| 1. Agricultural Adjustment Act | 12. Wagner Act |
| 4. Bonus Expeditionary | 15. New Deal |
| 7. Civilian Conservation Corps | 18. Social Security |
| 8. Dust Bowl | 19. Speculation Boom |
| 10. FDIC | 21. Works Progress Administration |
| 11. GNP | 22. Relief, Recovery, & Reform |
The Great Depression

EARLY YEARS: 1928-1932
The **Great Depression** was a severe worldwide **economic depression** in during the decade before World War II.

In most countries, including the U.S., it started in about 1929 and lasted until the late 1930s or early 1940s.

It was the longest, most widespread, and deepest depression of the 20th century.
Why didn’t we see it coming?
The Prosperity of the 1920s Hid the Growing Economic Problems?

1. The booming economy of the 1920s led to overconfidence—Americans thought the good times would last forever.

2. Americans bought goods on credit and went into debt.

3. The Stock Market climbed higher and more people invested in the market (bull market).
1920s
GOOD TIMES ARE HERE TO STAY!

- The stock market went up
- Consumption went up
- Gross National Product went up
- All economic indicators showed increased prosperity
President Election of 1928: Hoover takes office

- Republicans had been in the White House for eight years and they took credit for the economic growth.
- **Herbert Hoover** (R) easily won election in 1928.
- Hoover was highly qualified for the position
- Promised continued prosperity “A Chicken in Every Pot”
- When Hoover took office no one could have predicted the stock market crash just a few months later.
The Stock Market Crashed, 1929

- The Great Crash of Wall Street, 1929
- In September 1929 stock prices began to fall rapidly
- Investors started to sell shares—which led to more decline in the market
- October 29 = "Black Tuesday"—the bottom fell out of the market. Over 6 million shares were sold and entire fortunes were lost.

Note: The Crash did not cause the Depression!
WALL STREET CRASH!

Black Thursday in America
Stocks Plunge and Eleven Commit Suicide

In the early morning, the atmosphere of chaos and panic took hold. Markets crashed, and stock prices dropped sharply. People lost their life savings overnight.

What Went Wrong?

The initial causes of the crash were not clear, as speculation and panic quickly spread. People sold their stocks without understanding the true value of their investments.

City of New York. The New York Stock Exchange was devastated. People were left ruined. The crash was a result of a lack of regulation and the failure of financial institutions.

London Banks in Ruin - The Government announced plans to bail out London banks. People were left homeless. The government declared a state of emergency to stabilize the market.

Other News

New Government in France. The appointment of a new government was approved. The government was seen as a means to stabilize the financial market.
If the stock market crash did not cause the Great Depression then what did and why did it last so long?
Major Causes of the Depression

1. Wealth was not evenly divided among Americans

2. Overproduction and of agricultural crops and consumer goods; farmers were in debt

3. Lack of diversification in the economy – built on construction and auto industry, Americans were buying on credit

4. Declining exports---U.S. trade suffered when Congress passed the **Hawley-Smoot Tariff** which reduced international trade

5. Weak International economy

   WWI debt cycles led to global economic depression.

6. Monetary Policy of the Federal Reserve – raised interest rates instead of lowering them
$100. WILL BUY THIS CAR. MUST HAVE CASH. LOST ALL ON THE STOCK MARKET
Great Depression: Warning Sign #1
Farmers were in Trouble

- **Farmers** were in trouble:
  - During WWI farmers had increased production
  - Overproduction after the war led to a drop in farm prices
  - Many farmers could not pay their debts and lost their land to foreclosures
  - 1 in 4 Americans were farmers
Great Depression: Warning Sign #2
Wealth Was Not Evenly Distributed in Society

- Only a few Americans were wealthy
- 5% of Americans held 33% of all income
- Most families still lived on the economic edge and did not have the money to buy goods being produced
- There were too many goods and not enough consumers to buy them (underconsumption)
Great Depression: Warning Sign #3
Americans Were Buying on Credit

- Farmers were in debt
- Americans bought cars, radios, and appliances on credit and went deeper and deeper into debt
- Americans even bought stock on credit: buying on margin—they were gambling on the stock market
- Banks were in financial trouble because they had invested in the stock market
Great Depression: Warning Sign #4
Several Major Industries Were at Risk

- Some industries were barely breaking even: clothing, steel, and mining
- Others were losing money: automobile manufacturing, construction, and consumer goods
- The U.S. economy was not DIVERSIFIED—it depended on the automobile and steel industries to drive the economy.
Great Depression: Warning Sign #5
A Weak International Economy and Trade Problems

- Europe was still struggling to recover from WWI
- There was a cycle of international debt as countries borrowed from one to pay off another
- The U.S. passed the Smoot-Hawley Tariff to help American industries, but it reduced international trade and hurt the economy
So What Happened after the Stock market Crashed?
What Happened after the Stock Market Crashed in 1929?

- Americans panicked and took money out of banks
- Banking system collapsed
- Money supply dropped
- Salaries and prices were cut
- Americans lost their jobs
- Federal Reserve (government) was slow to act to solve the problem
- Unemployment rose to 25% and higher
- Farm income dropped by ½
- Gross National Product – industrial output fell drastically
- The entire economy collapsed and the Great Depression set in and lasted for a decade
CROWD OUTSIDE A CLOSED BANK
### Change in economic indicators 1929–32

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Great Britain</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial production</strong></td>
<td>-46%</td>
<td>-23%</td>
<td>-24%</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>Wholesale prices</strong></td>
<td>-32%</td>
<td>-33%</td>
<td>-34%</td>
<td>-29%</td>
</tr>
<tr>
<td><strong>Foreign trade</strong></td>
<td>-70%</td>
<td>-60%</td>
<td>-54%</td>
<td>-61%</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>+607%</td>
<td>+129%</td>
<td>+214%</td>
<td>+232%</td>
</tr>
</tbody>
</table>
U.S. Unemployment
JOBLESS MEN
KEEP GOING
WE CAN'T TAKE CARE OF OUR OWN
CHAMBER OF COMMERCE
How Did the Great Depression Impact the American People?

1. Had to seek **unemployment and relief benefits** from the government

2. **Bread lines** and soup lines formed. There was hunger in America

3. One third of farmers lost their land

4. Unemployment reached 25%

5. **Mass migrations:** Americans moved from place to place (migrated)

6. **Number of homeless increased:** Shanty towns called **Hoovervilles** sprung up
I know 3 trades
I speak 3 languages
Fought for 3 years
Have 3 children
And no work for 3 months
But I only want one job
Homeless shantytown known as Hooverville, Seattle, Wash., June 10, 1937. (Lee 20102)
WANTED A DECENT JOB

AGE 37 - FAMILY MAN VETERAN
NATIVE CHICAGOAN PURSUING ACCOUNTING
TRAFFIC REPRESENTATIVE

WANTED A DECENT JOB

FAMILY MAN
AGE 44
BEST REPUTATION.
CLERICAL OR CLERICAL EXP.
3 YR. FORD CO.
NRA SALARY

1114 S. WACKER DR. CHICAGO, ILLinois 2007
FOOD LINE FOR UNEMPLOYED
Poverty Devastated Rural America

- Commodity prices plunged
- Farmers lost their farms and became Tenant farmers (working for larger farmers)
- Great Plains became a Dust Bowl
- Desperation caused migration—people moved to find jobs
  - Riding the rails
  - “Okies” migrants from Oklahoma
Statistics

- Bushel of wheat in 1919 = $2.16
- Bushel of wheat in 1932 = $0.38
- Farmers in Iowa dumped 1000 gallons of milk on the roadside to protest prices
- Unemployment reached 25%
- Bank Failures quadrupled from 1929 to 1933
What impact did the great Depression have on families?

- Depression attacked **families** and men lost faith in their ability to take care of their families.
- Birth rates plummeted to the lowest in American history.
- Some children quit school to help support their families.
- 250,000 teenagers wandered the country in search of work.
- Some abandoned their families.
John Steinbeck wrote *The Grapes of Wrath*, a novel about migrants during the Great Depression.
WORLD'S HIGHEST STANDARD OF LIVING

There's no way like the American Way
What Impact Did the Great Depression Have on Minorities?

- **Minorities** suffered hardships—they were the last hired and first fired

- **Repatriation**—movement to send Mexican immigrants back to Mexico
The Scottsboro Boys
What was the Dust Bowl?

- Droughts and the plowing of plains grasses caused an environmental disaster—"Dirty Thirties"
- Massive dust storms swept across the Great Plains
- Led to a mass migration of Americans from the Plains to other regions of the US
Dust Clouds Rolling Over The Prairies
The Dust Bowl

- Economic and environmental disaster
- Overproduction, monocrops
- Plowed up grasses for farms to meet the needs of a booming wheat market
- Soil exhaustion, soil erosion
- Drought and winds
- 1935: Blew winds from CO and NE, blackened the sky across the plains, into the East and Atlantic Ocean
Responses

- Killed millions of animals, burned millions of tons of food
- Taylor Grazing Act
  - Federal control of grazing
Migrants: Okies

- Poor whites and sharecroppers
- Evicted from OK, TX, MI, ARK
- Going to CAL
- L.A. Police Chief “bum blockade”
Mexican and Okie Farmworkers
Movies Provided a form of Escape
Herbert Hoover as President

LANDSLIDE
A PORTRAIT OF PRESIDENT HERBERT HOOVER
President Hoover’s Cautious Response to the Great Depression

1. At first Hoover was hesitant to interfere with what many thought was a natural business cycle that would work itself out in time.

2. As the situation grew worse, Hoover turned to volunteerism and localism.

3. Hoover established the Reconstruction Finance (RFC) to stimulate the economy.
Backlash Against President Hoover

- Shanty towns were called Hoovervilles
- Campfires were called Hoover heaters
- Cardboard boxes were called Hoover houses

- When he campaigned the Americans threw eggs and rotten vegetables at his train car.
- Some Americans blamed capitalism and believed the country should adopt socialism or communism.
The Final Straw: The Bonus Army (1932)

- **Bonus Army**—20,000 WWI Veterans marched on Washington, D.C., demanding the early payment of bonuses from the government.
- Hoover sent in troops to disband the veterans.
  
  General Douglas MacArthur
  Dwight Eisenhower
  George Patton

- Several veterans were injured. Hoover was blamed.
Bonus Army
1932 Presidential Election

<table>
<thead>
<tr>
<th>Candidate (Party)</th>
<th>Electoral Vote</th>
<th>Popular Vote (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin D. Roosevelt (Democratic)</td>
<td>472</td>
<td>22,821,857 (57.4)</td>
</tr>
<tr>
<td>Herbert Hoover (Republican)</td>
<td>59</td>
<td>15,761,841 (39.7)</td>
</tr>
<tr>
<td>Norman Thomas (Socialist)</td>
<td>—</td>
<td>881,951 (2.2)</td>
</tr>
<tr>
<td>Other candidates (Communist, Prohibition, Socialist Labor, Liberty)</td>
<td>—</td>
<td>271,355</td>
</tr>
</tbody>
</table>

56.9% of electorate voting
1932 Presidential Election

- Herbert Hoover (R) was defeated by Franklin D. Roosevelt (D)
• Inaugural parade, 1933

Herbert Hoover
Franklin Roosevelt
New Deal Work Mural
Roosevelt and the New Deal

- Frederick Delano Roosevelt (FDR)
- Programs to address the Depression
- “Relief, Recovery, Reform”
- Debt spending
- Consume our way out of the depression
- Role of government
Immediate Responses, 1933

- Federal Emergency Relief Act
  - Federal funds for relief

- National Industrial Recovery Act
  - Fair work and competition codes
  - Administration to enforce codes
  - Guaranteed labor’s right to organize
New Deal Programs

- Civilian Conservation Corps
- Soil Conservation Service
- Soil Erosion
- Planting trees
- Irrigation and range management

http://www.youtube.com/watch?v=qolPqXNGW3I
Tennessee Valley Authority

Flood control, Electricity, Irrigation, work
Works Progress Administration

- Biggest agency
- 1935 employed 8 million and $2 billion fund
  - Bridges, reservoirs, irrigation, sewage, schools, playgrounds, education, training
- Work Programs paid minimum wages, pulled them off charity and soup lines
- “We Work Again”
  - http://www.youtube.com/watch?v=GkoSpTOi9Aw
1935 Social Security Act

- Safety net for all Americans
- Percentage of paycheck
- Based on shorter life-span
- Intended to supplement (not replace) income
- Less inclined to “retire”
Financial System

- Federal Deposit Insurance Corporation (FDIC)
  - Insured individual bank deposits
- Securities and Exchange Commission (SEC)
  - Regulated trading practices in stocks and bonds
End of the Depression

- Federal spending on an unprecedented level failed to stop it
- The largest entrance of the federal government into the American economy
- Made the federal government into a “broker state” between labor and capital
- Social programs and “safety net”
- Brought fed gov’t into the lives of nearly all Westerners
- WWII ended the Depression