



**The Nation's Sick Economy &
the Great Depression**

Charting Causes of the Great Depression



Cause

Definition & How it Contributed to the Great Depression

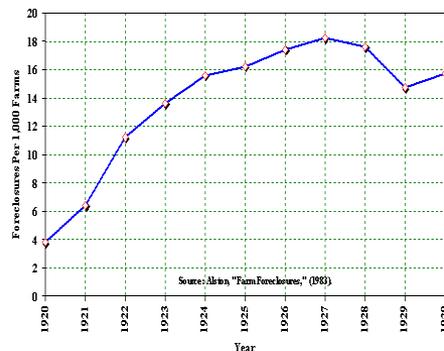
Over Production
(too much inventory, not enough buyers)

- By the end of the 1920s, factories produced too many durable goods (known as over-production) People did not need as many appliances and cars by the end of the decade (under-consumption)

Farming Problems

- Problems for farmers and industry -Railroads, textiles, coal were losing money and faced competition from cars, synthetic fabrics, natural gas.
- During WWI, prices rose and international demand for crops such as wheat and corn soared. The end of WWI led to a decline in demand for agricultural products and a 40% decline in crop prices
- Farmers boosted production. Farmers could not pay back loans and many had their farms foreclosed. Rural banks also began to fail. Congress tried to help farmers out by implementing price-supports

Figure 8: Farm Mortgage Foreclosure Rate, 1920 to 1930

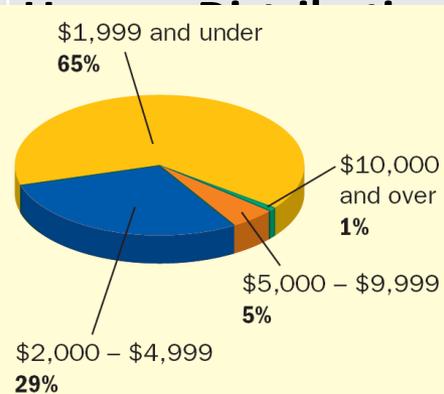
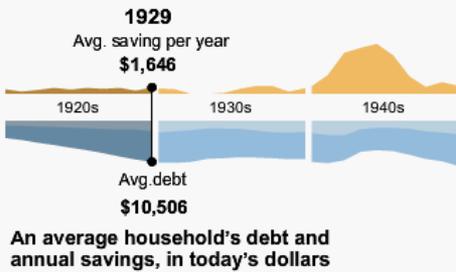


Note: (The government would buy surplus crops at guaranteed prices and sell them on the world market. but Pres. Coolidge vetoed the bill.

Causes

Definition & How it Contributed to the Great Depression

Living on Credit

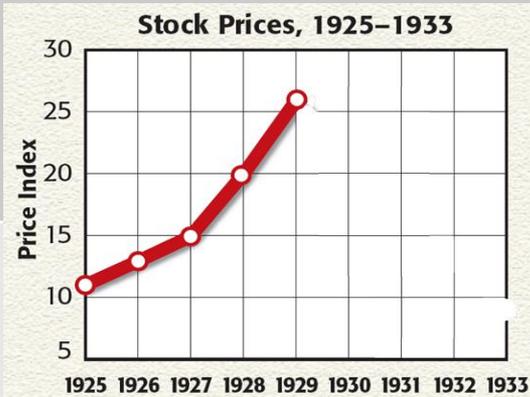


- Used credit to live beyond their means. This was often in the form of an installment plan (usually in monthly payments) that included interest charges.
- Americans generated large debts, and had to cut back on spending by the end of the decade.
- Wealthiest 1% of population rose by 75%, compared to 9% increase as a whole for all Americans. 70% of Americans were considered “poor” (earned less than 2,500 year) so most of the spending was done by 30% of the population.
- Note: Economists estimate that the average man or woman bought a new outfit of clothes only once a year. Scarcely half the homes in many cities had electric lights or a furnace for heat. Only one city home in ten had an electric refrigerator. This unequal distribution of income meant that most Americans could not participate fully in the economic advances of the 1920s.

Causes

Definition & How did it contribute to the Depression?

Stock Market Speculation



Buy on Margin



- People were engaging in **speculation**—that is, they bought stocks and bonds on the chance of a quick profit, while ignoring the risks
- The stock market soared throughout the 1920s and people speculated by buying on margin.
- Paying a small percentage of a stock's price as a down payment and borrowing the rest.
- The stock market was not regulated which allowed some companies to alter their stock values to increase profits... This created a "bubble" in the stock market. If value of stock declined, borrowers had no way to pay off stock.



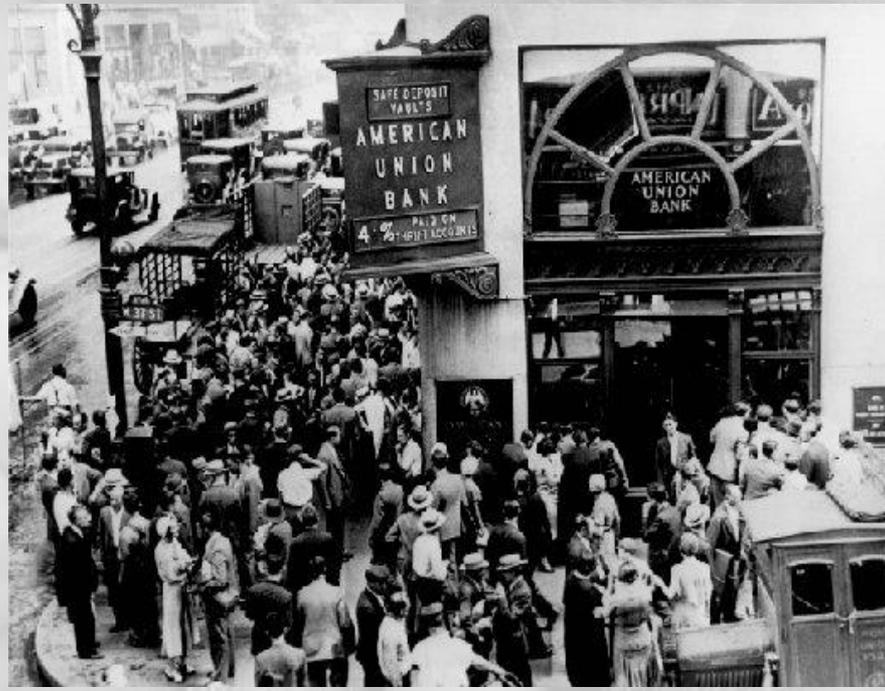
On October 29, 1929 - (**Black Tuesday**) the **stock market crashed** . Black Tuesday—the bottom fell out of the market and the nation's confidence. People rushed to sell, stock prices dropped, and investors lost a total of \$30 billion. Speculators who bought on the margin, could not pay off their debts.

After the crash, people tried to withdraw their money from banks

When banks could not produce money for all their customers, (b/c they invested in the stock market) the banks failed

This led to a run on banks across the U.S... hundreds of banks failed (In 1929, 600 banks closed. By 1933, 11,000 of the nation's 25,000 banks had failed) and thousands of people lost their savings

The banking failure and stock market crash led to the collapse of thousands of businesses



Bank Failures

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Business Failures



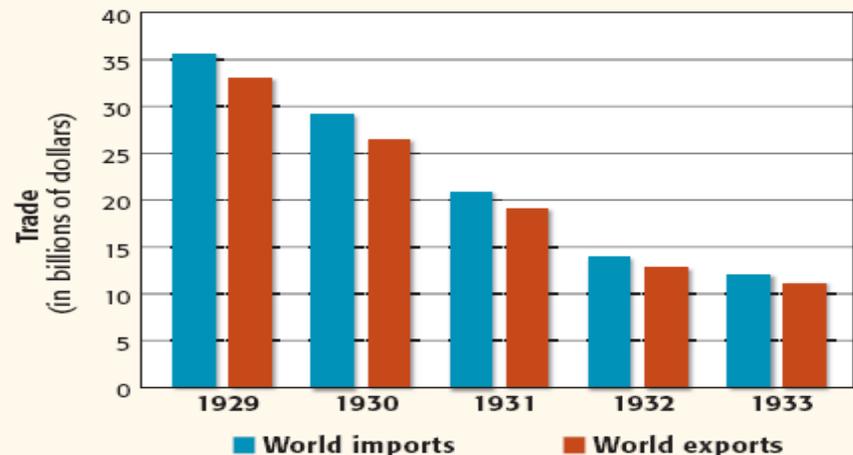
Causes of the Great Depression

Hawley-Smoot Tariff

Designed to protect American farmers and businesses; led a **DECREASE** in trade because it hurt European workers earning power; triggered world wide depression

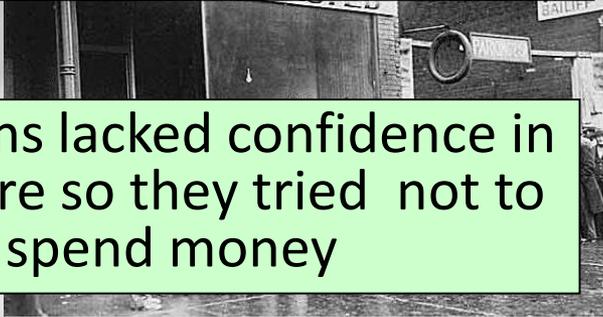


World Trade, 1929–1933



When the Great Depression began, millions of people lost their jobs or took pay cuts to keep their jobs

From 1929 to 1932, unemployment grew to 12 million people



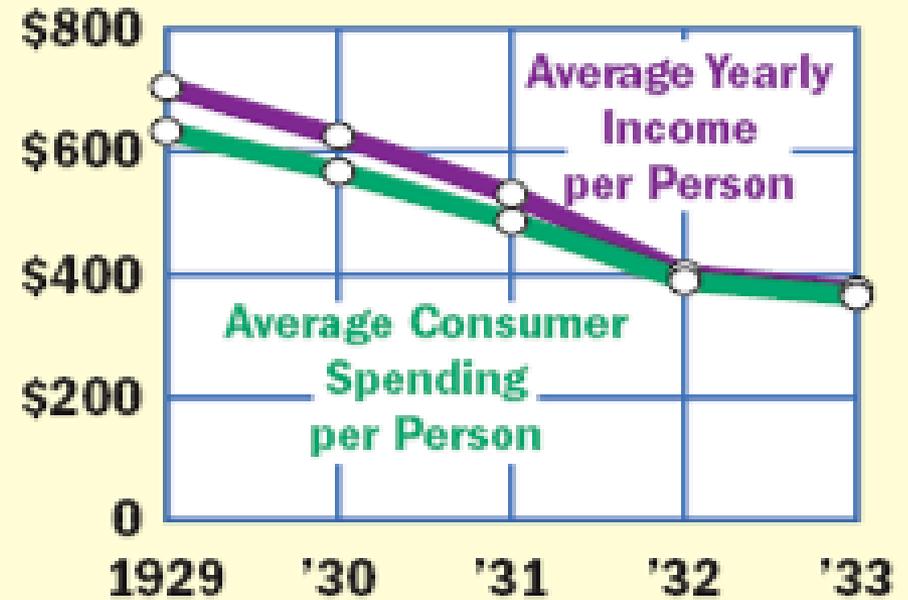
Americans lacked confidence in the future so they tried not to spend money



The decline in consumer confidence made the depression drag on until the 1940s



Income and Spending



Source: Historical Statistics of the United States

President Hoover Struggles with the Depression

Philosophy

What was Hoover's philosophy of government?

- Believed in **rugged individualism** (no direct welfare payments to people because it would strip their initiative); government should **guide** the recovery not **lead** (laissez-fiare); local organizations and charities should provide direct relief

Responses and Economic Results

What was Hoover's initial reaction to the stock market crash of 1929?

- **Caution**; urged key leaders to work together for solutions and not make the crisis worse



Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves.

(Herbert Hoover)

President Hoover Struggles with the Depression

What was the nation's economic situation in 1930?

- Continued to worsen;
- Americans lost confidence in banks as 25,000 banks failed
- Unemployment rose (peaked at 25% of all Americans; People lost their homes, farms, and businesses)
- Companies went out of business (people were saving not spending) .(The lack of spending and stock market crash led to failure of 90,000 businesses)
- Soup kitchens, shantytowns (Hoovervilles), and hoboes



President Hoover Struggles with the Depression



What did Hoover do about the economic situation?

- Tried to use government to promote **private** solutions (establishment of Federal Farm Board to boost prices by buying crops/
- National Credit Corporation encouraged big banks to loan money to small banks).

What was the main purpose of the **Reconstruction Finance Corporation (RFC)**?

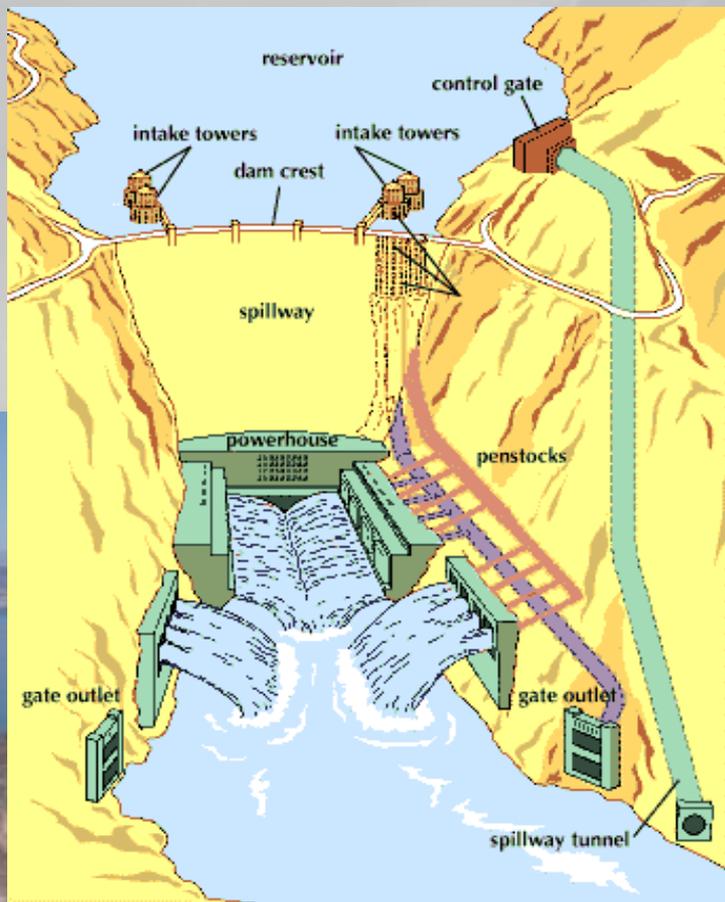
- Authorized \$2 billion in direct **government** aid to banks and businesses that Hoover believed would eventually result in loans and jobs for American workers (criticized for not directly helping individuals and too little too late)

How did the economy respond to his efforts?

- Loaned more than \$805 million to corporations but businesses continued to fail and unemployment continued to rise

What did Hoover do about the economic situation?

- Congress approved new building projects (Emergency Relief & Construction Act) to put Americans to work like the [Hoover Dam](#);
- One of Hoover major efforts to address the economic crisis was the 1930 Federal Farm Board.(Did not work)



President Hoover Struggles with the Depression

What was the Bonus Army?

In 1924, Congress had promised to pay every WWI veteran a \$1000 bonus in 1945

May 1932 – over 15,000 vets arrived in DC to lobby Congress to move the bonuses up – Congress voted against the idea.

How did Hoover deal with the economic problem posed by the Bonus Army?

- Opposed immediate payment & ordered them dispersed
- Ordered the army to close their Capitol Hill shantytown (1,000 people tear gassed and 1 baby killed)

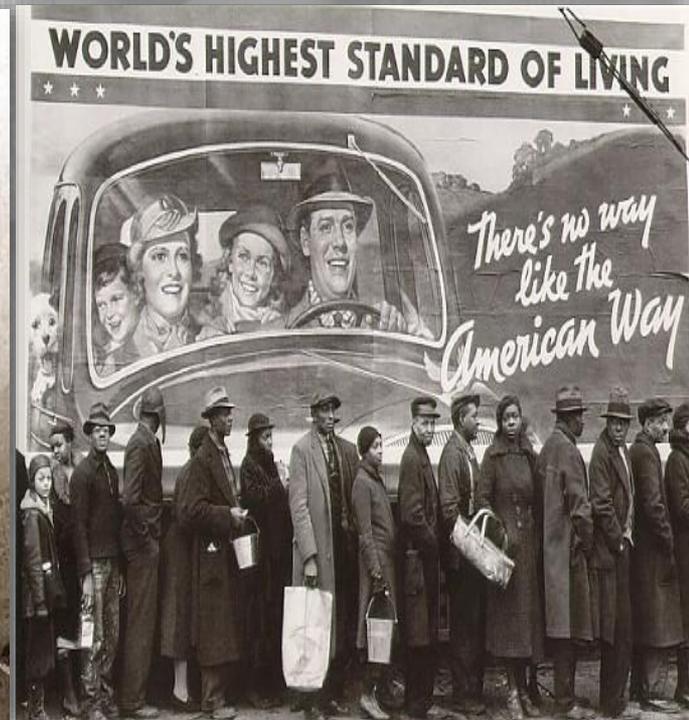
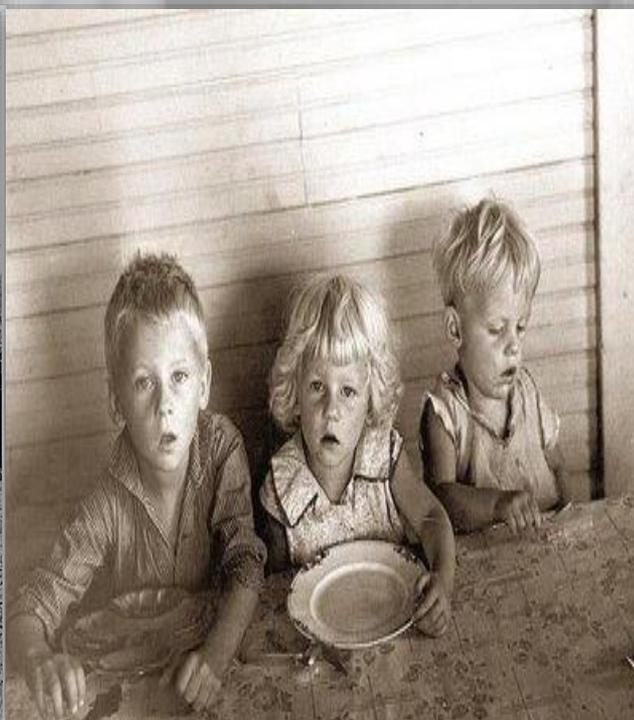
How did his efforts affect his own political situation?

- Public outrage
- Assured the election of Democrat Franklin D. Roosevelt in 1932





Events	Effects of the Great Depression
Hunger Marches	Crowds of the unemployed and hungry began to hold large-scale demonstrations across the US. Protesters chanting “Feed the hungry, tax the rich” were blocked from marching by the police
Farmers Revolt	Farmers began to destroy their crops and produce in an effort to increase prices. Some even resorted to burning their crops for heat in their home. Anger continued to grow as more and more farmers had their land foreclosed on by banks
Breadlines and Soup Kitchens	As unemployment approached 30%, many people began to rely heavily on soup kitchens and breadlines run by churches, charitable organizations, & some city governments in order to survive



Hobos

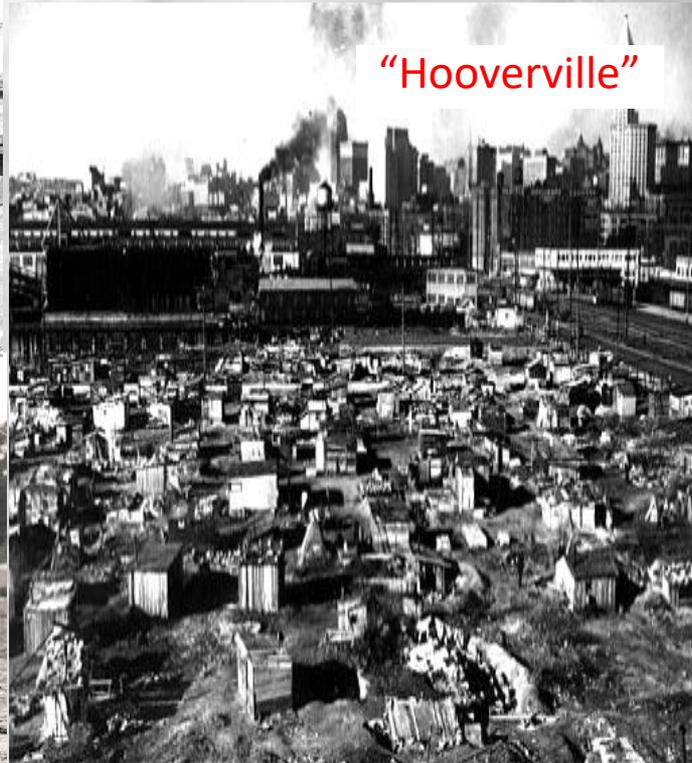
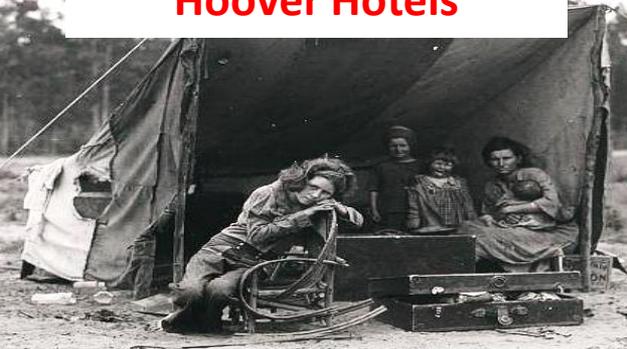
Jobless men began to live a nomadic lifestyle, moving from place to place usually by illegally hiding on freight trains. Often lived in temporary Hoovervilles called “hobo jungles” along the railroad tracks

Hooverville's

Homemade shacks that they built in any open space available – whole villages of such shacks began to appear, mockingly referred to as “Hoovervilles”



“Hoover Hotels”



“Hooverville”

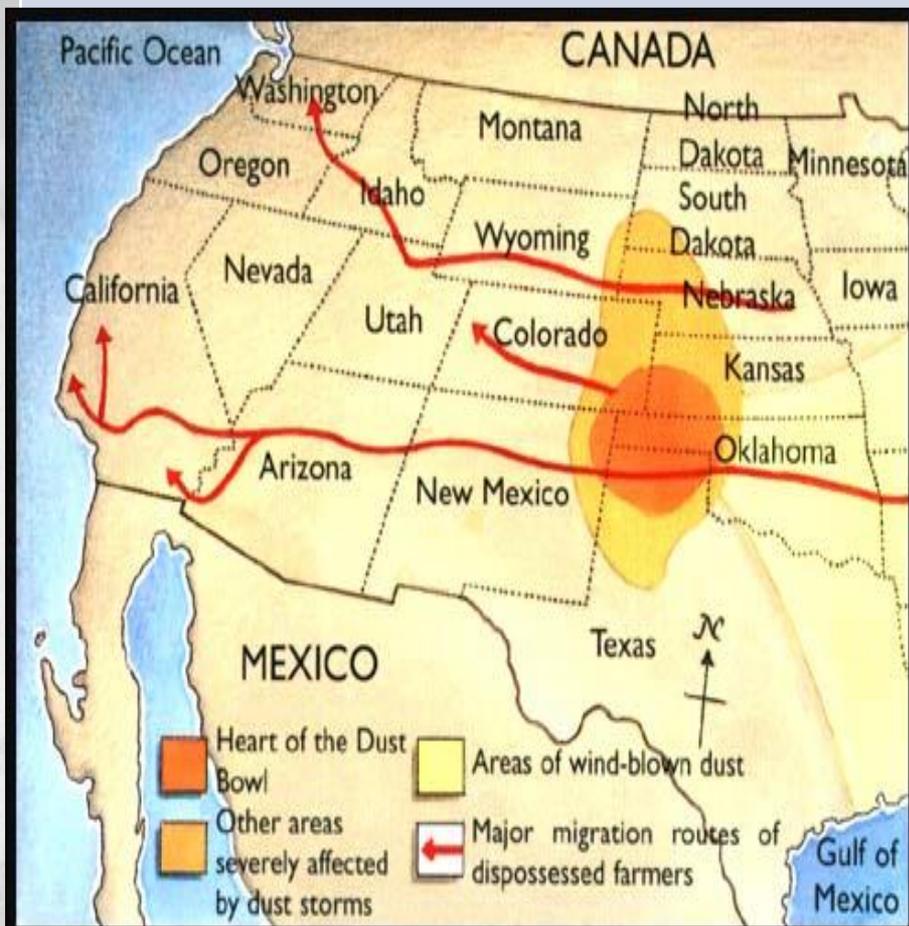


“Hoover Blankets”

Hardship and Suffering During the Depression

Farming

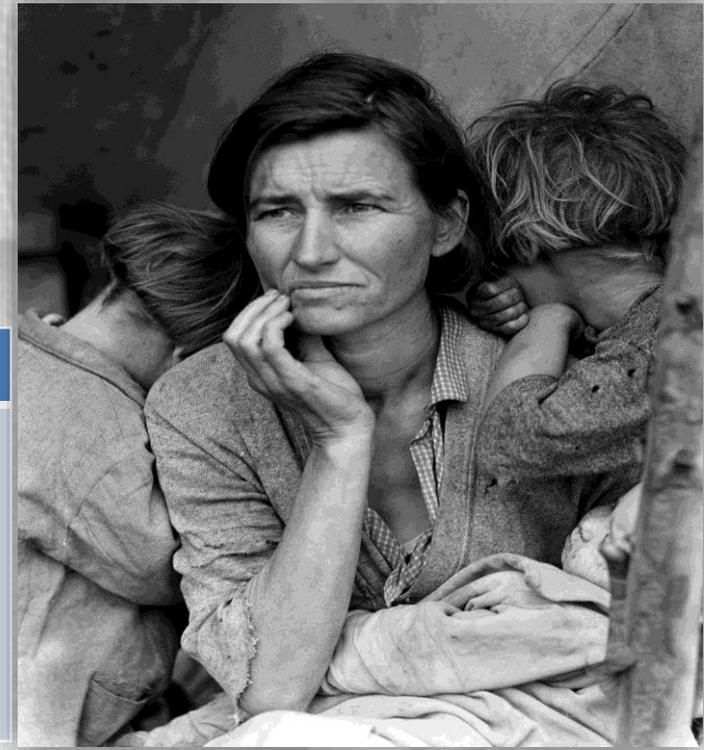
- Farmland already exhausted through **overproduction** was hit with **drought and winds**;
- Turned the plains into a **Dust Bowl**; Farmers in the Plains (called “Okies” and “Arkies” left their farms and searched for work or for better land in West coast states



Hardship and Suffering During the Depression

Race Relations

- Intense competition for jobs sparked open racial hostility
- In 1933, 24 African Americans were lynched; Mexican-Americans left the U.S. voluntarily



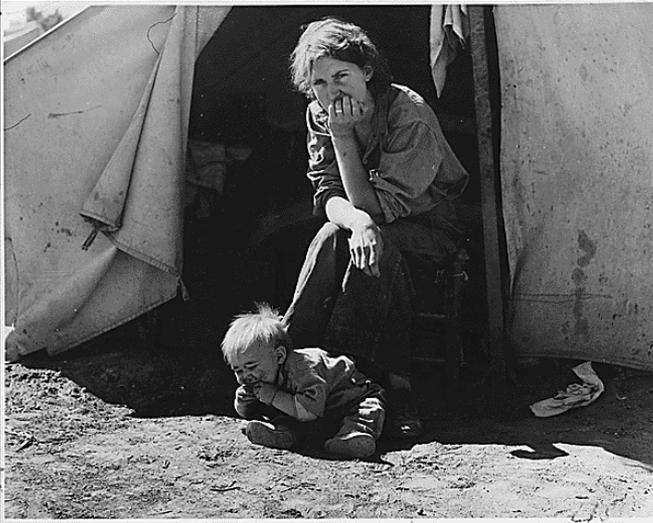
Family Life

- Strengthened family ties and tensions
- Some men abandoned their families because they could not provide for them
- Women also faced greater pressure to act as providers

Hardship and Suffering During the Depression

Emotional Health

- Many people became demoralized; suicides increased dramatically
- Some people came to want financial security more than anything else in life



Group Activity: Saving the Future! Get Us Out of the Depression

Instructions: With a partner, you will play the role of an economist/advisor for future president FDR. Your job is to help provide him a plan to get the economy out of the depression so he can win the election. You will have to give him the pros and cons of the plan so he can evaluate which plan to choose. Your plan should include the following steps:

Step #1- Identify the goal and what is the problems.

Step #2- Brainstorm 6-9 ways to fix the problems.

Step #3- Pick 2 plans out of step #2, give the plans a name, and list the Pro's and Con's of each plan.