



NOTES – THE GREAT DEPRESSION AND HOOVER’S RESPONSE

Causes of the Great Depression

- Dependence on Credit – people were relying too much on the buy now pay later system
- Unwise Foreign Policy – the U.S. passed the Hawley-Smoot Tariff in 1930s stopping the flow of foreign goods into the U.S. through high taxes. It was designed to protect U.S. products from foreign competition, but it just stopped foreign countries from purchasing American goods. This meant fewer jobs.
- Failing American Farms/Agriculture - farmers, who had seen a boost in sales during WWI, saw a sharp drop in the demand for crops after. They took out loans to buy more land & equipment in order to produce & sell more crops. Production increased, but this only depressed prices. AS SUPPLY GOES UP, PRICES GO DOWN
- Troubled American Industry - traditional industries had barely made a profit during the 20s. The railroad, mining, lumber, and steel industries all lost business. House building also started to fall during the 20s.
- Uneven Distribution of Income - during the 20s the rich got richer and the poor got poorer. U.S. wealth was concentrated in a small percentage of the population. Not everyone participated in the economic boom of the 20s. This made the country unstable.
- Stock Market Speculation



Stock Market in the 1920s

- Stocks are shares or parts of a company, whose prices are always changing. When you buy stocks, it is like you are gambling on a company, hoping it will do well.
- During the 1920s, people were buying on the margin. People bought stocks while only paying a fraction of the stock's value. Stockbrokers would loan buyers the remainder of the cost.
- People were also trying to get rich quickly through stock market speculation. This is a way of gambling with short-term investments in which speculators would buy cheap stocks they thought would rise in price and then sell these same stocks when their prices went up.

The Crash of 1929

1. On October 24, 1929, the New York Stock Market on Wall Street collapsed. It fell even further on the 29th (Black Tuesday). Stock brokers continually wanted to sell their stocks, Few wanted to buy them. As a result, stock prices fell rapidly.
2. As long as stock prices had been going up, brokers loaned out money. But when stock prices went down, brokers began to call in the loans they had lent to speculators.
3. This calling in of loans began to increase in Autumn of 1929. When speculators couldn't pay, stockbrokers lost money which had been loaned to them by banks. When the banks lost money, those who invested in the banks lost their savings. This allowed the crash to affect those who had nothing to do with the stock market.
4. Banks which had invested money in the stock market lost much in the crash and after. People panicked after the crash and withdrew their savings from accounts which no longer existed in some cases. Many banks failed. By 1933, 11,000 closed

City Life During the Great Depression

City life was greatly changed after the banks started to fail. People by the millions lost their jobs, were evicted from their houses or apartments and reduced to living in the streets.



- Shantytowns or Hoovervilles sprang up across the country on the outskirts of cities. People were forced to live in milk crates, shacks, and rusted out cars.
- In order to eat, people stood in bread lines or went to soup kitchens to get a handout. However, people sometimes had to resort to digging through garbage cans and dumpsters to eat.

Down on the Farm During the Great Depression

Life for the farmer was no better.

- The Great Plains had been over planted during the 20s. Fields were used over and over, and the nutrients had been used up. No “cover crops” were planted to keep the soil down.
- When times of drought and wind storms came in the 30s, the soil became huge dust storms which blew across the plains. Farms were ruined as a result.
- Farmers had to pack up and move their families to places where jobs could be found.
- Those areas hardest hit by the dust storms were called the Dust Bowl (KS, NM, CO, OK, & TX). Those migrants who left their farms in search of work were called Okies.

Family Life in the Great Depression

American family life was greatly disrupted by the Great Depression.

- Men who had been the wage earners now suffered because they saw themselves as failures b/c they couldn't support their families. Many became hoboes, wandering the country.
- Women had to make their meager supplies stretch and had to find ways to compensate for the man's loss of income.
- Children may have had it the worst, with many not only suffering from malnutrition, but also being forced to leave childhood early, either to find work to support their family or to leave home altogether to ease their family's burden.

President Hoover's Response

Herbert Hoover was in charge when the Depression began.

- Hoover believed the Depression could be stopped through voluntary action (working hard and helping yourself), not direct relief (cash payments given directly to the poor).
- Despite Hoover's belief, the Depression worsened over the next two years.
- Hoover realizes his mistake and gets Congress to create the Reconstruction Finance Corporation in February, 1932. While it gave loans to faltering banks, insurance companies, and railroads, it failed to help the common man immediately.
- Hoover then got Congress to pass the Emergency Relief Act in July, 1932. This was to give \$300 million to state govts., but, again, not directly to the common man.



The Bonus Army Crackdown

Hoover not only angered people because of his handling of the economy. He also cracked down on the “Bonus Army”

- In the spring of 1932, between 10 and 20 thousand WWI vets came to Washington to demand their war bonuses early.
- Hoover, at first listened, but in July he sent the army out against them to make them leave.

This angered people further, and led to Hoover's loss in the next presidential election.