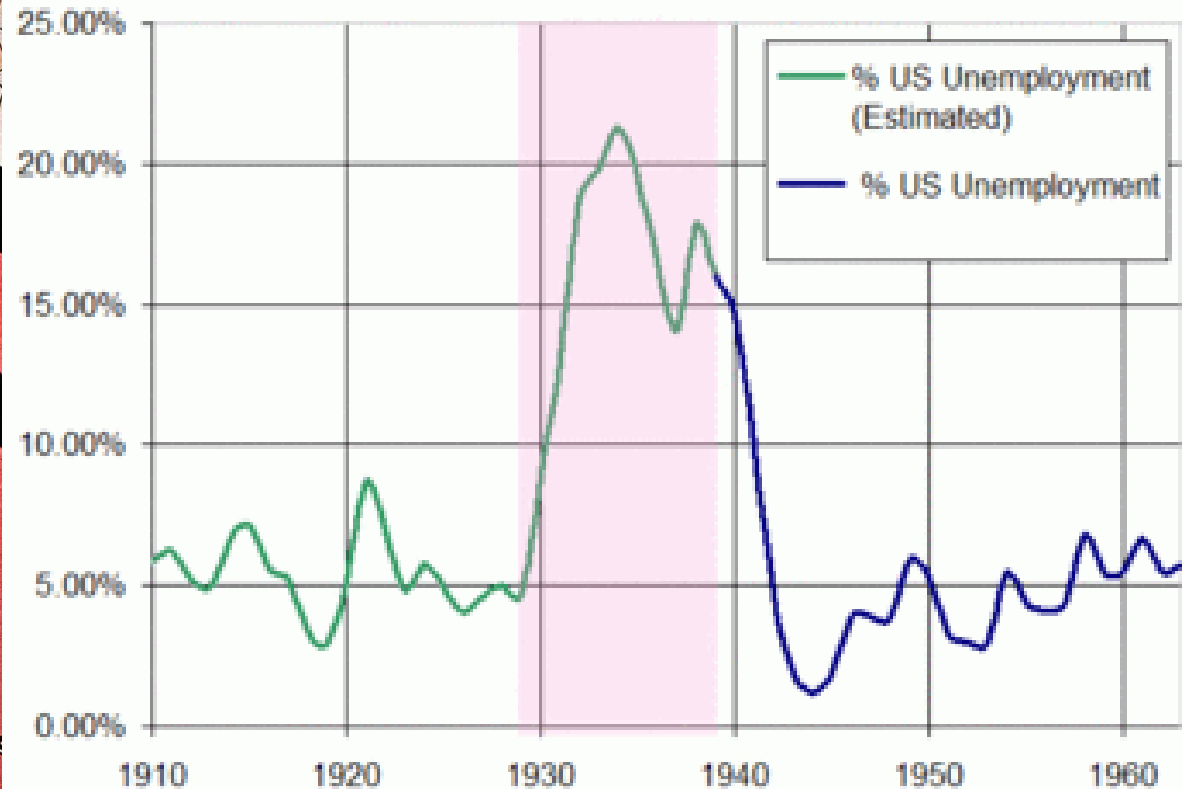


The 1920s were a decade of consumer spending and the economy looked healthy on the surface

Income did increase in the 1920s, but there were severe problems with the U.S. economy

In October 1929, the “Roaring Twenties” came to an end and the Great Depression began...why?



CAUSES

- stock-based economy; superficial prosperity
- unequal distribution of income
- problems in industry and the farm sector
- increasing consumer debt
- stock market speculation and crash

Over-production and under-consumption

By the end of the 1920s, factories produced too many durable goods (known as over-production)

People did not need as many appliances and cars by the end of the decade (under-consumption)

THE GREAT DEPRESSION

EFFECTS

- people out of work
- rise of shantytowns
- banks fail and schools close
- world economy suffers
- Hoover employs more active governmental involvement



Too much inventory...
Not enough buyers

Cyclical Effect



Automobile sales declined.
This loss of demand meant less demand for:



Which helped
contribute further to...

 Unemployment
Lower wages

Industry
slowed,
which caused:



CAUSES

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THE GREAT DEPRESSION

EFFECTS

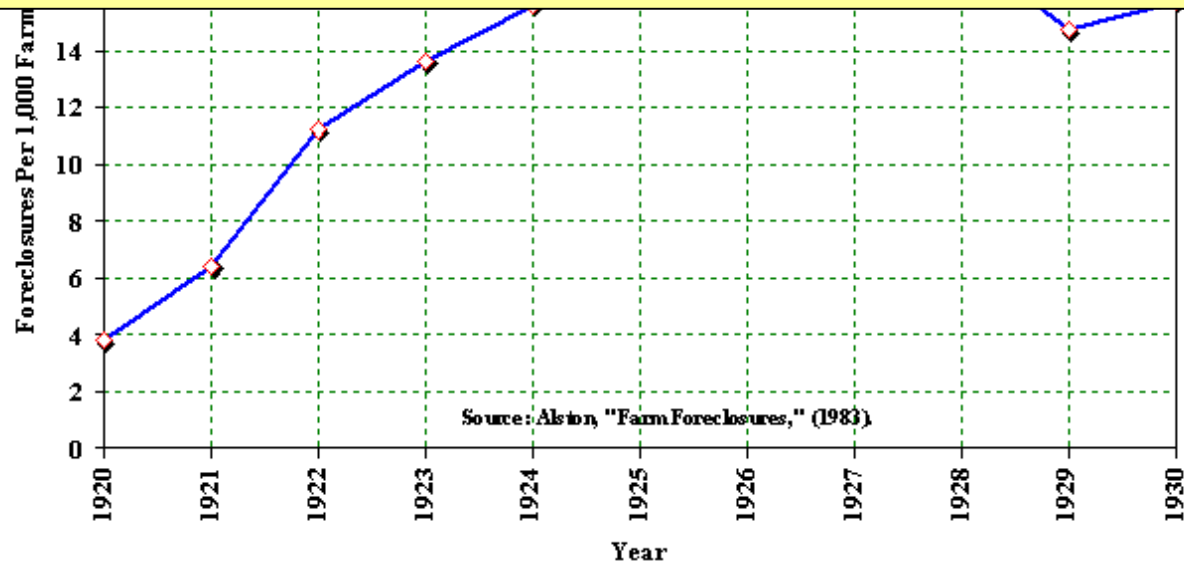
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Problems for farmers and industry

The end of WWI led to a decline in demand for agricultural products and a 40% decline in crop prices

Farmers could not pay back loans and many had their farms foreclosed

Railroads, textiles, coal were losing money and faced competition from cars, synthetic fabrics, natural gas



CAUSES

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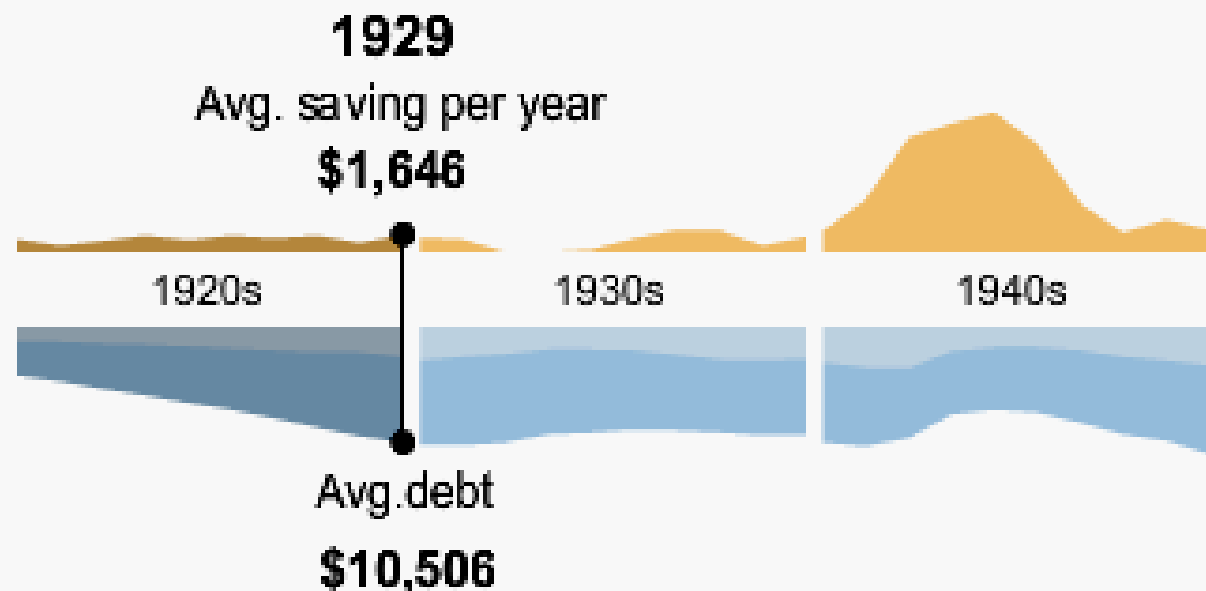
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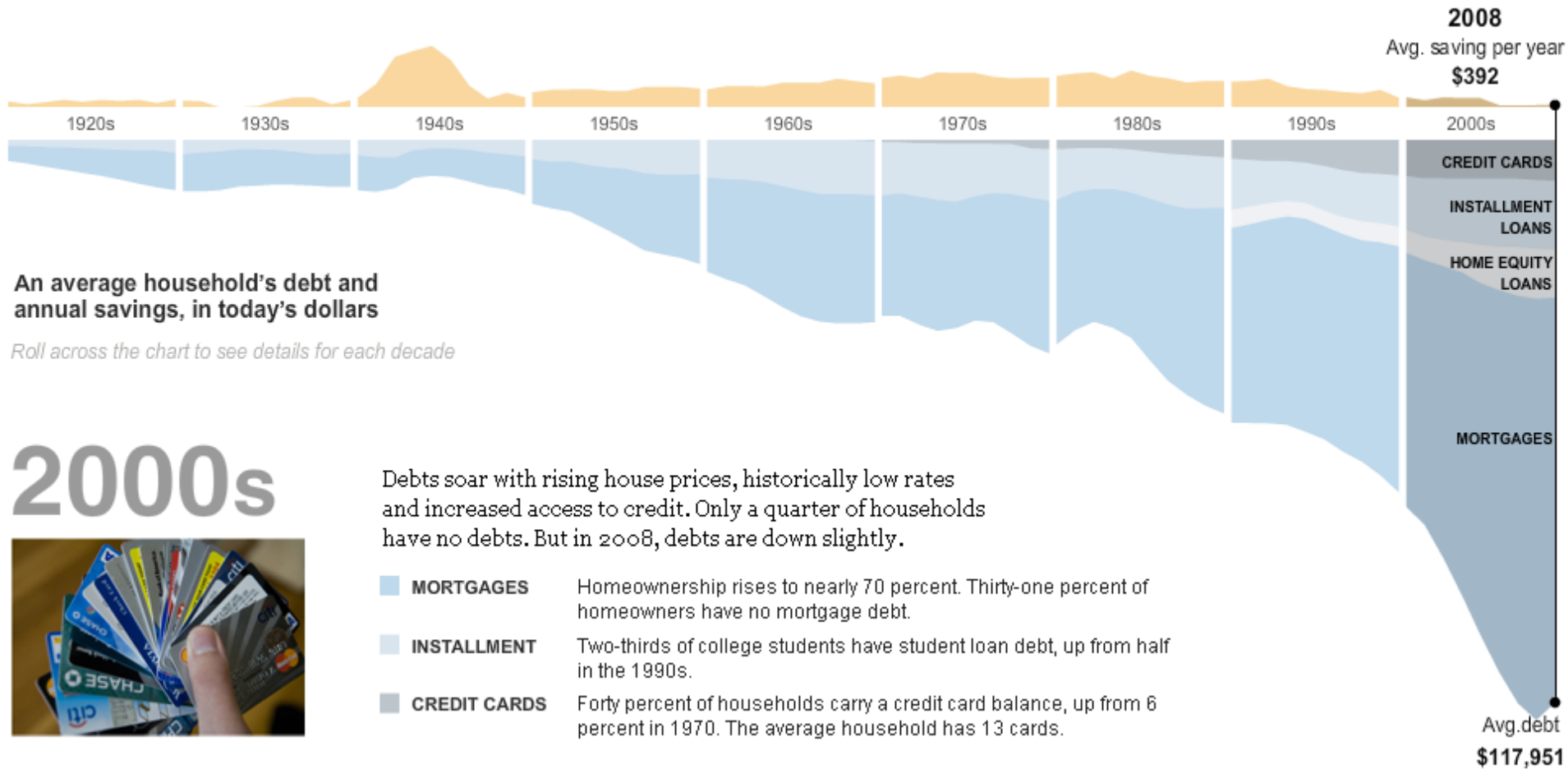
Increasing American debts

Many Americans used credit to live beyond their means, generate large debts, and had to cut back on spending by the end of the decade



An average household's debt and annual savings, in today's dollars

How does consumer debt in the 1920s compare to today?



CAUSES

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THE GREAT DEPRESSION

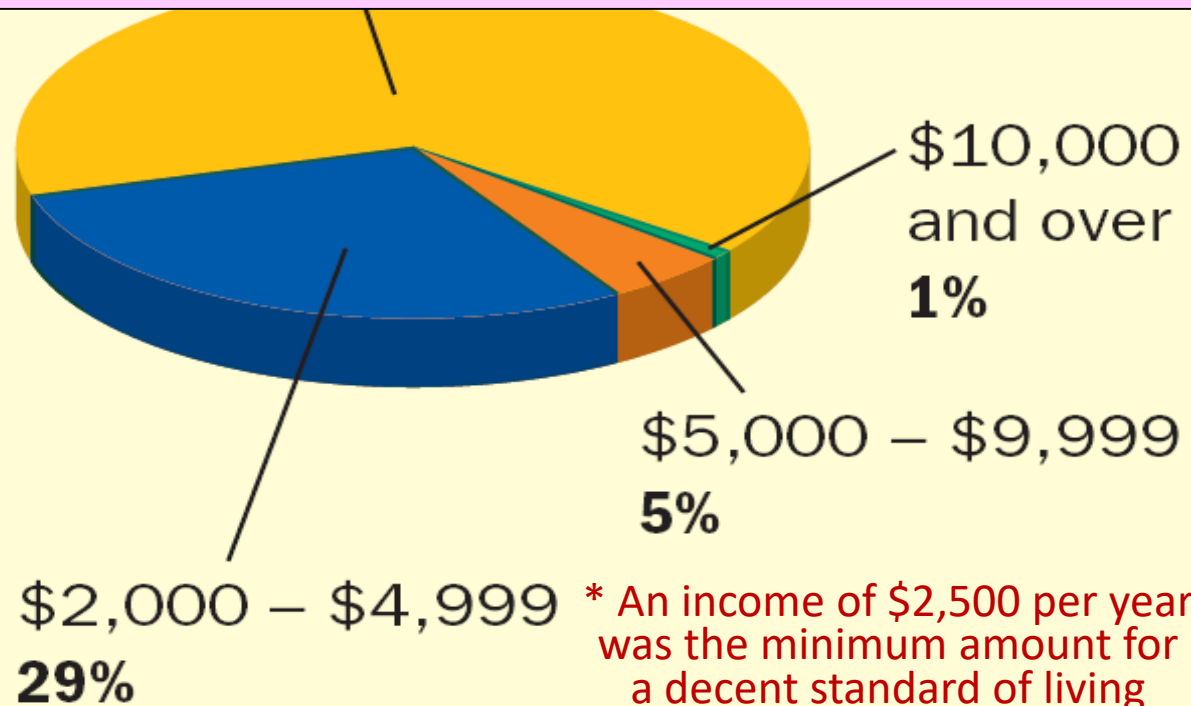
EFFECTS

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Uneven distribution of wealth

The decade was not as wealthy as it appeared; Despite rising wages, the gap between the rich and poor grew wider in the 1920s

70% of Americans were considered "poor" so most of the spending was done by 30% of the population



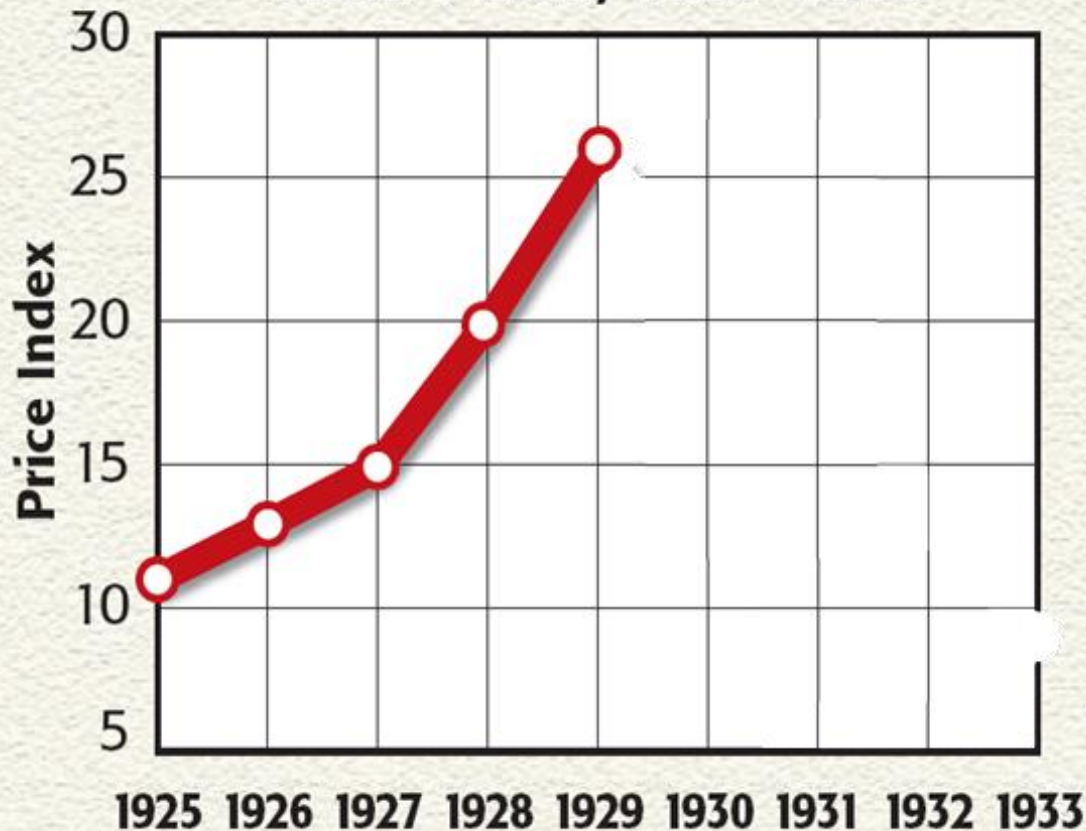
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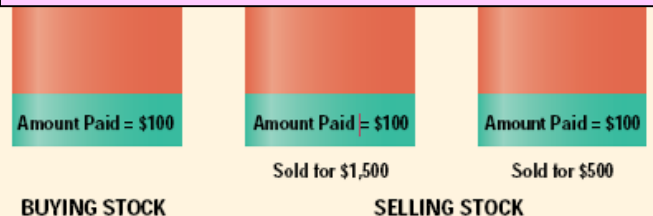
Stock market speculation

The stock market soared throughout the 1920s and people speculated by borrowing money to pay for stocks (called **buying on margin**)

Stock Prices, 1925–1933



The stock market was not regulated which allowed some companies to alter their stock values to increase profits... This created a “bubble” in the stock market



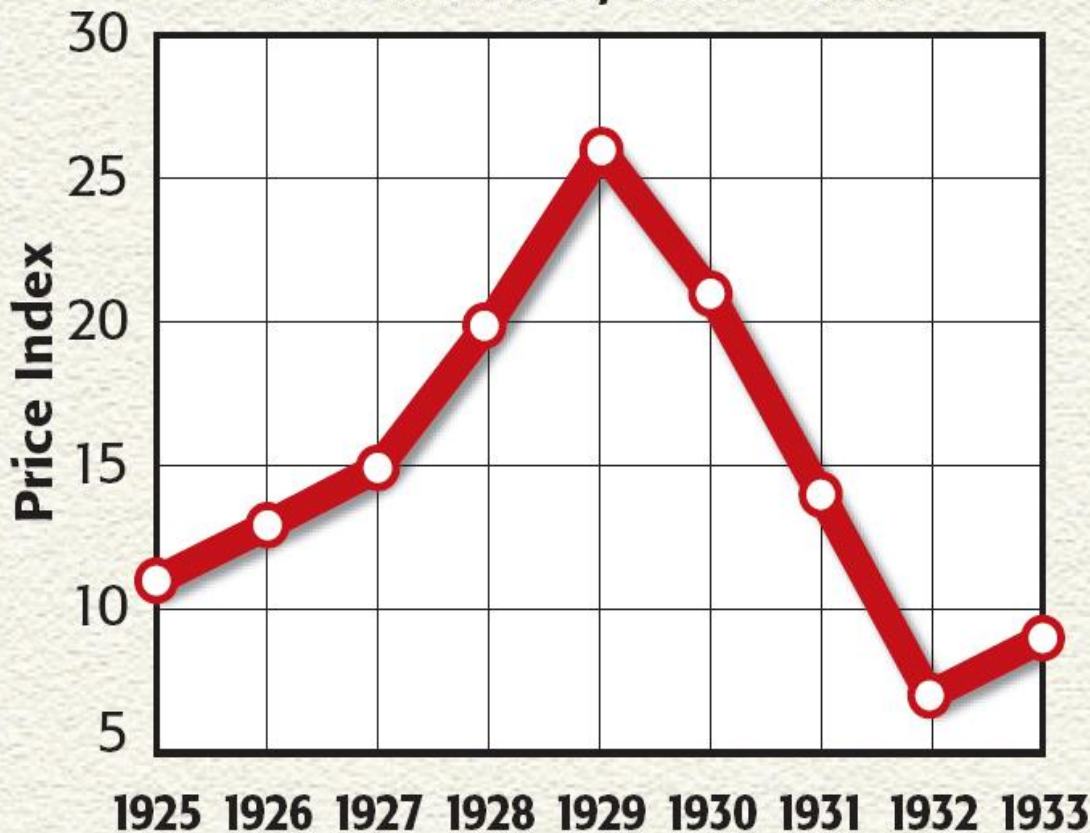
CAUSES

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The spark that triggered the Great Depression was the stock market crash in October 1929

On October 29, 1929 (Black Tuesday) the stock market crashed

Stock Prices, 1925–1933



BROOKLYN DAILY EAGLE LATE NEWS
WALL STREET 1:15 PM '29

People rushed to sell, stock prices dropped, and investors lost a total of \$30 billion

Speculators who bought on the margin, could not pay off their debts

WATSON QUITTING CAPITAL
Departure for Florida Tomorrow for Health Leaves James as Republican Senate Leader.

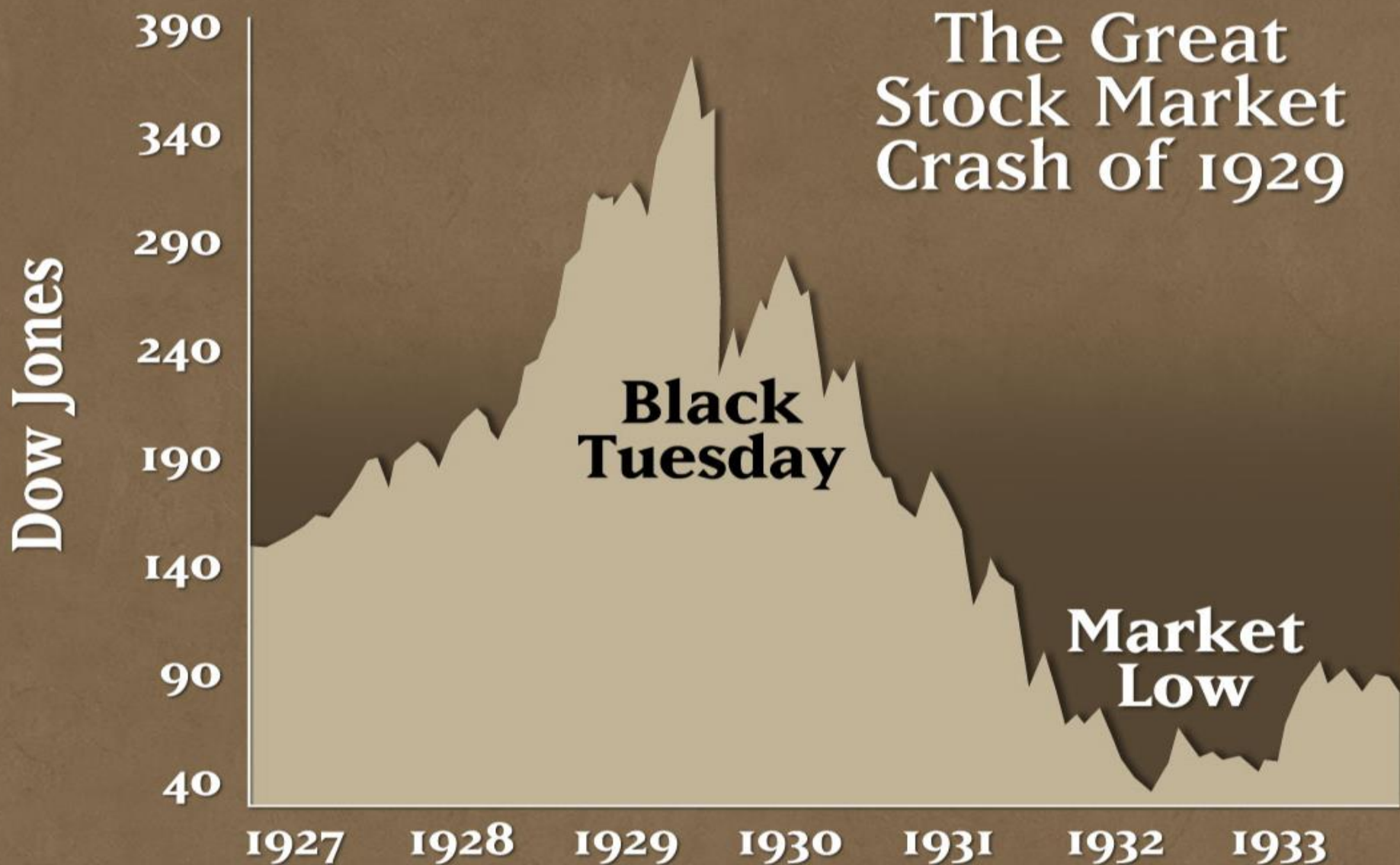
HOPE SEEN IN MARGIN CUTS
Federal Reserve Board Moves to Reduce Requirements to 20 Per Cent—Declines to Wait for More Checks.

U.S. STEEL TO PAY \$1 EXTRA DIVIDEND
RESERVE BOARD OPINIONS
Change in the New York Railroad Rate.

BIG GAIN IN STEEL INCOME OFFICIALS ARE OPTIMISTIC
Earnings for Nine Months Are \$1.5 a Share, Against \$1.17 a Year Ago.

BIG TRADERS HARDEST HIT
Bullion, Futures, Commodities Now Stop for the Count and Active Purchases.

Stock Market before and after Black Tuesday

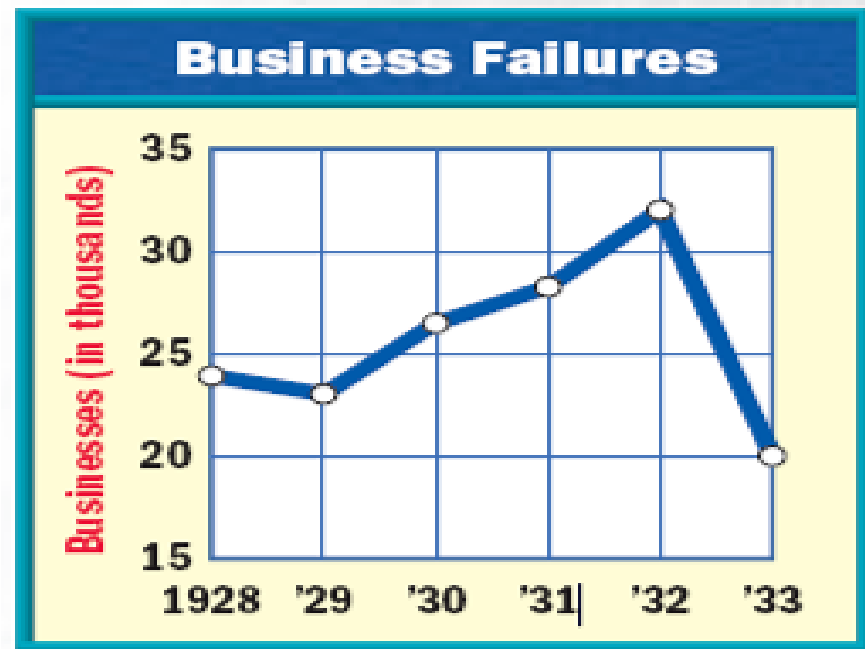
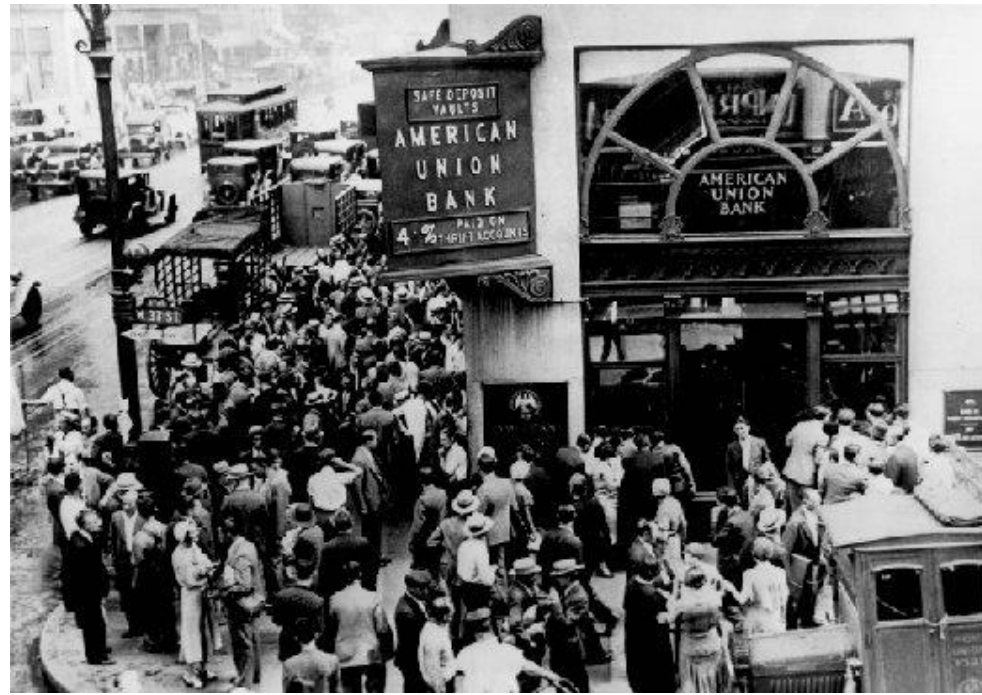


After the crash, people tried to withdraw their money from banks

When banks could not produce money for all their customers, the banks failed

This led to a run on banks across the U.S... hundreds of banks failed and thousands of people lost their savings

The banking failure and stock market crash led to the collapse of thousands of businesses



When the Great Depression began, millions of people lost their jobs or took pay cuts to keep their jobs



From 1929 to 1932, unemployment grew to 12 million people



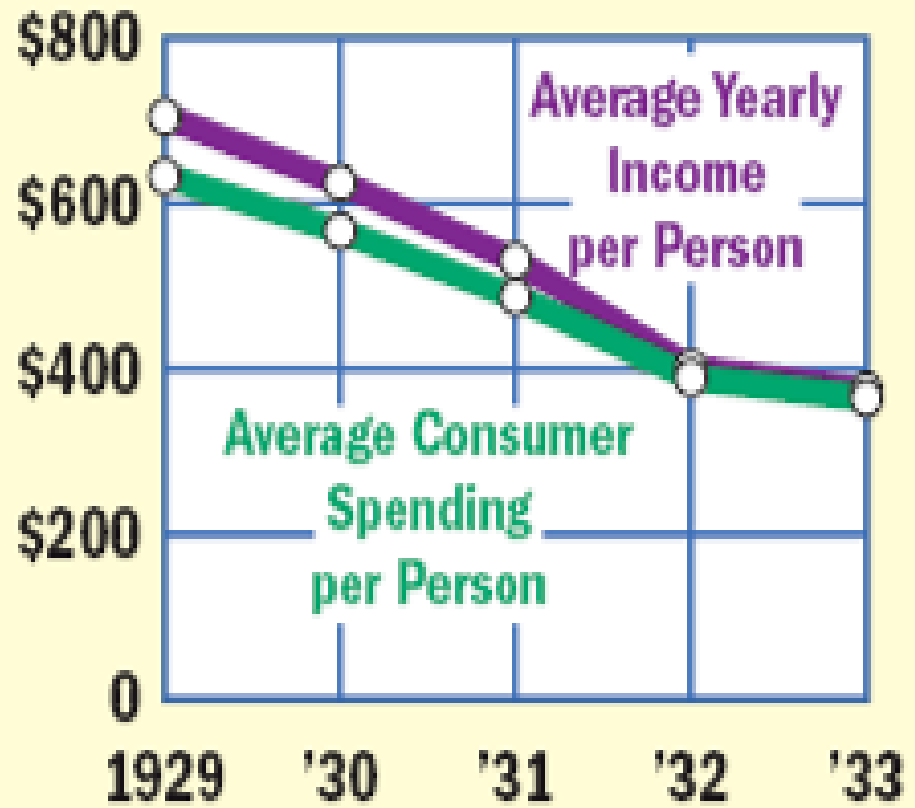
Americans lacked confidence in the future so they tried not to spend money



The decline in consumer confidence made the depression drag on until the 1940s

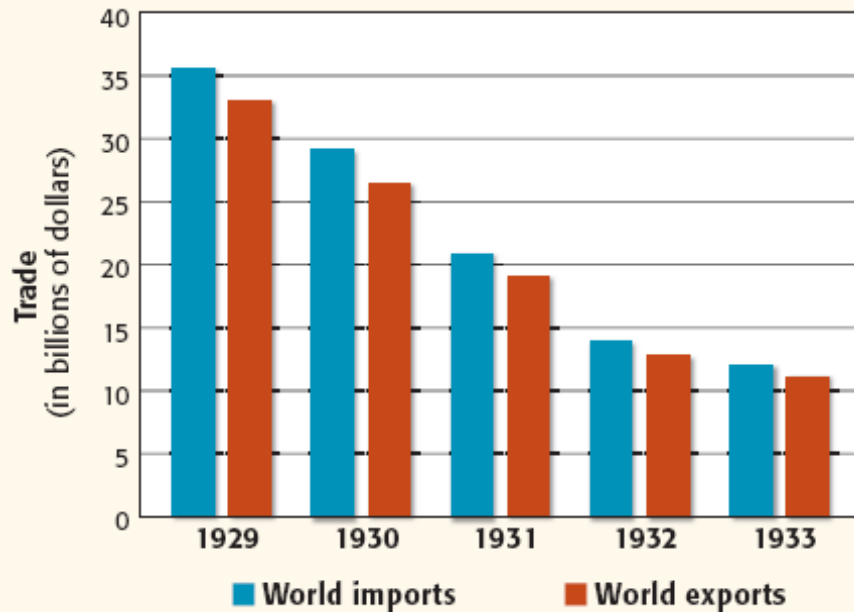


Income and Spending



Source: Historical Statistics of the United States

World Trade, 1929–1933

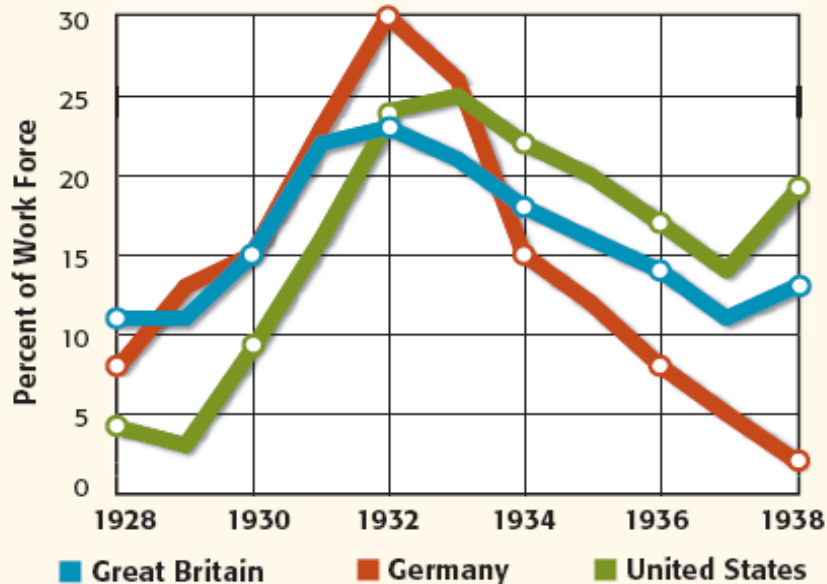


The Great Depression led to a global depression in Europe, Asia, and Latin America

World trade fell by 40%

To encourage citizens to buy from U.S. companies (not foreign competitors) the government passed new high tariffs...

Unemployment Rate, 1928–1938



...European nations responded with their own tariffs which made it difficult for U.S. companies to sell their goods overseas

The Great Depression led to a collapse of the American financial system by 1933

Bank Failures

Americans lost confidence in banks as 25,000 banks failed; The lack of banking meant there was no money for investment

2

Business Failures

The lack of spending and stock market crash led to failure of 90,000 businesses

Unemployment

Unemployment peaked at 25% of all Americans; People lost their homes, farms, and businesses

4

Income and Spending

The USA had record poverty and suicide rates and healthcare declined; Charities offered soup kitchens and breadlines to help

Soup Kitchens and Breadlines



FREE
SOUP COFFEE & DOUGHNUTS
OR THE UNEMPLOYED

ALBERT
HORAN
BAILIFF

PARKING 25

FREE SOUP
5





**JOBLESS MEN
KEEP GOING
WE CAN'T TAKE CARE OF OUR OWN
CHAMBER OF COMMERCE**

Hopping on a moving freight train was a dangerous act, but in the 30s hundreds of thousands of men and women did it. Used

Mortgage Foreclosures



Poverty in America

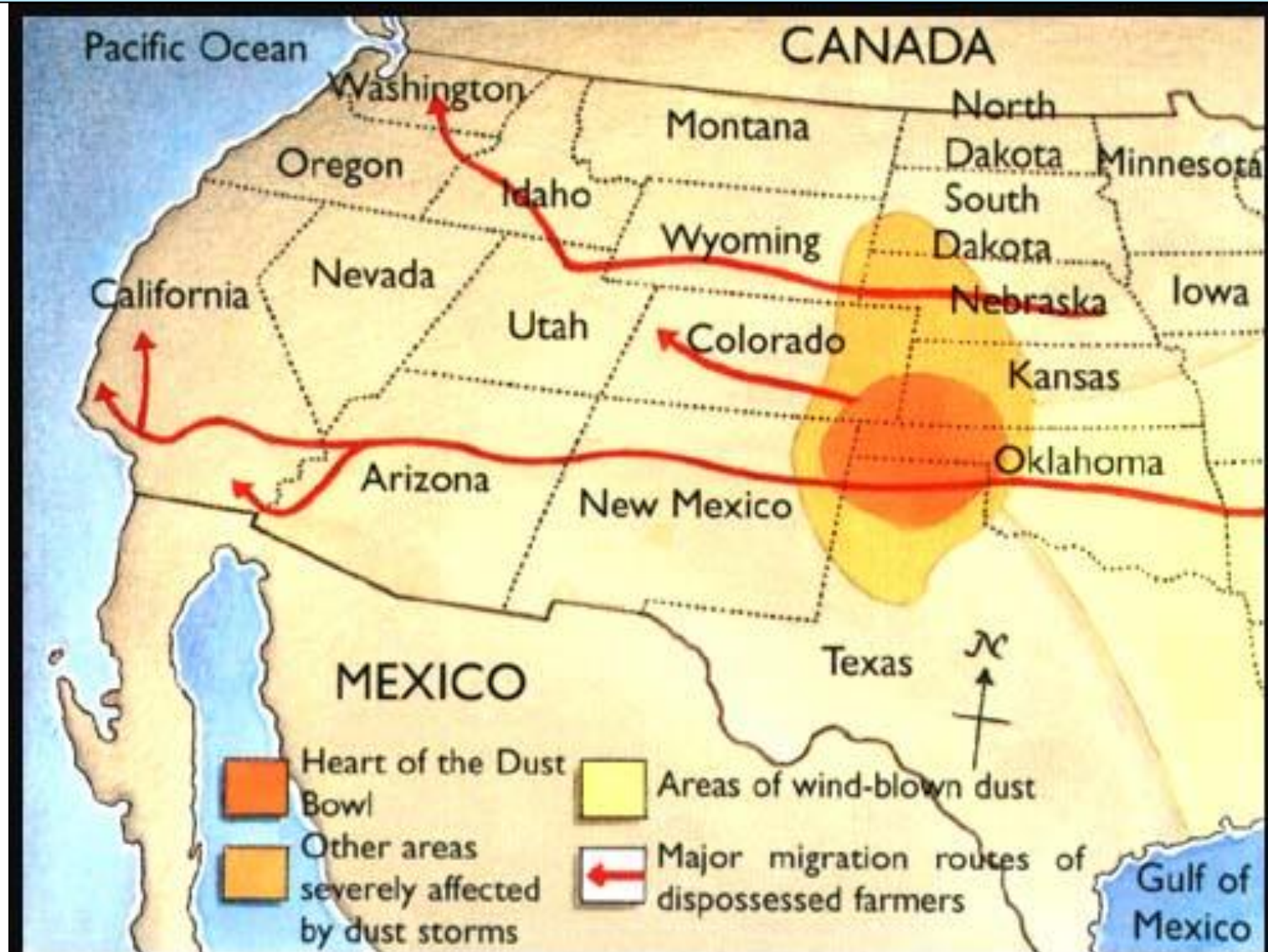


The effects of the depression were made worse by the Dust Bowl

Decades of over-farming and droughts in the Plains led to windstorms that swept away soil and made farming impossible



Farmers in the Plains (called “Okies” and “Arkies”) left their farms and searched for work or for better land in West coast states



When the Great Depression began, Republican President Herbert Hoover tried to solve America's economic problems

President Hoover believed that America could overcome the depression through "rugged individualism" (using hard work and perseverance)

Hoover private charities to help ("volunteerism")

He encouraged business growth, wanted to keep taxes low, and avoided direct gov't intervention



Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves.

(Herbert Hoover)

As the depression worsened, Hoover called for more direct government action to ease peoples' suffering

Under Hoover, the gov't issued relief checks to help the unemployed

Congress created the Reconstruction Finance Corps (RFC) to loan money to save failing businesses

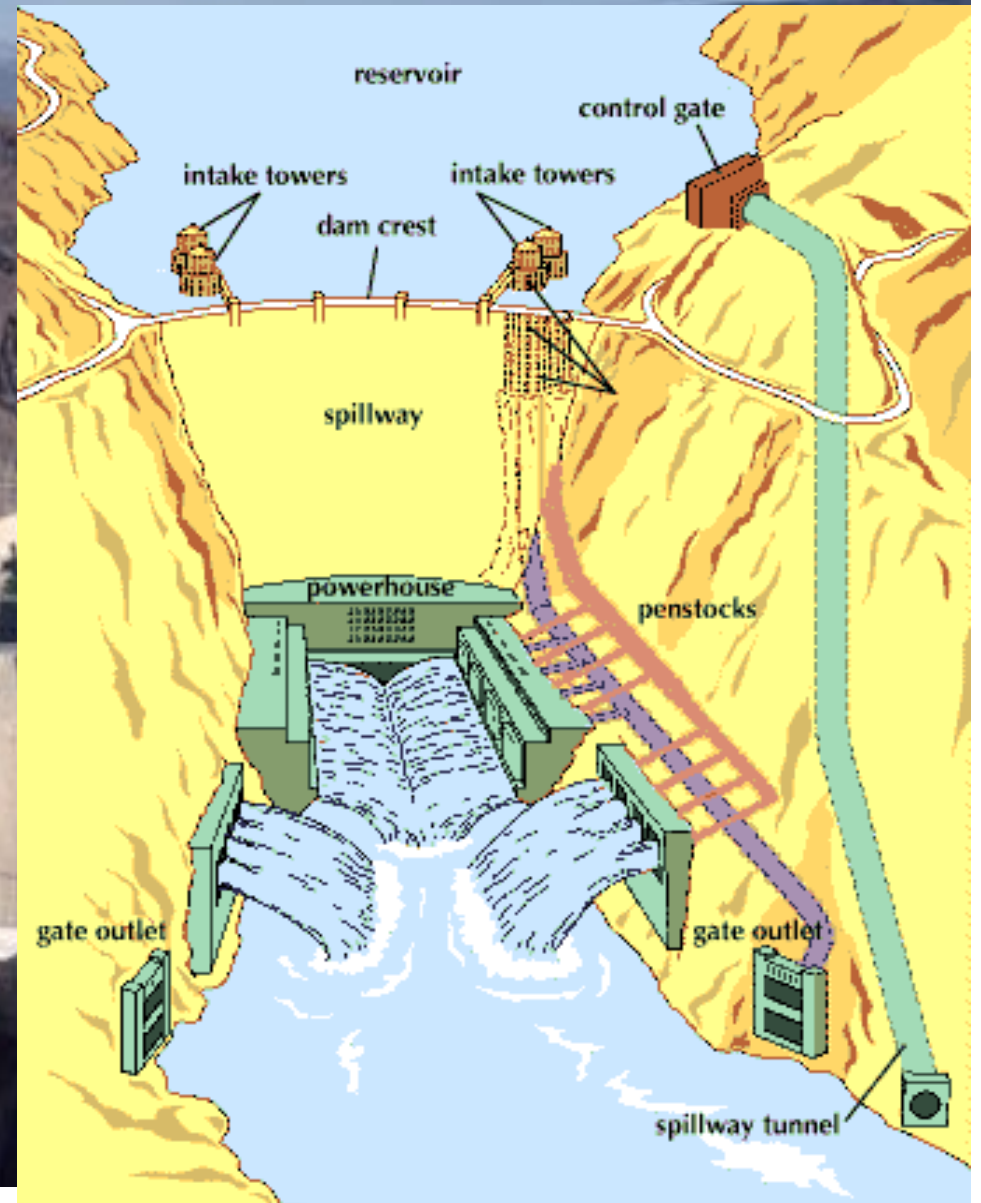


Real Federal Spending

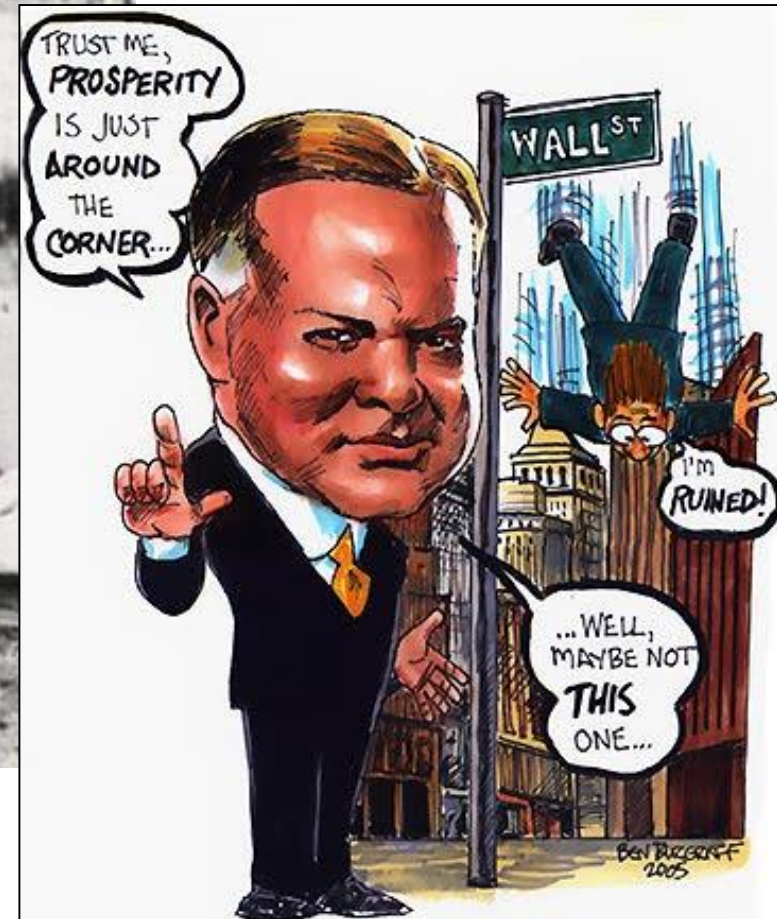
Hoover Administration encompassed
FY 1930-FY 1933 budgets



Congress approved new building projects to put Americans to work like the Hoover Dam



These efforts did not end the depression and many citizens lost faith in President Hoover



Americans who lost their homes, lived in shantytowns nicknamed "Hoovervilles"

"Hoover Hotels"



"Hoover Blankets"



"Hooverville"





By the election of 1932, Americans were looking for new leadership and a president who could save them from the Great Depression

