The Great Depression

A Presentation Based on the
Georgia Standards of Excellence
(GSE) Objectives for High School
History Students

SSUSH17 Analyze the causes and consequences of the Great Depression.

The Great Depression

- The Great Depression was the greatest economic calamity that has ever affected the industrialized world.
- Its impact was not limited to the United States but was felt **world-wide**.
- NB: **The 1929 Stock Market Crash was the flashpoint that set off the Great Depression in the U.S**., but the Great Depression had **<u>many underlying causes</u>** as noted in following slides.

Magnitude of the Great Depression

Consider these statistics:

- On Black Tuesday (October 29, 1929), the stock market lost $10 to $15 billion in value.
- By mid-November, it had $30 billion in losses (equal to Americans' annual wages in 1929).
- During the first two years of the Great Depression, 3,000 U.S. Banks (10%) failed; By 1933, 9,000 failures.
- From 1929 to 1933, GDP dropped by almost half, from $103.6 billion to $56.4 billion.
- In 1932, 30,000 companies went out of business.
- By 1933, unemployment reached 25%: one of four workers was out of work.
- Average family income dropped from $2,300 in 1929 to $1,600 in 1932.

It is difficult for us to comprehend today how difficult this time was for all Americans.

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a. Describe the causes, including overproduction, under-consumption, and stock market speculation that led to the stock market crash of 1929 and the Great Depression.

Main Causes of the Great Depression

1. **Overproduction**
2. **Under-consumption**
3. **Stock Market Speculation**
4. **Other contributing factors**
   - **Weak banking practices**
   - **Insufficient money supply for investment**
   - **Federal Reserve failed to act in a timely manner**
   - **Decline in wages/income inequality**
   - **Declines in Export Sales**
   - **Tariff Protection**

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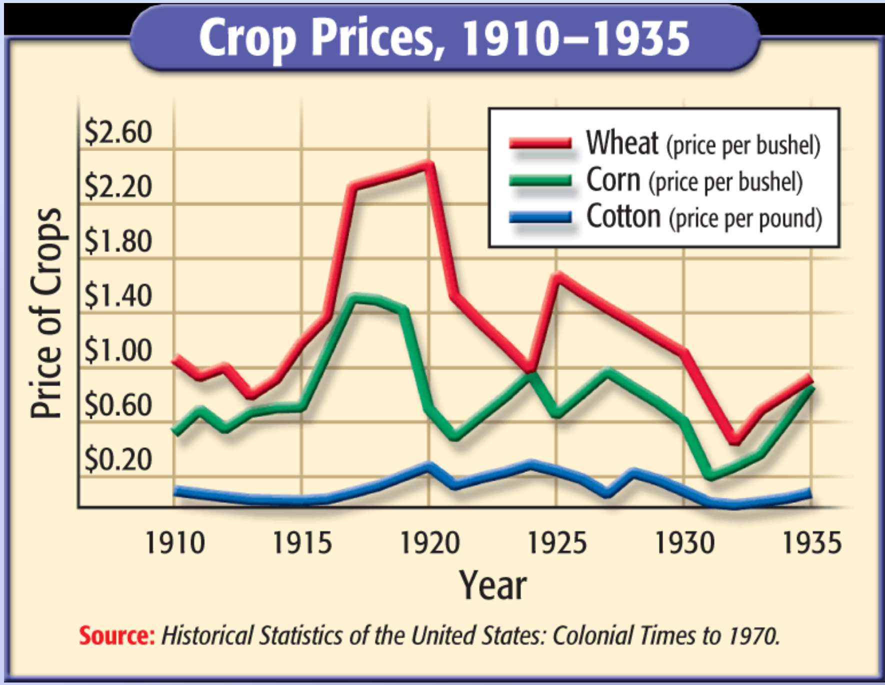
1. Overproduction

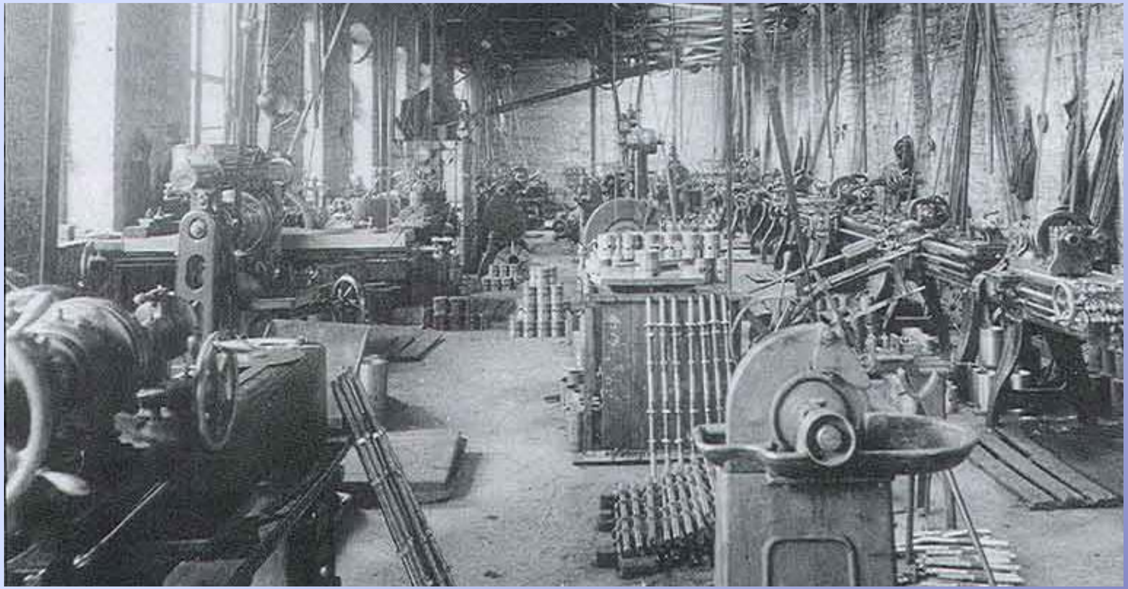
- Factories Overproduced:
  - Inventions, innovations and more efficient machinery increased industrial output from factories
- Farmers Overproduced:
  - The wide spread **switch from horse-drawn to mechanized farm equipment** allowed many farmers to increase crop output
  - Instead of making more money though, overproduction led to major price reductions, causing farmers to lose money and the inability to pay back farm loans
  - The result of farmers failing to pay back loans led many small towns banks to fail, creating a strain on other banks

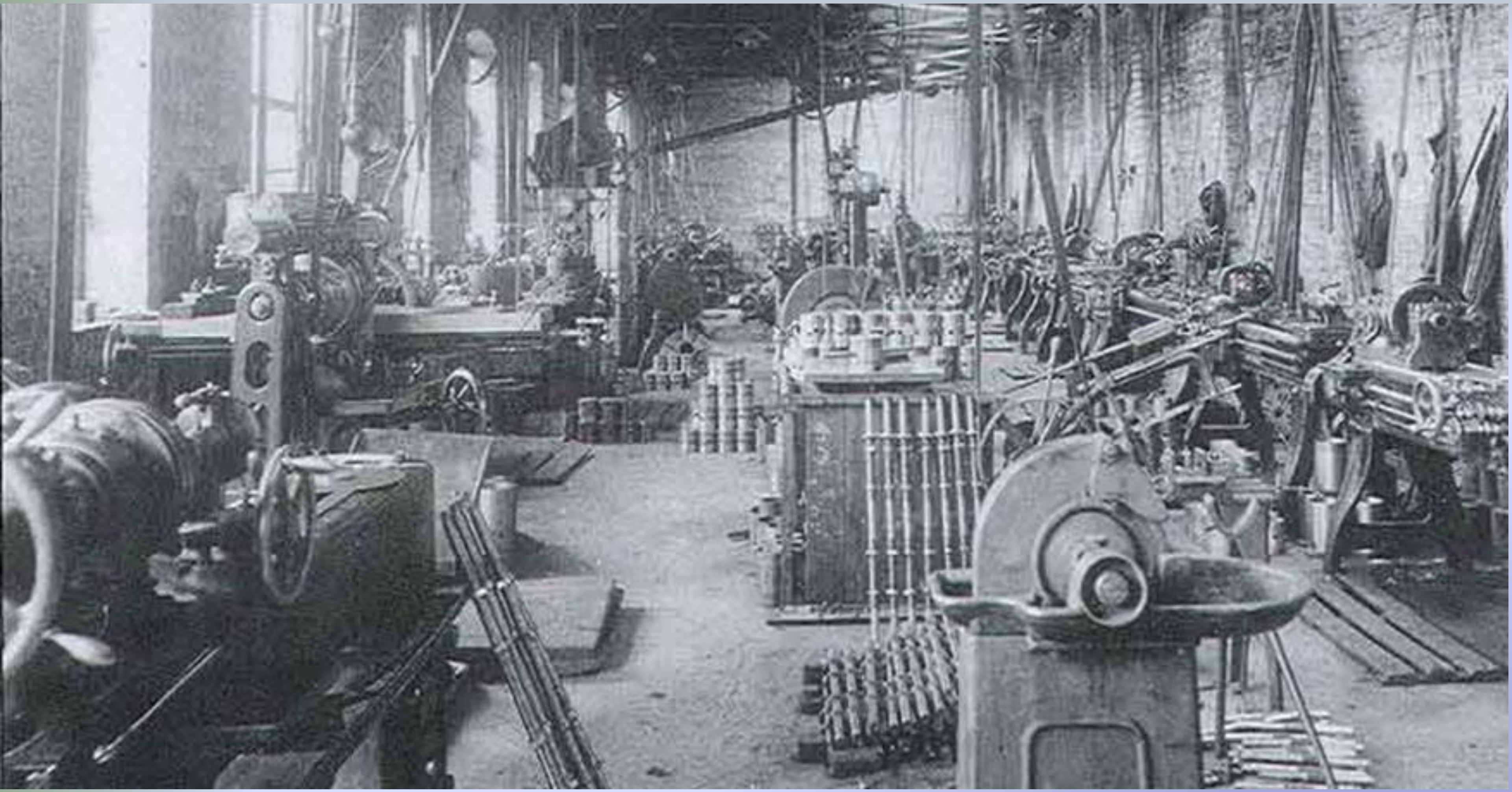


2. Under-consumption

- Though more efficient machinery in factories and on farms led to overproduction, few consumers had the money to purchase these goods.
- The average consumer had very little buying power
- Under-consumption led to lower prices which resulted in the loss of money for farmers and manufacturers.

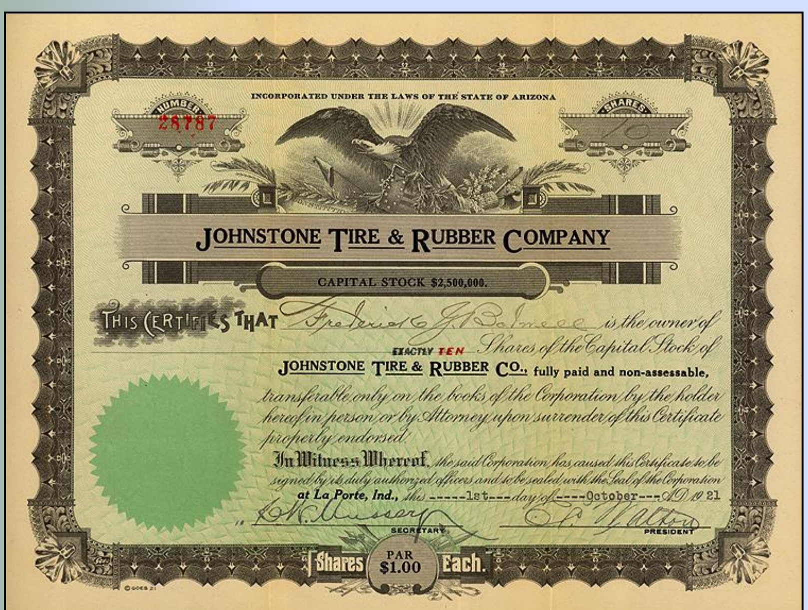
What happens to factory workers if the product they produce isn't being purchased?

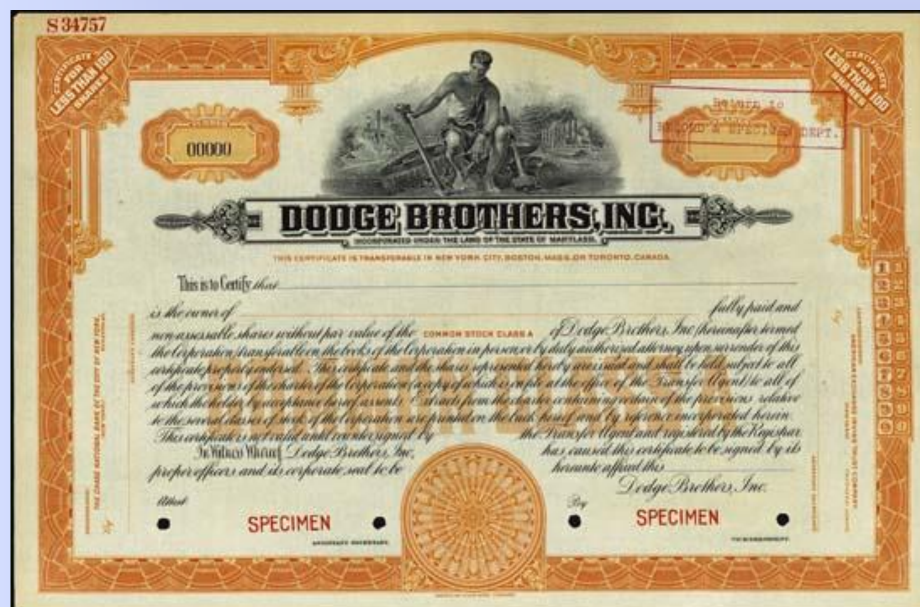




3. Stock Market Speculation

- In the late 1920s, a bull market existed, that is, the average value of stocks continued to increase.
- Many Americans began to invest in stocks.
- Shareholders (people who own stock in a corporation) share profits if the corporation does well, but suffer losses if the corporation does poorly.





Speculation

- **Speculators** were people who tried to make quick money on the stock market:

  -Many speculators bought stock "on margin."

  -Buying on margin means that speculators borrowed money from stock brokers to buy stocks: this works if the stock price goes up, but is disastrous if the stock price falls .

  -Many speculators of the 1920s borrowed 90% of the stock's value.

E.g., If a stock cost $100, you would borrow $90. If the stock price began to fall, you would then have to pay back the money you borrowed-which many speculators didn't have!)

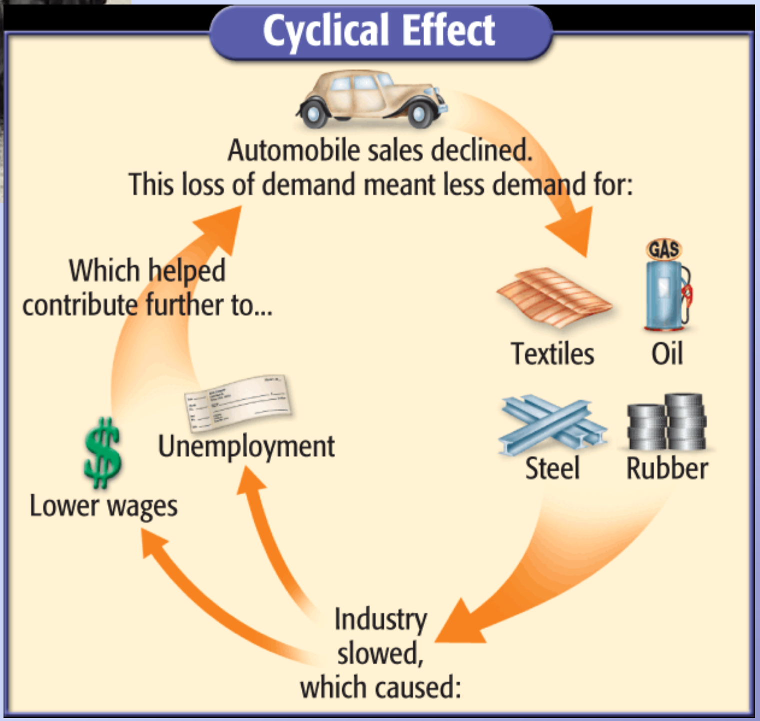
The Stock Market Crash of 1929

- When the economy took a down turn in 1929, many stock brokers issued **margin calls** (called for immediate repayment of the loans).
- This led to **bank runs**, **bank failures**, and it eventually caused the Stock Market Crash of 1929.
- On “**Black Tuesday”** (October 29, 1929), the stock market experienced its steepest dive in history, losing $10 to $15 billion in value.
- This 1929 crash of the stock market triggered the start of the Great Depression in the United States.

4. Other Factors Contributing to the Great Depression

- **Weak Banking Practices**: Bad loans/failed to follow sound principles
- **Insufficient Money Supply:** too little cash available for businesses to borrow for expansion or job creation
- **Easy Credit:** Installment buying allowed people to make payments on consumer goods that they otherwise may not have afforded.
- **Failure of Federal Reserve to act in a timely manner:** The Fed was too slow to react and encourage investment
- **Decline in Wages/Income Inequality**: a small number of Americans remained very rich, many were poor, and the middle class dwindled
- **Decline in Export Sales:** Foreign countries were also experiencing the Depression, therefore they bought fewer American products.
- **Tariff protection:**
  - The Smoot-Hawley Tariff of 1930 increased prices of imports.
  - This led other countries to put tariffs on U.S. products, and
  - It also lowered sales of American goods thus deepening the effects of the global depression.

Causes of the Great Depression



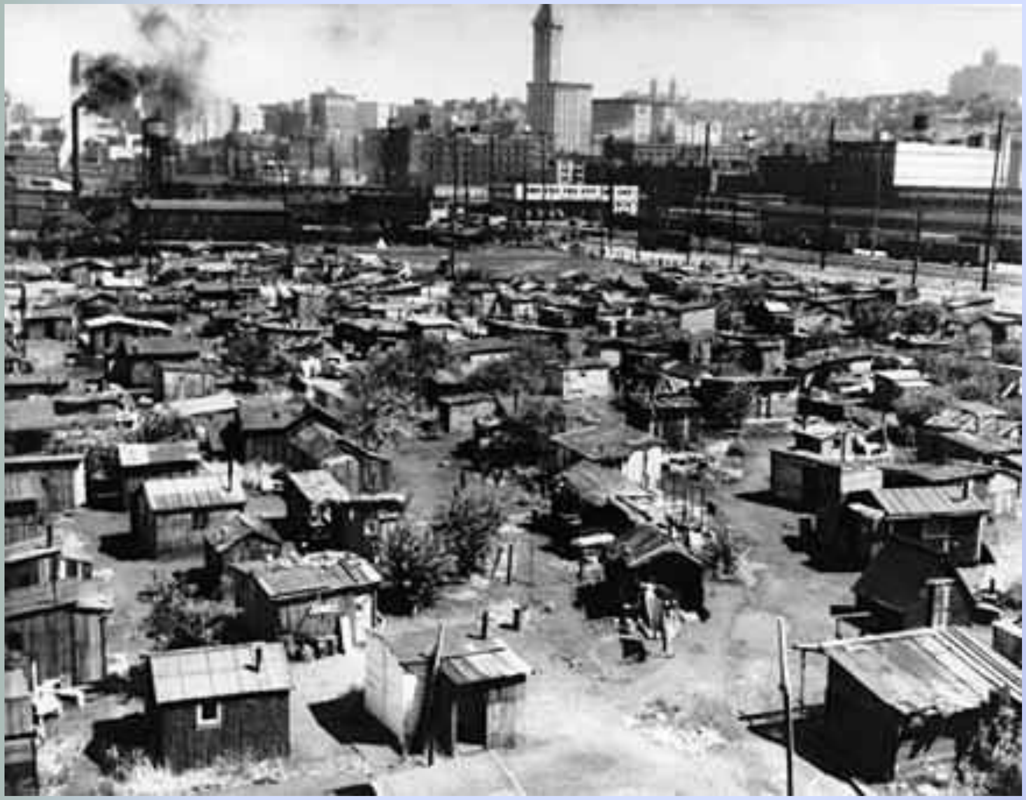
b. Explain factors (include over-farming and climate) that led to the Dust Bowl and resulting movement and migration west.

Farm Problems

- Since at least the 1890s through the 1920s, farmers had struggled through numerous problems.
- A seemingly endless series of droughts, floods, and pestilence (such as the boll weevil) plagued southern and western farms.
- Over-farming depleted the soil nutrients, little crop rotation was practiced, and livestock manure was insufficient to restore the nutrients.

- A drought in 1932 turned much of the Great Plains top soil into dust - wind blew the dried soil for hundreds of miles as a result of the lack of rain and crops.
- When farmers were unable to pay back their loans, many stopped planting crops.
- Thousands of families abandoned their homes and **migrated westward** in search of jobs and a new start in life. (Such a family was portrayed in John Steinbeck's novel *The Grapes of Wrath*.)
- **Okies** is a nickname given to these Dust Bowl refugees.

c. Explain the social & political impact of widespread unemployment that resulted in developments such as Hoovervilles.



President Herbert Hoover

- Engineering degree from Stanford University
- Worked in China during the Boxer rebellion
- Appointed by Pres. Wilson to head Food Administration in WWI; credited with saving thousands from starving in Belgium
- As American Relief Administration head, supplied food to prevent mass starvation in Central Europe.
- Secretary of Commerce under Presidents Harding and Coolidge

Hoover Administration's Response to Depression

- President Hoover and his advisors believed that the Great Depression was a temporary downturn in the **business cycle** and that the economy would right itself.
- Believed a **dole** (monetary relief) would lead to malaise.
- Encouraged **volunteerism** and **localism.**
- Failing to alter the course of the economy, Hoover shifted to more government intervention such as the **Reconstruction Finance Corporation**, a government agency providing massive loans to large corporations and banks in the belief that funds would encourage job creation, wage hikes and a rebound in the economy.

Hoovervilles

- Despite Hoover's efforts, the economy struggled.
- As workers lost their jobs, they were unable to pay their rent or mortgage and were evicted.
- This new class of homeless began moving to the outskirts of cities and building shacks nicknamed shantytowns, or Hoovervilles.

Why did people call shantytowns "Hoovervilles"?