Define the Great Depression

What is it?
Where was it?
When was it?
How did it happen?
What impact did it have?

Dorothy Lange documented much of the depression through her photography.
How high did G-D unemployment get?
Six Causes of the Great Depression

1. Overproduction
2. Over Use of Credit
3. Over Speculation=Stock Market Crash
4. Over use of farmers’ land=severe weather, drought…
5. Oversight on government policies
6. Overspending during WWI=Global Depression
Describe economic growth in the 1920s.
Historians disagree as to the causes of the Great Depression. Most scholars would include:

- Unequal distribution of wealth
- High tariffs and war debts
- Stock market crash and financial panic
- Monetary policy
- Industry
- Agriculture
- Overproduction
Other Causes of the Great Depression

- 1928 Presidential Election
- Farm crisis
- Buying on credit
- Federal Reserve
- Monetary Policy
The 1920s was known as a prosperous time, but not for everyone.

Installment buying, using credit and paying back in small amounts, was introduced which allowed people to buy cars, radios and other new products of the 1920s.

Farmers, however, were in a depression throughout the whole decade.
What does the chart reveal?

1,230,000 Americans

121,770,000 Americans

TOP 1%

BOTTOM 99%

1929
Although the nation's wealth grew by billions throughout the 1920s, it was not distributed evenly.

The top 1% received a 75% increase in their disposable income while the other 99% saw an average 9% increase in their disposable income.

80% of Americans had no savings at all.
RURAL POVERTY IN THE 1920’S
Describe changes in wages of unskilled workers.
At the end of World War I, European nations owed over $10 billion ($115 billion in 2002 dollars) to their former ally, the United States. Their economies had been devastated by war and they had no way of paying the money back.

The U.S. insisted their former allies pay the money. This forced the allies to demand Germany pay the reparations imposed on her as a result of the Treaty of Versailles. All of this later led to a financial crisis when Europe could not purchase goods from the U.S. This debt contributed to the Great Depression.

In 1922, the U.S. passed the Fordney-McCumber Act, which instituted high tariffs on industrial products. A tariff is a tax on imports. Other nations soon retaliated and world trade declined helping bring on the great depression.
Factories were producing products, however wages for workers were not rising enough for them to buy them. Too few workers could afford to buy the factory output. The surplus products could not be sold overseas due to high tariffs and lack of money in Europe.
What happened to foodstuffs in the 1920s?

<table>
<thead>
<tr>
<th>Agricultural product</th>
<th>1912-1913</th>
<th>1932-1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn (per bushel)</td>
<td>0.56</td>
<td>0.20</td>
</tr>
<tr>
<td>Wheat (per bushel)</td>
<td>0.88</td>
<td>0.41</td>
</tr>
<tr>
<td>Oats (per bushel)</td>
<td>0.34</td>
<td>0.17</td>
</tr>
<tr>
<td>Butter (per lb)</td>
<td>0.21</td>
<td>0.13</td>
</tr>
<tr>
<td>Butterfat (per lb)</td>
<td>0.25</td>
<td>0.16</td>
</tr>
<tr>
<td>Wool (per lb)</td>
<td>0.24</td>
<td>0.10</td>
</tr>
<tr>
<td>Hogs (per cwt)</td>
<td>7.50</td>
<td>3.80</td>
</tr>
<tr>
<td>Milk (per cwt)</td>
<td>1.79</td>
<td>0.90</td>
</tr>
</tbody>
</table>
Due to surpluses and overproduction, farm incomes dropped throughout the 1920’s.

The price of farm land fell from $69 per acre in 1920 to $31 in 1930.

Agriculture was in a depression which began in 1920, lasting until the outbreak of World War II in 1939.

In 1929 the average annual income for an American family was $750, but for farm families it was only $273.

The problems in the agricultural sector had a large impact since 30% of Americans still lived on farms.
In the 1928 presidential contest, Democratic New York Governor Al Smith ran against Republican Secretary of Commerce Herbert Hoover. Many were suspicious of Smith who was Catholic, while Hoover was popular for feeding starving Europeans after WWI.
Hoover’s winning platform was based on continued prosperity

“We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us.” 1928
"I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering. . . . The lesson should be constantly enforced that though the people support the Government the Government should not support the people."

(1930)

How will Hoover deal with the Depression?

President and Mrs. Hoover
ONE OF HOOVER’S FIRST ACTS WAS DEALING WITH THE FARM CRISIS

"The most urgent economic problem . . . is agriculture. It must be solved."
How will the drop in farm income impact the rest of the economy?
### U.S. Department of Agriculture’s Yearbook from 1934 Shows the Unstable Prices of Foodstuff

<table>
<thead>
<tr>
<th>YEAR</th>
<th>WHEAT</th>
<th>CORN</th>
<th>OATS</th>
<th>POTATOES</th>
<th>PEANUTS</th>
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<tbody>
<tr>
<td>1919</td>
<td>216.3</td>
<td>150.7</td>
<td>76.7</td>
<td>191.1</td>
<td>9.33</td>
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<tr>
<td>1920</td>
<td>182.6</td>
<td>61.0</td>
<td>53.8</td>
<td>133.2</td>
<td>5.26</td>
</tr>
<tr>
<td>1921</td>
<td>103.0</td>
<td>52.7</td>
<td>32.2</td>
<td>113.5</td>
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</tr>
<tr>
<td>1922</td>
<td>96.6</td>
<td>75.2</td>
<td>37.4</td>
<td>68.6</td>
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<tr>
<td>1923</td>
<td>92.6</td>
<td>83.5</td>
<td>40.7</td>
<td>91.5</td>
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<tr>
<td>1924</td>
<td>124.7</td>
<td>105.3</td>
<td>47.8</td>
<td>71.5</td>
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<td>1925</td>
<td>143.7</td>
<td>69.9</td>
<td>38.8</td>
<td>166.3</td>
<td>4.56</td>
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<tr>
<td>1926</td>
<td>121.7</td>
<td>75.3</td>
<td>40.1</td>
<td>136.3</td>
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<tr>
<td>1927</td>
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<td>47.1</td>
<td>108.9</td>
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<tr>
<td>1928</td>
<td>99.8</td>
<td>84.3</td>
<td>40.7</td>
<td>57.2</td>
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<tr>
<td>1929</td>
<td>103.4</td>
<td>79.8</td>
<td>41.9</td>
<td>131.5</td>
<td>3.83</td>
</tr>
<tr>
<td>1930</td>
<td>67.0</td>
<td>59.4</td>
<td>32.2</td>
<td>91.5</td>
<td>3.54</td>
</tr>
<tr>
<td>1931</td>
<td>39.0</td>
<td>32.1</td>
<td>21.3</td>
<td>46.4</td>
<td>2.09</td>
</tr>
<tr>
<td>1932</td>
<td>37.9</td>
<td>31.8</td>
<td>15.7</td>
<td>38.8</td>
<td>1.53</td>
</tr>
</tbody>
</table>
The Federal Reserve System was created in 1913 to help stabilize the economy by establishing a central banking system for the U.S. A major goal is to deal with bank panics. Monetary policy manipulates the money supply to help strengthen the economy. At the beginning of the Great Depression, the Fed did not address failing banks, and many scholars argue their idleness worsened the situation.
What is the danger of stock speculation?
STOCK MARKET CRASH AND FINANCIAL PANIC

WALL STREET ON THE DAY OF THE CRASH, OCTOBER 1929
Major reasons for the stock market crash in October 1929

- Stocks were overpriced due to speculation, meaning they were not worth their sale price
- Massive fraud and illegal activity occurred due to a lack of regulation and rules
- Margin buying, or buying using credit
- Federal reserve policy
"Brother, Can You Spare a Dime," lyrics by Yip Harburg, music by Jay Gorney
(1931)

They used to tell me I was building a dream, and so I followed the mob,
When there was earth to plow, or guns to bear, I was always there right on the job.
They used to tell me I was building a dream, with peace and glory ahead,
Why should I be standing in line, just waiting for bread?

Once I built a railroad, I made it run, made it race against time.
Once I built a railroad; now it's done. Brother, can you spare a dime?
Once I built a tower, up to the sun, brick, and rivet, and lime;
Once I built a tower, now it's done. Brother, can you spare a dime?
   Once in khaki suits, gee we looked swell,
   Full of that Yankee Doodly Dum,
   Half a million boots went slogging through Hell,
   And I was the kid with the drum!

Say, don't you remember, they called me Al; it was Al all the time.
Why don't you remember, I'm your pal? Buddy, can you spare a dime?
   Once in khaki suits, gee we looked swell,
   Full of that Yankee Doodly Dum,
   Half a million boots went slogging through Hell,
   And I was the kid with the drum!

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