

The Depression Begins

Causes of the Great Depression

1. Major industries in trouble (I.e. farming and railroads)
2. Consumerism of 1920's declining
3. Uneven distribution of wealth
4. Over inflated stock prices

1. Major industries in trouble

- Key industries, such as coalmining, railroads, and farming, did not make a profit in the 1920's.
- Boom industries, such as cars, refrigerators, new homes, and furnaces, made money during the 1920's.
- This caused the economy to be shaky.

2. Consumers Have Less Money To Spend

- As key industries declined, ordinary people had less money to spend.
- Therefore, they quit spending money.
- This adversely affected the economy.
- People began buying on credit.

3. Uneven Distribution of Wealth

- During 1920's the gap between rich and poor grew.
- Rich got richer but the poor got poorer
- 1920-1929
 - Top 1% of population - income rose by 75%
 - 99% of population- income rose by 9%.
 - Poor people had more debt than ever.

4.The Stock Market Crash

- October 29, 1929- Black Tuesday
- Crash signaled the beginning of the Great Depression.
- It did not cause the Depression but it made it hastened the collapse of the economy.

The Economy Collapses

- People panicked after the Crash and withdrew their money from banks, causing a run on banks.
- People quit spending, therefore, the economy completely collapsed.

Affects of the Depression on Different Groups of People

- Urban areas – many are unemployed. Shantytowns or Hoovervilles, soup kitchens, and breadlines develop.
- Rural areas- Can grow their own food but more than 400,000 farmers lost their farms from 1929-1932.
- Migration westward for many farmers because of the Dust Bowl.

The Depression and the Family

- Men felt ashamed because they lost their job.
- Some women had to work.
- Children suffered from poor diets and lack of health care. Others were forced to work.

President Hoover and the Depression

- Hoover believed that it was best to leave the economy alone and allow it to heal itself.
- He encouraged private groups to provide humanitarian aid.
- He instituted public works programs to boost the economy.

The Bonus Army

- WWI vets went to Washington to demand early payment of bonuses.
- They lived in tents near the Capital building.
- Hoover favored giving the vets money but Congress voted down the bill.
- 2000 of the vets refused to go back home until they received money. Hoover ordered the army to remove them.