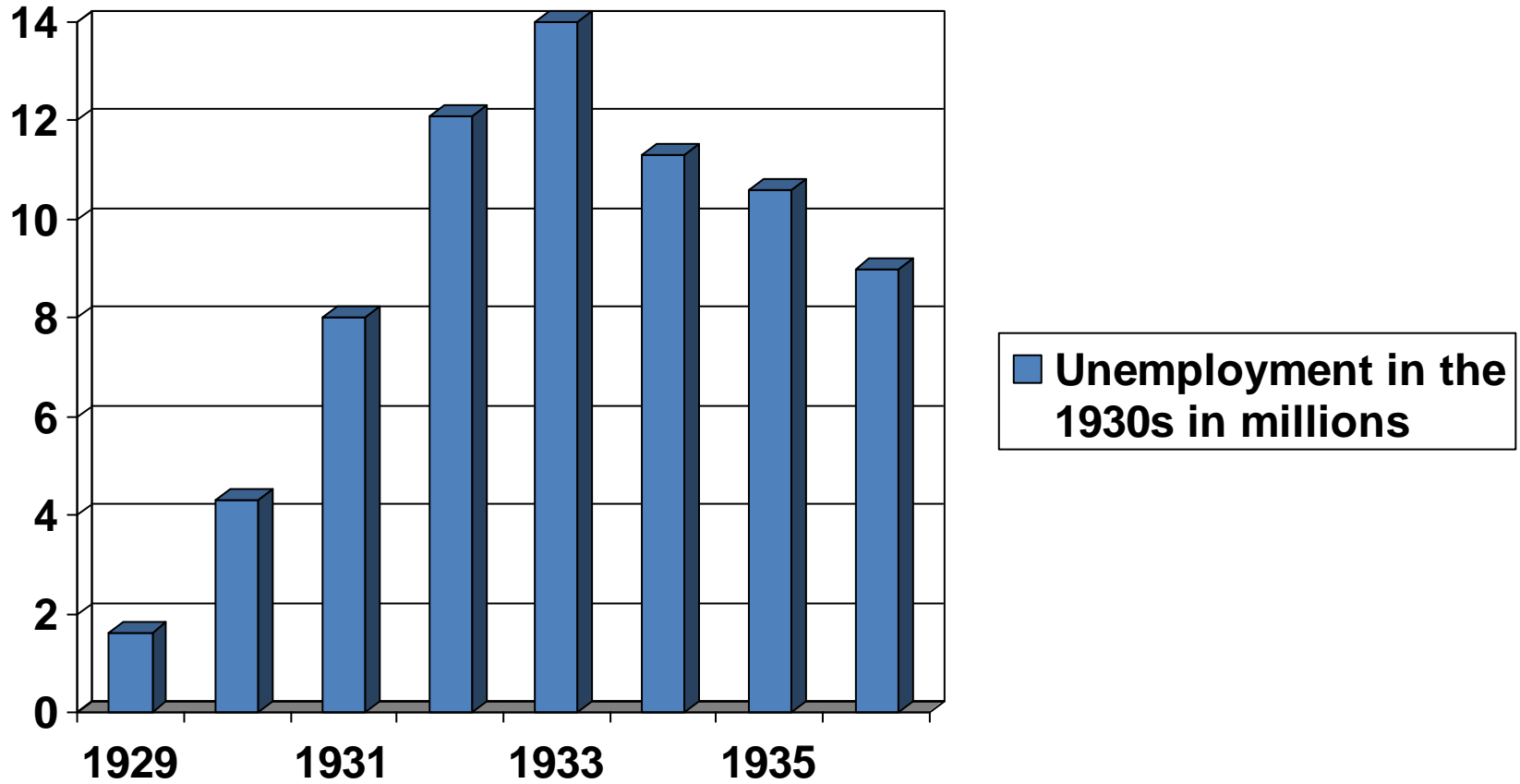
- Many individuals were bankrupt – they could not pay the loans they used to buy their (now worthless) shares
- Some homeowners lost their homes as they could not pay their mortgages
- Even some who had savings lost their money when banks collapsed
- Many farmers suffered a similar fate as banks tried to get back their loans

# The Wall Street Crash

## The immediate effects of the crash

- The confidence of individuals was shattered
- Many faced unemployment, and those in work faced reduced hours and wages
- They tightened their belts and stopped spending
- About 11,000 banks stopped trading between 1929 and 1933
- At the same time, demand for goods of all types fell.
- As a result, production fell and so did wages and jobs.

# Wall Street Crash



# Wall Street Crash

## President Hoover's response to the Crash

- “In Hoover we trusted, now we are busted!”
- Most Americans blamed Hoover for the crash
- It's not entirely fair to blame him completely because there were greater forces at work.
- But people blamed him for what ***he didn't do***.
- “prosperity is just around the corner” this unfounded optimism upset many Americans
- However, Hoover did do some things to try and deal with the depression.
- He set up the Reconstruction Finance Corporation (RFC) which lent money to banks, industries and agriculture.
- He tried to encourage American exports (without much success).

# Wall Street Crash

## President Hoover's response to the Crash



- » Overall Hoover still believed in RUGGED INDIVIDUALISM and showed little sympathy for the poor, starving Americans living in shanty towns called 'Hoovervilles'.
- » 'Bonus Army' march of 1932
- » Made up of ex-servicemen who had fought in WWI.
- » They were due to be paid a bonus by 1945, but because of massive unemployment they were asking for it to be paid early.
- » The Marchers moved on Washington but were dispersed by troops.
- » Hoover's reaction was to condemn the marchers.



# Roosevelt and the New Deal

## The Presidential Election 1932



- Franklin D Roosevelt was well educated and a talented, passionate politician.
- He had complete faith in his ideas for bringing the USA out of the Depression.
- During the presidential election of 1932, his key phrase was his offer of a ‘New Deal’ for the American people.
- He ran a much better campaign than Hoover.