

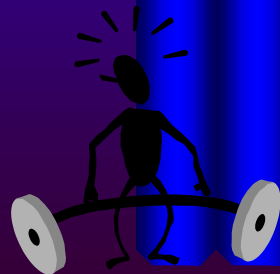
Economic Causes of the Great Depression

If you asked someone on the street what caused the Great Depression they would probably say the stock market crashed; they are not wrong but you need to understand why they are also not right, here's why...



Weaknesses of the Overall Economy

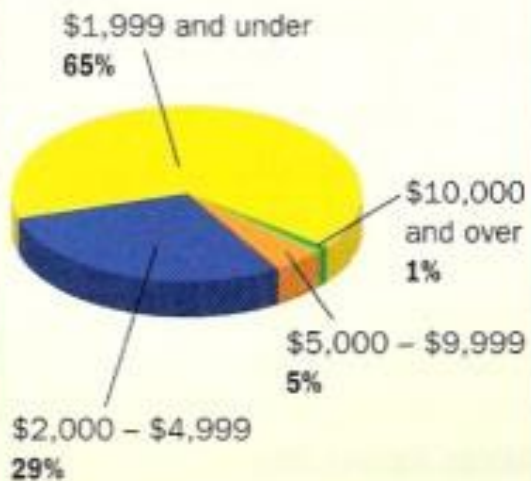
- Why would American businesses start to struggles in the 1920's?



ECONOMIC BACKGROUND

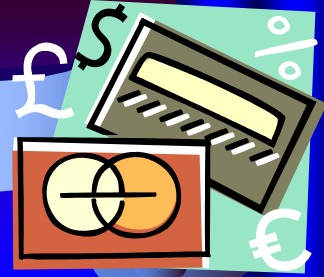
UNEVEN INCOME DISTRIBUTION, 1929

The 1920s were an era that favored big business. Life was good for the rich. They made up just 0.1 percent of the population and had yearly incomes of more than \$100,000. Conversely, much of the population had to scrape to get by. Many earned so little that everyone in the family, including children, had to work. Nearly 80 percent of all families had no savings.



Source: *Historical Statistics of the United States, Colonial Times to 1970*

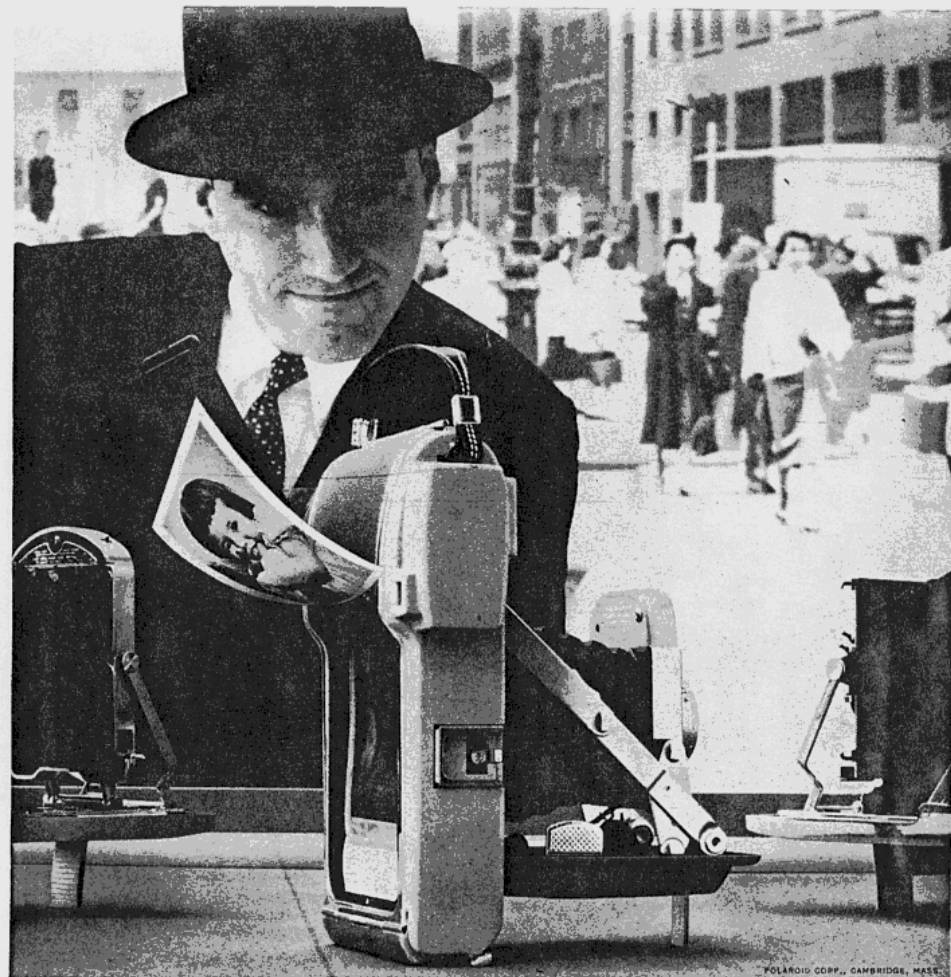
What do you notice about the percentage of people that make \$1,999 and under PER YEAR?



Excessive Buying on Credit

- As new products came to the market people wanted to purchase these things
- *What problem do you think consumers might have?*
- *What could be done to solve this “problem?”*
- The problem was that people were going into debt and eventually were unable to pay all of their bills

- *Polaroid trying to sell cameras using installment plans...*



GO AHEAD...GET IT!

Don't just stand there looking at it. Go on inside. You don't have to tell him you want to buy it. Just tell him you want to see it.

Examine the construction, carefully. Open it up. Notice the wide range of exposures that the coupled shutter-lens system offers...how precise the focusing set-up is...how sturdy every movable part is. This camera is really built.

He'll take your picture. And sixty seconds later, he'll show you that picture. Then you take a couple of shots yourself. See how easy it is to work.

You'll be having so much fun snapping pictures one minute and seeing them the next that maybe you won't notice right away how terrific the quality of these pictures is. But take a good look. The new panchromatic

Polaroid Land Film is simply great. Details are razor sharp. Blacks are really rich. Whites are like snow. And these pictures last, like any fine prints. Copies? All you want. Enlargements? Big as you want.

How much for the camera? The one you were looking at in the window is \$69.95. You can pay for it at \$1.19 a week. \$1.19 a week and it's yours.

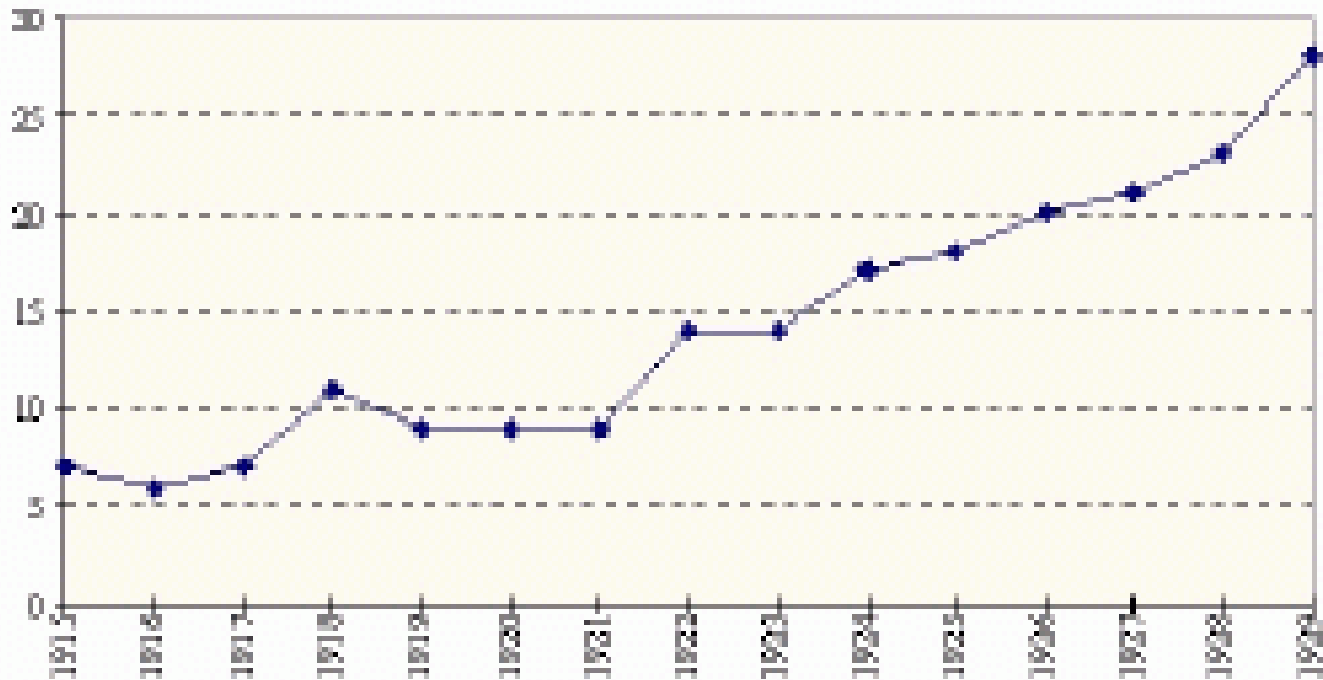
Go ahead... get it!

POLAROID® LAND CAMERA WITH NEW PANCHROMATIC FILM

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Number of Ads for Major Durable Goods Mentioning Installment Plans (Buying on Credit)

Figure 1: Number of Ads for Major Durable Goods Mentioning Installment Plans

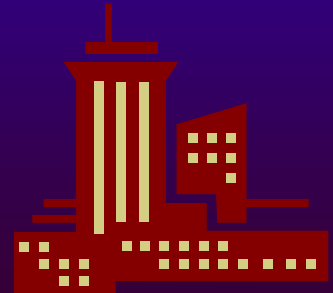


Why do you think more and more businesses were relying on installment plans (using credit) to sell their products?



Weak Corporate Structure

- During the 1920's there were many business consolidations
 - What resulted was a few large companies controlling certain industries
- When one company collapsed this lead to problems in the whole industry which then could affect other industries

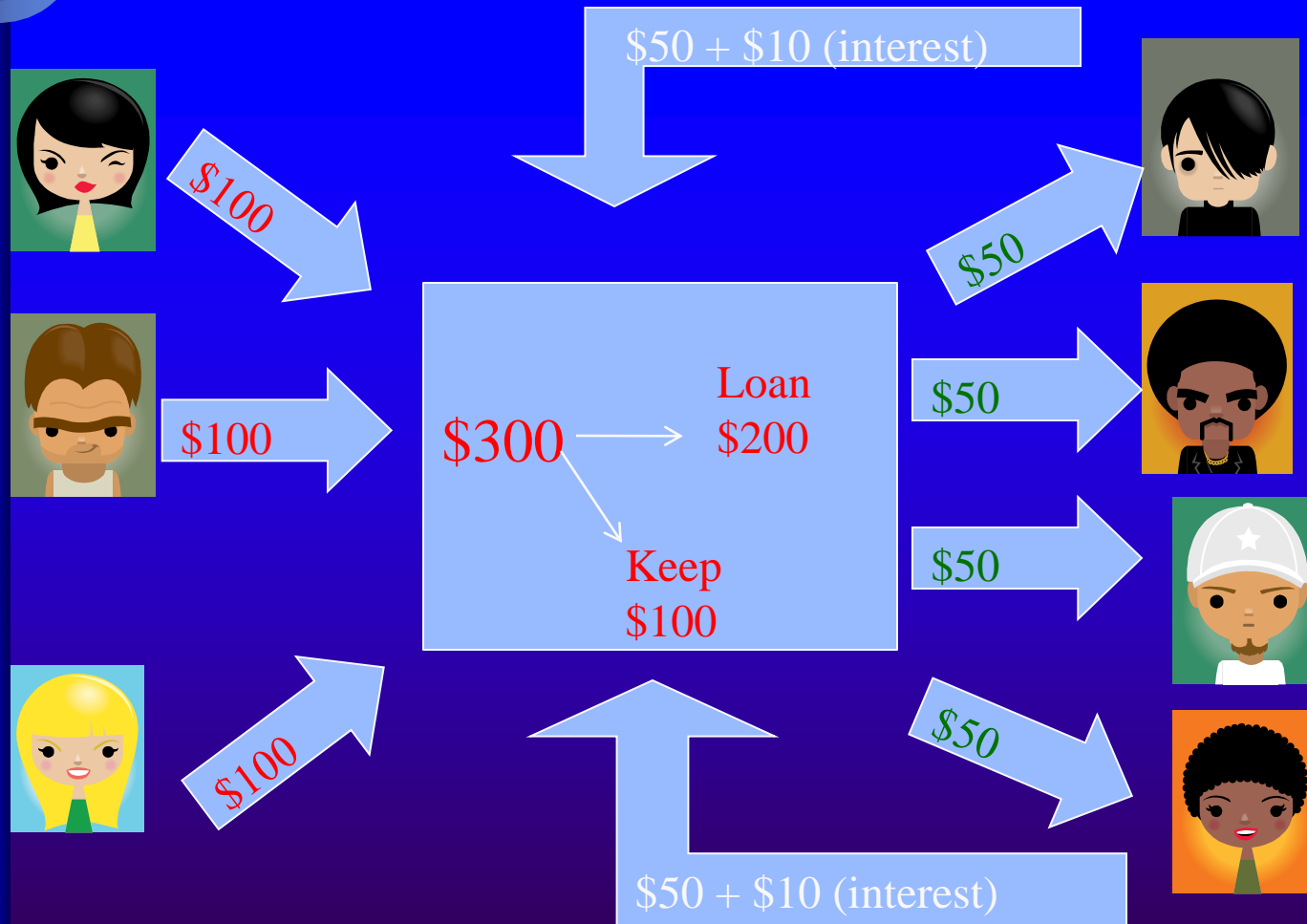




Weak Banking Structure

- When people deposit money in a bank, the bank can loan that money to someone else
- As long as people keep depositing money in the bank and loans are repaid the banking system will work
- During the 1920's banks were also investing people's money in the stock market
- When the stock market crashed and people could not repay their loans the banks had lost all the money that people deposited in them
- When people went to get their money in savings it was gone!!!

How the banking system works...



A WISE ECONOMIST ASKS A QUESTION



McWhorter
Copyright 1933 by The Chicago Tribune



Inadequate Government Policies

- Stock market was unregulated by the government
- Tax policies favored the rich increasing the gap between rich and poor
- Consolidations of corporations was NOT challenged under antitrust laws
- The Federal Reserve, which was created to regulate the nations money supply did a poor job of handling the looming crisis

The Great Stock Market Crash of 1929

