

Great Depression Notes

- I. Economy Inspires Trust
 - A. Wonderful Prosperity
 - 1. Economy was running in high gear
 - 2. Stock values hit \$87 billion
 - 3. Real wages increase 40%
 - 4. Unemployment below 4%
 - B. “Everybody ought to be rich”
 - 1. People had confidence in business world
 - 2. John Raskob claimed that saving \$15 a week would make one rich
 - 3. Many people bought stocks with borrowed money
 - C. Welfare Capitalism
 - 1. Standard of living was improving
 - 2. Labor organizations were losing members
 - 3. Welfare capitalism was employers giving benefits/perks without unions
- II. Signs of Trouble
 - A. Uneven riches
 - 1. In reality the economy was out of balance
 - 2. Large companies were the ones getting rich off stock market
 - 3. 80% of Americans had no savings
 - B. Buying on credit
 - 1. Personal debt increased
 - 2. Assembly line made products cheaper
 - 3. Installment buying allowed people to purchase expensive items
 - C. Get rich quick
 - 1. Speculation was at all time high (taking chances in market)
 - 2. Buying on margin became the norm
 - “**On Margin**”: put down 5% of total value and borrow the rest/stocks are given to bank if person cannot repay loan
 - D. Too many goods, too little demand
 - 1. Warehouses held piles of un-purchased goods
 - 2. People could not buy products fast enough to sustain economy
 - E. Hard times
 - 1. New machinery allowed for higher yield of crops
 - 2. Demand dropped due to European farmers re-entering market

3. Farmers could not pay back loans and banks failed
4. Slowing economy led to workers protesting over low wages and poor working conditions

III. Market Crashes

A. Black Tuesday

1. Stock market begins to slow
2. Investors panic, sell stock
3. Political leaders remain confident
4. \$30 billion loss

IV. Crash Affects Millions

A. Workers and farmers lose out

1. Automobile industry began to cut back
2. No gov't unemployment program
3. GNP dropped from \$103 billion to \$56
4. Businesses had to close doors

B. Banks close

1. Unpaid farm loans ruined rural banks
2. Run on banks cause many to close

C. Worldwide repercussions

1. Global economy injured
2. Allies and US want German reparations
3. German economy counted on US investments
4. Germany had to stop paying debts

V. Causes of Great Depression

A. Overspeculation

1. Stocks were purchased with borrowed money
2. Stocks used as collateral to buy stock
3. Market was based on optimism on \$

B. Government policies

1. Strict money supply
2. Tariffs on foreign goods
3. Allowed unwise speculation

C. Uneven distribution of \$

1. Rich getting richer
2. Poor getting poorer

D. Decline in foreign trade

1. Tariffs on foreign goods – taxes on foreign countries

- Due to high tariffs countries did not want to trade with U.S.

No money to lend; Europe experienced difficult economic times

VI. Social Effects of Great Depression

A. Hooverilles

1. Hardest hit people were poor
2. Towns made of scrap materials
3. Named after President Hoover

B. Farm Distress

1. Farm prices drop
2. Banks sold farms
3. Farmers destroy crops

C. Family problems

1. Divorce rate drops
2. Move in with family
3. Married women refused jobs
4. Men feel like failure
5. Thousands become homeless

D. Discrimination

1. African Americans lost jobs
2. Relief programs discriminate
3. Some African Americans denied civil rights

VII. Hoover's Response

A. Voluntary Actions

1. Hoover felt that volunteer action was answer to economic problems
2. Businesses agree at first, but later cut wages
3. Thought there would be a rapid recovery

B. Government Acts

1. Create jobs through public works
2. Hawley-Smoot Tariff: to protect from foreign imports
3. Reconstruction Finance Corp: gov't gave banks credit for loans
4. Prohibition Repealed: to stimulate economy

5. Agricultural Marketing Act (AMA) – lend money to farmers, help them work together to determine crop prices; too slow of a process

- AMA failed because farmers didn't have money to pay for mortgages; couldn't wait for crop prices to change

6. Emergency Relief Act – Help areas of high employment, too little too late

C. Hoover's unpopularity grows

1. Refuse federal relief because said it would destroy self respect
2. Bonus Army

Bonus Army 1932

- WWI veterans who wanted early payment of WWI bonus (not to be paid until 1945)
- Veterans travel to Washington DC
- Peaceful demonstration
- Veterans promised \$500 of the \$1000 owed to them
- Senate denied the \$500 payout
- Most veterans left, some stayed
- President Hoover called in troops to remove veterans still left
- Federal troops torched camp veterans were staying at
- 100 injuries, baby died

Election of 1932 – Franklin D. Roosevelt (FDR) takes office