

Chapter Summary

The Great Depressions Begins, 1929–1932

ESSENTIAL QUESTIONS

What causes changes in the economy over time? How do depressions affect societies?

This chapter examines the causes of the Great Depression and describes how families, businesses, and government responded to the economic crisis.

The Causes of the Great Depression

- Several factors played a part in the economic downturn that is known as the Great Depression.
- Stock market speculation pushed stock prices to unrealistic heights.
- Purchasing on margin allowed people to consider the expense of a small down payment to buy stock they might not otherwise be able to afford.
- In October 1929 the bull market ended and stock prices plummeted.
- Bank failures destabilized the financial system and people across the country—even those who had not invested in the market—lost money.
- Uneven distribution of income left most families with little extra income.
- Cutbacks in spending affected industry and led to growing unemployment.
- High tariffs, meant to protect U.S. industry, resulted in a global decrease in imports and exports.
- The Federal Reserve's actions also made it more difficult for the economy to recover.

Life During the Depression

- Nearly one-fourth of the American workforce was unemployed by 1933.

- The Dust Bowl that resulted from drought conditions destroyed the crops of many farmers on the Great Plains.
- Migrant farmers left the destruction of the Dust Bowl to try for a new life farther west.
- Movies and radio either reflected the problems of the decade or provided some entertainment as a distraction.

Hoover's Response to the Depression

- President Hoover hoped that private charities, business leaders, and labor and government officials would provide relief.
- Hoover's government relief attempts were not adequate to turn around the economic decline.
- Congress provided federal funds for public works and loans to the states for direct relief. But these measures were not enough.
- Hunger marches by frustrated Americans showed impatience with Hoover's administration.
- Farmers destroyed crops in the hopes of raising crop prices.
- Public fights with World War I veterans (the Bonus Army) in Washington, D.C., made the Hoover administration less popular.