

# The Great Depression

Module 9

# The Nation's Sick Economy

Lesson 1



# Economic Troubles on the Horizon

## Industries in Trouble

- Key industries like railroads, textiles, steel barely make profit
- Mining, lumbering expanded during war; no longer in high demand
- Coal especially hard-hit due to availability of new energy sources
- Boom industries—automobiles, construction, consumer goods— now weak
- Housing starts decline



- International demand for U.S. grain declines after war
  - prices drop by 40% or more,  
**deflation**—decrease in the general price level of goods took hold
- Farmers boost production to sell more; prices drop further
- Farm income declines; farmers default on loans; rural banks fail
- **Price-supports**—government buys surplus crops, guarantees prices
  - Coolidge vetoes price-support bill



- People buy less due to rising prices, stagnant wages, credit debts
- Many people buy goods on **credit** (buy now, pay later)
- Businesses give easy credit; consumers pile up large debts
- Consumers have trouble paying off debt, cut back on spending

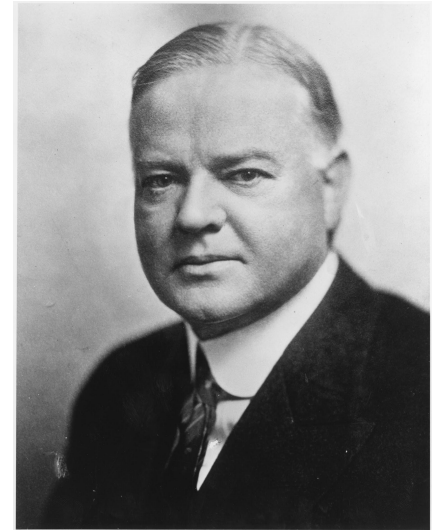
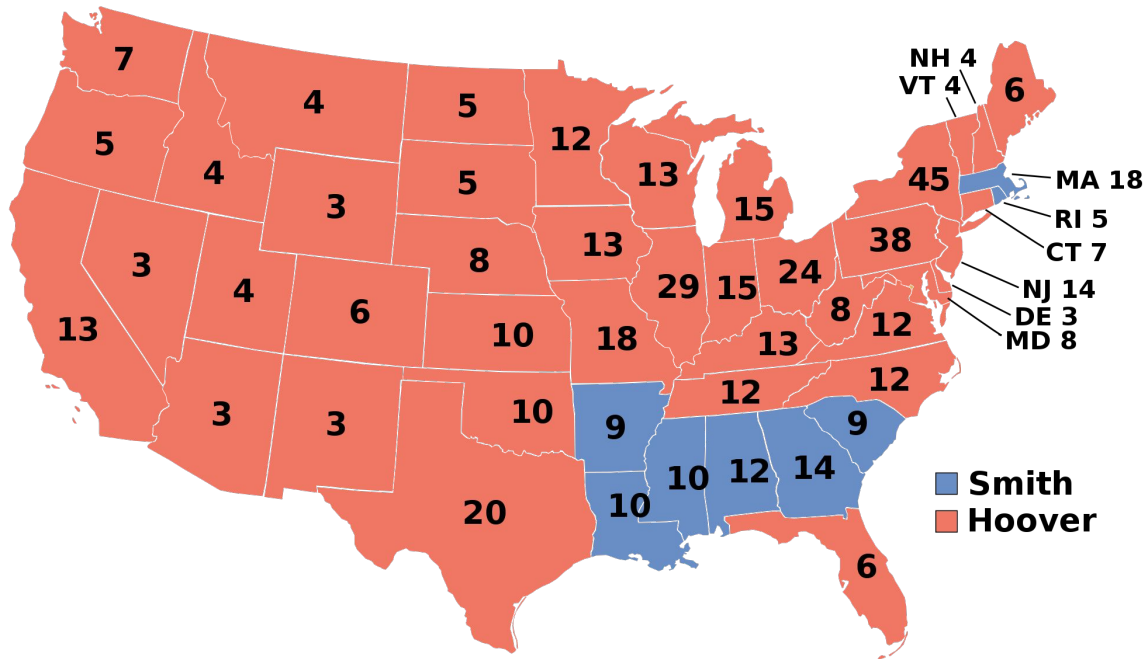


- In 1920s, rich get richer, poor get poorer
- 70% of families earn less than minimum for decent standard of living
- Most cannot afford flood of products factories produce



## The Election of 1928

- Democrat **Alfred E. Smith**—four times governor of New York
- Republican Herbert Hoover gets overwhelming victory



## Dreams of Riches in the Stock Market

- **Dow Jones Industrial Average** tracks state of stock market
- 1920s, stock prices rise steadily; people rush to buy stocks, bonds
- Many engage in **speculation**, buy on chance of a quick profit
- **Buying on margin**—pay small percent of price, borrow rest





- September 1929 stock prices peak, then fall; investors begin selling
- October 29 or **Black Tuesday**, market, nation's confidence plummet
- Shareholders sell frantically; millions of shares have no buyers
- People who bought on credit left with huge debts
- Others lose most of their savings



## Bank and Business Failures

- After crash, people panic, withdraw money from banks
- Banks that invested in stocks fail; people lose their money
- 1929–1932, gross national product cut nearly in half
  - 90,000 businesses go bankrupt
- 1933, 25% of workers jobless; those with jobs get cuts in hours, pay



## Worldwide Shock Waves

- Great Depression limits U.S. ability to import European goods
- Hawley-Smoot Tariff Act** sets highest protective tariff ever in U.S.
- Other countries cannot earn American currency to buy U.S. goods
- International trade drops; unemployment soars around world

## Causes of the Great Depression

- Factors leading to Great Depression:
  - tariffs, war debts, farm problems, easy credit, income disparity
- Federal government keeps interest rates low, encourages borrowing



# Hardship and Suffering

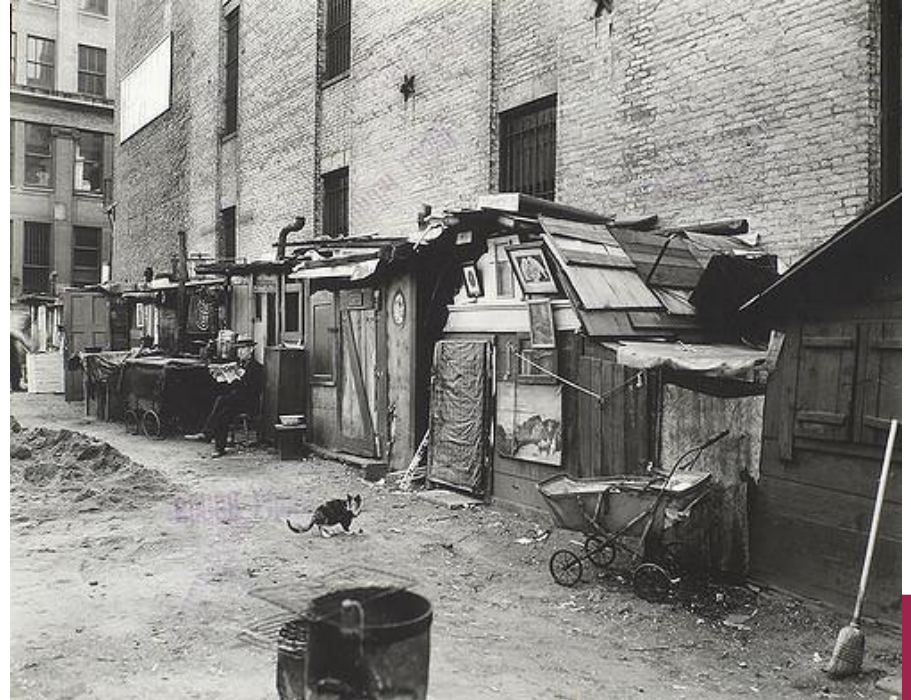
Lesson 2



# The Depression Devastates People's Lives

## The Depression in the Cities

- People lose jobs, are evicted from homes
- **Shantytowns**, settlements consisting of shacks, arise in cities
- People dig through garbage, beg
- **Soup kitchens** offer free or low-cost food
- **Bread lines**—people line up for food from charities, public agencies
- African Americans, Latinos have higher unemployment, lower pay



## The Depression in Rural Areas

- Most farmers can grow food for their families
- Jobs available to women pay poorly
  - many become tenant farmers



## The Dust Bowl

- Farmers in Great Plains exhaust land through overproduction
- 1930s, drought, windstorms hit; soil scattered for hundreds of miles
- Dust Bowl**— area from North Dakota to Texas that is hardest hit
- Many farm families migrate to Pacific Coast states

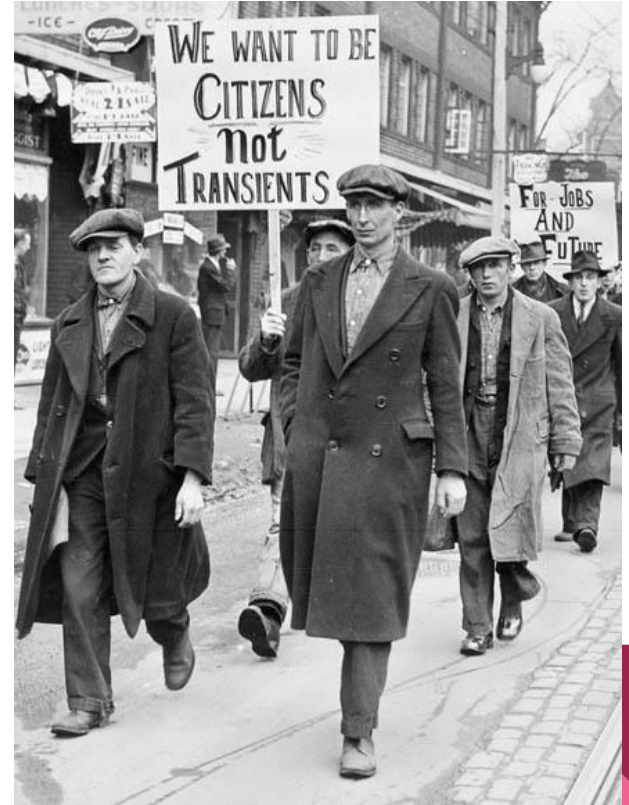


# Effects on the American Family

- Family is source of strength for most Americans
- Some families break apart under strain of making ends meet

## Men in the Streets

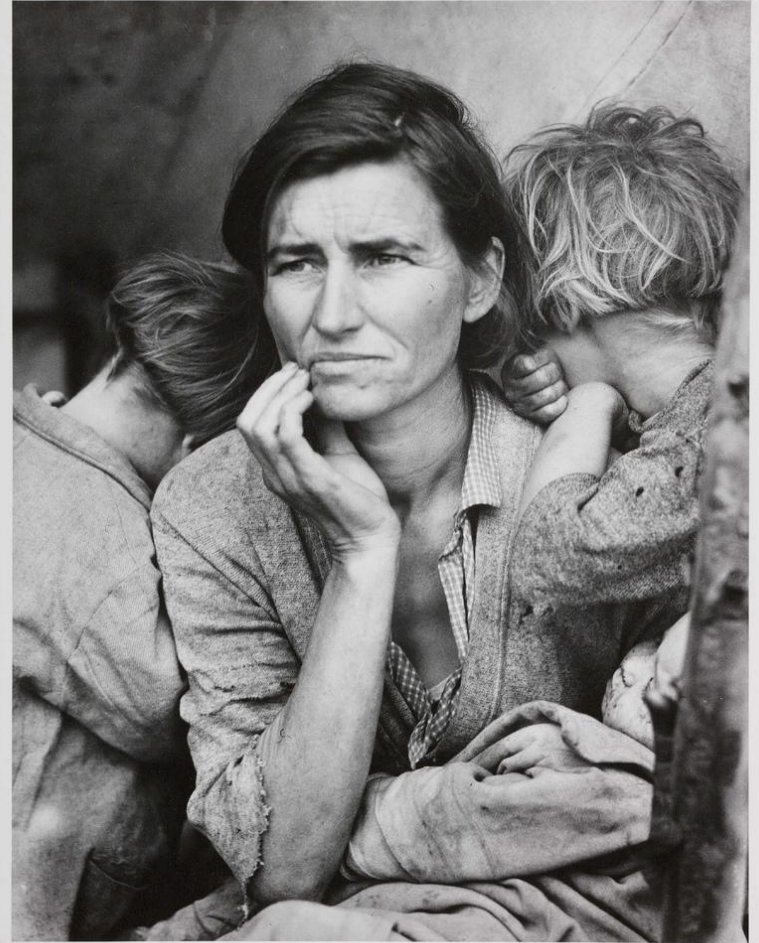
- Many men used to working, supporting families have difficulty coping
  - cannot find jobs
- About 300,000 hoboes wander country on railroad box cars
- No federal system of **direct relief**—cash or food from government





## Women Struggle to Survive

- Homemakers budget carefully, can food, sew clothes
- Women work outside home; resented by unemployed men
- Many women suffer in silence, ashamed to stand in bread lines



## Children Suffer Hardships

- Poor diets, health care lead to serious health problems in children
- Lack of tax revenue leads to shortened school year, school closings
- Teenagers leave home, ride trains in search of work, adventure



## Social and Psychological Effects

- 1928–1932, suicide rate rises over 30%
- Admissions to state mental hospitals triple
- People give up health care, college, put off marriage, children
- Stigma of poverty doesn't disappear; financial security becomes goal
- Many show great kindness to strangers
- Develop habit of saving and thriftiness



# Hoover's Failed Policies

Lesson 3



# Hoover Tries to Reassure the Nation

- President **Herbert Hoover** tells Americans economy is sound
- Many experts believe depressions a normal part of business cycle

## Hoover's Philosophy

- Hoover: government should foster cooperation between competing groups
- People should take care of own families, not depend on government

## Hoover Takes Cautious Steps

- Calls meeting of business, banking, labor leaders to solve problems
- Creates organization to help private charities raise money for poor



## Boulder Dam

- Hoover's **Boulder Dam** on Colorado River is massive project
  - later renamed Hoover Dam
- Provides electricity, flood control, water to states on river basin



## Democrats Win in 1930 Congressional Elections

- As economic problems increase, Hoover, Republicans blamed
- Democrats win House; Republican Senate majority down to 1 vote
- Farmers try to create food shortages to raise prices
- Widespread criticism of Hoover: shantytowns called “Hoovervilles”



Property of Puget Sound Maritime Historical Society

# Hoover Takes Action

## Hoover Backs Cooperatives

- Hoover negotiates agreements among private entities
- Backs Federal Farm Board (organization of farm cooperatives)
  - buy crops, keep off market until prices rise
- Gets large banks to establish National Credit Corporation

## Direct Intervention

- **Federal Home Loan Bank Act** lowers mortgage rates
- **Reconstruction Finance Corporation**—emergency funds for businesses
- Hoover's measures don't improve economy before presidential election





- **Bonus Army**—veterans call themselves the Bonus Expeditionary Force; go to D.C. in 1932 to support Patman Bill



## **The Patman Bill Denied**

- Patman Bill would authorize payment of bonuses to World War I veterans
- Hoover opposes bill; Senate votes down bill
- Most veterans leave Washington; about 2,000 stay to speak to Hoover

## **Hoover Disbands the Bonus Army**

- Hoover fears violence, calls on U.S. Army to disband Bonus Army
- Infantry tear gas over 1,000 people, including children; many injured
- Public is stunned, outraged by government's actions

