Document Set #1: Buying on Margin and the Stock Market

In the 1920s, more people bought more things than ever before! This was largely due to easy credit through payment plans and "buying on the margin" practices. Payment plans meant that people could buy expensive, big items, such as a car, in smaller, multiple payments instead of all at once. Similar to payment plans, "buying on the margin" meant that small-time investors (like you!) could purchase stock in a company with only a small portion of their own money. The rest of the cost was covered in a loan from stockbrokers. Many investors thought that they could pay off this loan with the future profits from their bought stocks. If the value of the stock went up, investors would pay back the stockbroker, then pocket the money made. But if the value of the stock went down, then investors were unable to pay back the stockbroker, and they would not make any money. In the 1920s, the stock prices were high. However, this was due to overspeculation, and not true economic value. On October 29, 1929, "Black Tuesday," the U.S. Stock Market finally crashed. As a result, anyone who had bought stocks "on the margin" was unable to pay back their loans, and families could no longer afford to pay their payment plans.

Picture #1: The Milwaukee Leader, October 1929.

The Milwaukee Leader

HOME EDITION

BILLIONS LOST IN NEW STOCK CRASH

PRINCIPALS IN COAST CASE

TRUNK PLANT FIRE DAMAGE IS $75,000

May Punish Senator for Aiding Tariff Lobbyists

BANKERS' AID FAILS TO END SELLING WAVE

FIRE MENACES INDUSTRIAL AREA

BINGHAM SAYS IT'S FRAME-UP, IS CRITICISED

PANTAGES IS

Newsies Call

Picture #2: New York, 1929.

Document Set #2: Bank Failures

During the 1920s, many Americans deposited their money into banks. In return, banks would provide Americans with loans. In a loan, a bank provides a person with money right away, and that person eventually pays the bank back. Following the crash of the stock market, many people rushed to withdraw from their banks the little money they had left. However, prior to the Great Depression, banks were poorly regulated. Many banks used similar, risky practices that people did during the 1920s. After the stock market crash, many people were unable to pay back the bank for loans, further hurting banks. Bank deposits were uninsured, meaning that people who deposited any money in a bank that failed lost all of their savings – and they couldn't get it back. Throughout the Great Depression, over 9,000 banks failed. Surviving banks stopped creating new loans for people in need of cash, which made the economic situation even worse.

Picture #1: American Union Bank, 1930.

Picture #2: Political Cartoon, 1932.

Document Set #3: International Tariffs

At the end of the 1920s, the assembly line and other technological inventions led to a decreased need for labor. As a result, many people lost their jobs, and unemployment increased. In addition, many businesses started going bankrupt with the crash of the stock market and collapse of the banking system. In 1930, President Hoover signed the Smoot-Hawley Tariff in order to address this unemployment and protect American businesses. The Smoot-Hawley Tariff placed an import tax on foreign goods, which made it more expensive to buy goods that were made outside the United States. President Hoover hoped that this would increase the consumption of American goods, and help American companies make more money. In response to this tariff, foreign governments enforced their own tariffs, which led to more expensive international trade.

Picture #1: New York Times, June 18, 1930.

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HOOVER SIGNS TARIFF BILL AS BORAH IN SENATE SEEKS CUTS BY FLEXIBLE CLAUSE

NEW DUTIES GO INTO EFFECT

The President's Action Made Hawley-Smoot Bill Law at Midnight.

SIX PENS FOR

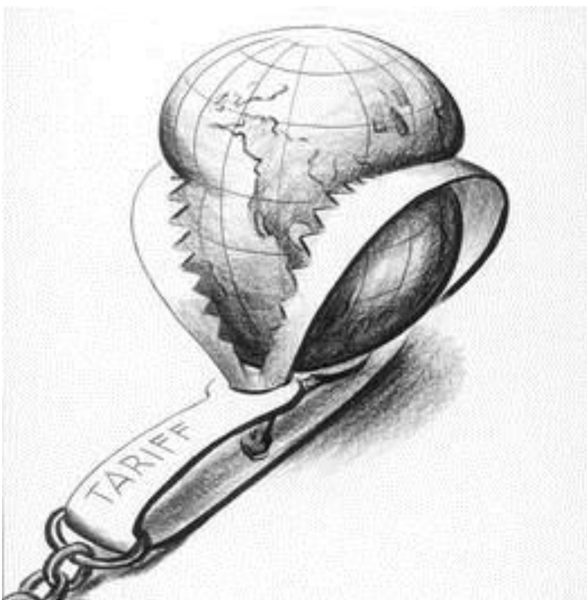
Belgian Government Protests To Washington on the Tariff

Special Cable to THE NEW YORK TIMES.

BRUSSELS, June 17.—The Belgian Government, through Prince de Ligne, its Ambassador at Washington, has sent the United States Government a note protesting against the new tariff.

The note points out that the trade balance between the two countries is already

Picture #2: Wall Street Journal Political Cartoon, 1939.



Caption: "Smoot-Hawley: The End of Free Trade?"