

CHAPTER
14

Summary

TELESCOPING THE TIMES *The Great Depression Begins*

CHAPTER OVERVIEW *The economic boom of the 1920s collapses in 1929 as the United States enters a deep economic depression. Millions of Americans lose their jobs, and President Hoover is unable to end the downslide.*

1 The Nation's Sick Economy

MAIN IDEA *As the prosperity of the 1920s ended, severe economic problems gripped the nation.*

Although the economy of the 1920s boomed, trouble lurked beneath the surface. The textile, steel, and railroad industries were barely profitable. Mining and lumbering were in decline. In the late 1920s, the auto, construction, and consumer goods industries faltered. The biggest problem, though, was in agriculture. Wartime demand for food dropped, and farmers suffered. Unable to make mortgage payments, many lost their land. Congress tried to help farmers by passing laws that would boost food prices, but President Calvin Coolidge vetoed them.

Farmers, short on money, bought fewer goods. That trend, combined with the consumer debt load, cut consumer spending. Consumer spending was also hurt by low incomes.

These problems were not completely evident in the 1928 presidential election. Republican Herbert Hoover, pointing to years of prosperity under presidents Harding and Coolidge, won the election over Democrat Alfred Smith.

Meanwhile, the stock market continued its amazing rise. People bought stocks, hoping to become rich. Many bought on margin, borrowing against future profits to pay for stocks today. If prices did not rise, though, there would be trouble. Stock prices began a decline in September of 1929. On October 29, known as Black Tuesday, they plunged sharply. More than 16 million shares of stock were sold that day until no more willing buyers could be found. By mid-November investors had lost more than \$30 billion.

The Depression spread around the world. The drop in consumer demand in the United States cut European exports, hurting their economies. Also, Congress passed a high tariff to reduce imports. They hoped to protect American industry, but instead cut the demand for American exports.

President Hoover tried to reassure Americans that the economy would right itself. Many people,

panicking, pulled their money from banks. With so many withdrawals happening so suddenly, many banks were forced to close. When the banks failed, other depositors lost their deposits. Businesses began to close as well, and millions of Americans lost their jobs. Unemployment had been 3 percent in 1929; by 1933, it was 25 percent. Those who kept their jobs suffered pay cuts or reduced hours.

The great stock market crash signaled the beginning of the Great Depression. It didn't cause the Depression, but it hurried—and worsened—the economic collapse. The main causes of the Depression were a decrease in demand for American goods overseas, farmers' problems, the problem of easy credit, and the fact that too few people held too great a share of the nation's wealth.

2 Hardship and Suffering During the Depression

MAIN IDEA *During the Great Depression, Americans did what they could to survive.*

The Depression devastated many Americans. With no jobs, millions of people went hungry or homeless. Cities across the country were full of people who had been thrown out of their apartments or homes because they couldn't meet housing payments. They slept under newspaper or built shantytowns. People stood in line to get food from soup kitchens set up by charities.

African Americans and Hispanic Americans living in the cities suffered greatly. Some suffered violence at the hands of angry whites who had lost their jobs. These groups had higher jobless rates; they also were given lower-paying jobs.

The Depression hurt people in rural areas, too, although farmers could at least grow food. Still, as food prices continued to fall, more and more farmers lost their farms from failure to meet mortgage payments. From 1929 to 1932, about 400,000 farmers lost their land. To worsen matters, a long drought struck the Great Plains. Parched land could hold no crops. When powerful winds swept

the plains, they blew the soil away in vast dust storms. An area known as the Dust Bowl was hardest hit. Many farmers packed up their belongings and moved to California to find work as migrant farm workers.

The Depression placed heavy pressures on the family. Many men felt ashamed because they had lost their jobs. Some abandoned their families. Women found work if they could, but they generally were paid less than men. Some people, too, argued that employers should hire men rather than women since they were seen as the primary support for a family.

Children suffered from poor diets and lack of health care. The number of children suffering illnesses due to lack of vitamins increased. Lacking money to continue, many school boards shut down schools or shortened the school year. Many children went to work to try to help their families survive. Others rode the railways in search of better lives.

3 Hoover Struggles with the Depression

MAIN IDEA *President Hoover's conservative response to the Great Depression drew criticism from many Americans.*

Economic slowdowns happen with some frequency. President Hoover at first believed that the Depression was simply another slowdown that would end. Officials in his administration thought it best to do nothing and let the economy heal itself. Hoover believed government should take action, but be careful not to take too much power.

Hoover thought that the government's role should be to help different groups work together to improve the economy. He also believed that the government should encourage private groups to provide benefits—food and shelter—to the needy and jobless. He did not think that the government should provide direct aid to people, however.

Hoover met with bankers, business leaders, and labor leaders. He urged them to work together to revive the economy. Despite these efforts,

the economic situation simply got worse. People expressed their frustration at the situation. Farmers destroyed some food or refused to work. People without homes began to call their shantytowns “Hooverilles.”

Hoover did not change his principles and offer direct aid to the jobless and hungry. He did take steps to have a more active government role in the economy, however. He began a program of major public works, including building roads, bridges, and dams, to provide jobs. He launched a program to try to raise food prices and urged bankers to join a credit organization that would shore up ailing smaller banks.

By 1932, the economy had still not improved. Congress passed a law to lower the rates for home mortgages, hoping to spur the construction industry. Hoover created the Reconstruction Finance Corporation, aimed at funding projects that would create jobs. The RFC was a major change in policy, but it came too late to help.

Hoover's popularity plummeted even further in 1932 when World War I veterans came to Washington. They demanded early payment of the bonuses they had been promised. This Bonus Army began to live in tents near the Capitol building. Hoover helped them, but after Congress voted down the bill they had requested, he told the veterans to leave. About 2,000 stayed, and Hoover ordered the army to remove them. The sight of U.S. army troops gassing American citizens—including children—outraged many people. Hoover faced the 1932 presidential campaign more unpopular than ever.

Review

1. What caused the Great Depression?
2. What affect did the Depression have on different groups of people in society?
3. How did the Depression affect the family?
4. How did President Hoover's response to the Depression change over time?