

# THE GREAT DEPRESSION

## FROM BOOM TO BUST



Power Point accompaniment for Carolina K-12's, "The Great Depression," available in the Database of K-12 Resources: [k12database.unc.edu](http://k12database.unc.edu)

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# Warm-Up

- Last year, you invested in a solar panel company, purchasing approximately 100 shares in the company. Since that investment, the US government has passed legislation encouraging the use of “green energy.” Thus, the demand for solar panels has more than doubled. Due to the rise in demand, the shares of stock that you purchased in the solar panel company continue to gain value and when reviewing your portfolio this morning, you discovered that your shares have grown to be worth over 2 million dollars! You are R-I-C-H!
- In a paragraph or more, tell me all about your plans. What will you do with 2 million dollars?



# Bad News!

- Did you put your money in the bank? Did you reinvest it? Did you spend it on lavish things?
- Let's now assume the year is 1929 rather than 2009 and examine the monetary choices you made.



# The Beginning of the Great Depression:

## Black Thursday and Black Tuesday

- Did you keep your money in the stock market?
  - On **October 23, 1929**, the prices of stocks suddenly plunged and within hours investors lost more than \$5 billion! Thus, your money would have been lost right along with everyone else's on this day, called **Black Thursday**.
  
- Did you decide to pull your money from the market and put it into a savings account?
  - Let's assume that on **Tuesday, October 29, 1929**, based on the shaky situation that occurred on Black Thursday, you decide to withdraw your savings from the bank. The problem is that everyone did exactly this in 1929.
  - Thus, when you would have arrived at the bank, you would have encountered a line of frantic people. Perhaps you wait for hours, growing more panicked by the minute. Assuming you finally push your way to the front, you would have found your bank's doors locked, with a sign containing one word scrawled across it...CLOSED.
  - On this terrible day in 1929, known as **Black Tuesday**, many people lost everything as the **Great Depression** officially began.



# The Great Depression

- Worst and longest economic collapse in the history of the modern industrial world, lasting from the end of 1929 until the early 1940s
- Beginning in the United States, the depression spread to most of the world's industrial countries, which in the 20th century had become economically dependent on one another.
- Effects of the Great Depression...
  - ▣ rapid declines in the production/sale of goods
  - ▣ a sudden, severe rise in unemployment; In 1933, at the worst point in the depression, more than 15 million Americans— one-quarter of the nation's workforce— were unemployed.
  - ▣ Businesses and banks closed their doors
  - ▣ People lost their jobs, homes, and savings
  - ▣ Many depended on charity to survive.



# What Caused the Great Depression?

- During the 1920s, **income was distributed very unevenly**, and the portion going to the wealthiest Americans grew larger as the decade proceeded.
  - ▣ While businesses showed gains in productivity during the 1920s, workers got a small share of the wealth this produced.
  - ▣ Between 1923 and 1929, manufacturing output per person-hour increased by 32 percent, but workers' wages grew by only 8 percent.
  - ▣ Corporate profits shot up by 65 percent in the same period, and the government let the wealthy keep more of those profits.
  - ▣ The Revenue Act of 1926 cut the taxes of those making \$1 million or more by more than two-thirds.
- In 1929 the top 0.1 percent of American families had a total income equal to that of the bottom 42 percent.



# Buy Now, Pay Later

- ❑ Many people who were willing to listen to the advertisers and purchase new products did not have enough money to do so.
- ❑ To get around this difficulty, the 1920s produced another innovation—“**credit**,” an attractive name for consumer **debt**.
- ❑ People were allowed to “buy now, pay later.”
- ❑ This only put off the day when consumers accumulated so much debt that they could not keep buying up all the products coming off **assembly lines**.
- ❑ That day came in 1929.



# Causes of the Great Depression

- American farmers—who represented one-quarter of the economy—were already in an economic depression during the 1920s, which made it difficult for them to take part in the consumer buying spree.
  - Farmers had expanded their output during World War I, when demand for farm goods was high and production in Europe was cut sharply.
  - But after the war, farmers found themselves competing in an over-supplied international market.
  - Prices fell, and farmers were often unable to sell their products for a profit.
- International problems also weakened the economy.
  - After World War I the United States became the world's chief creditor as European countries struggled to pay war debts. Many American bankers were not ready for this new role. They lent heavily and unwisely to borrowers in Europe, especially Germany, who would have difficulty repaying the loans, particularly if there was a serious economic downturn.
  - These huge debts made the international banking structure extremely unstable by the late 1920s.

# Boom to Bust

- The rising incomes of the wealthiest Americans fueled rapid growth in the **stock market**, especially between 1927 and 1929.
  - ▣ Soon the prices of stocks were rising far beyond the worth of the shares of the companies they represented.
  - ▣ People were willing to pay inflated prices because they believed the stock prices would continue to rise and they could soon sell their stocks at a profit.
- The widespread belief that anyone could get rich led many less affluent Americans into the market.
  - ▣ Investors bought millions of shares of stock “on margin,” a risky practice. They paid only a small part of the price and borrowed the rest, gambling that they could sell the stock at a high enough price to repay the loan and make a profit.
  - ▣ For a time this was true. For example, in 1928 the price of stock in the Radio Corporation of America (RCA) multiplied by nearly five times. The Dow Jones industrial average doubled in value in less than two years!
  - ▣ But the stock boom could not last. Starting in late October the market plummeted as investors began selling stocks.
  - ▣ On October 29, known as Black Tuesday, the worst day of the panic, stocks lost \$10 billion to \$15 billion in value. By mid-November almost all of the gains of the previous two years had been wiped out, with losses estimated at \$30 billion.

# Conditions

## Worsen



- The stock market crash announced the beginning of the Great Depression, but the deep economic problems of the 1920s had already begun a downward spiral months earlier. Likewise, the stock market crash was just the beginning of what was to be a prolonged economic collapse.
- Many Americans had exhausted all available credit and they were spending much of their current income to pay for past, rather than new, purchases.
- Since people had no money for new purchases, unsold inventories began to pile up in warehouses during the summer of 1929.
- Conditions continued to worsen for the next three years, as the confident, optimistic attitudes of the 1920s gave way to a sense of defeat and despair.
  - Stock prices continued to decline.
  - By late 1932 they were only about 20 percent of what they had been before the crash.
  - With little consumer demand for products, hundreds of factories and mills closed, and the output of American manufacturing plants was cut almost in half from 1929 to 1932.

# Unemployment, Bank Closures, & Unimaginable Losses

- Unemployment soared from 3.2 percent to 24.9 percent, leaving more than 15 million Americans out of work.
  - ▣ Some remained unemployed for years; those who had jobs faced major wage cuts, and many people could find only part-time work. The jobless sold apples and shined shoes to earn a little money.
- Many banks had made loans to businesses and people who now could not repay them, and some banks had also lost money by investing in the stock market.
  - ▣ When people went to withdraw their savings, the banks often did not have the money. This caused other depositors to panic and demand their cash, ruining the banks.
  - ▣ By the winter of 1932 to 1933, the banking system reached the point of collapse; more than 5,000 banks failed by March 1933, wiping out the savings of millions of people.

# Hoovervilles

- As people lost their jobs and savings, mortgages on many homes and farms were foreclosed.
  - Homeless people built shacks and formed shantytowns, which were called “**Hoovervilles**” out of bitterness toward President Herbert Hoover, who refused to provide government aid to the unemployed.



# The Dust Bowl



- The plight of farmers, who had been in a depression since 1920, worsened.
  - ▣ Already low prices for their goods fell by 50 percent between 1929 and 1932. While many people went hungry, surplus crops couldn't be sold for a profit.
- Natural forces inflicted another blow on farmers. Beginning in Arkansas in 1930, a severe drought spread across the Great Plains through the middle of the decade.
  - ▣ Once-productive topsoil turned to dust that was carried away by strong winds, piling up in drifts against houses and barns.
  - ▣ Parts of Kansas, Oklahoma, Texas, New Mexico, and Colorado became known as the Dust Bowl, as the drought destroyed the livelihood of hundreds of thousands of small farmers.
  - ▣ Packing up their families and meager possessions, many of these farmers migrated to California in search of work.

# What was it like growing up during the Great Depression?



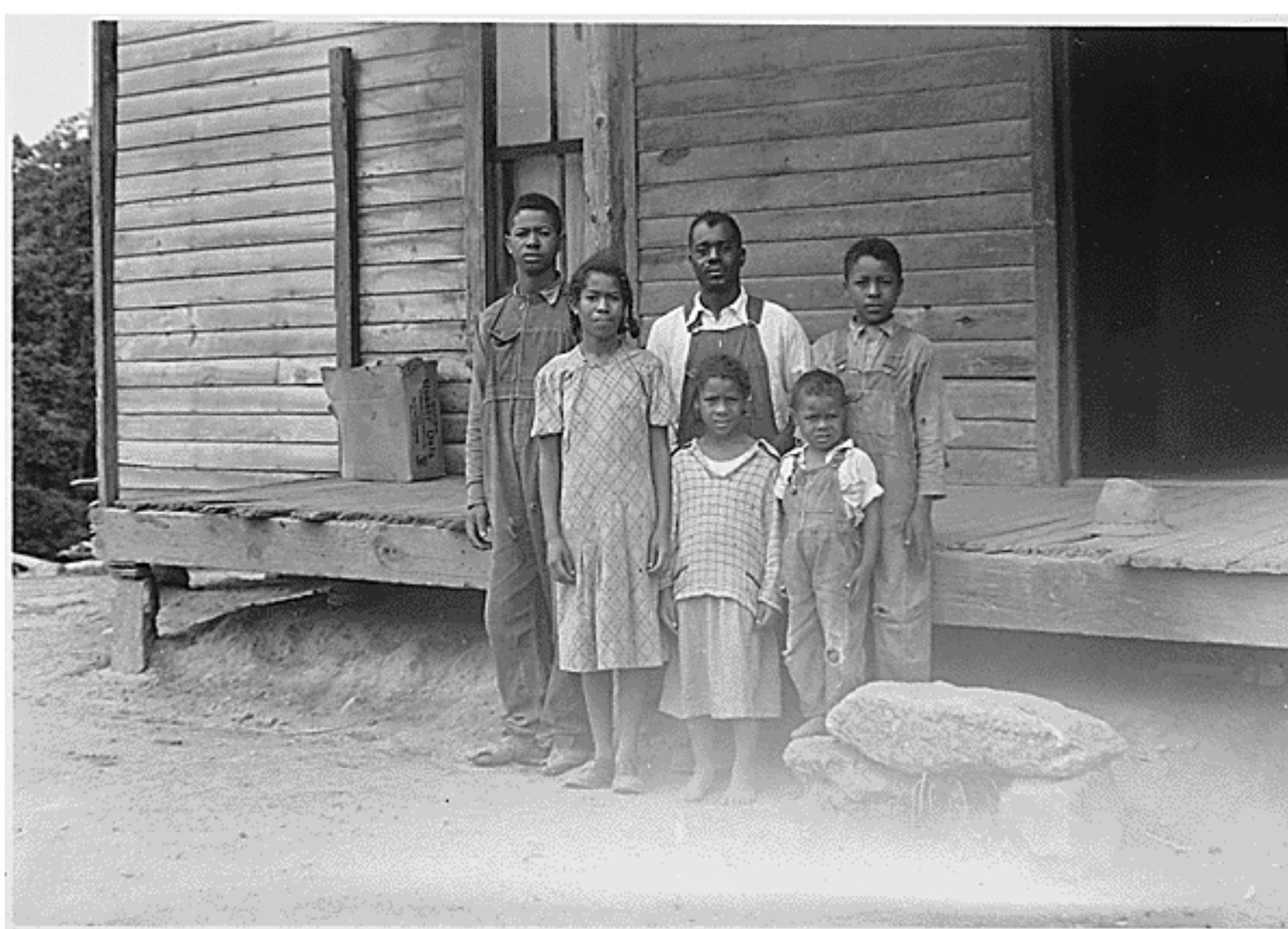
- At the peak of the Depression, 25% of workers (one out of four) were unemployed. Thus, many families could not pay the mortgage or buy food and clothes for the family.
- Families unable to pay the mortgage lost their homes and farms. As a result, about 250,000 young people were homeless in the early years of the Depression. Many became nomads, traveling the highways and railways.
- 20% of America's children were hungry and without proper clothing.
- In some coal mining regions, the percentage of malnourished children reached as high as 90%.
- Children went without shoes and warm clothes for the winter.
- Thousands of schools had to close down because they lacked the money to stay open.
- About 3 million children between the ages of 7 and 17 had to leave school, many to go to work.

# Examining Images from the Great Depression

1. Begin by simply pointing out what you see in this image. What objects strike you first? What do you notice about the people, clothing, facial expressions, etc. in the image?
2. What do you think the setting of the image is? Where and when might this photo have been taken? (Identify evidence from the image for your response.)
3. Describe what the people are doing.
4. How do you imagine the people in this image feel? What is their current life situation like? What evidence makes you think this?
5. If you were describing this photo to someone who had not viewed it, what would you say is most significant about the image? What can it teach us about life during the Great Depression?
6. Who may have taken this photograph and why?
7. Using all of this information, create a caption for your image. (Explain to students that a caption is a short description/explanation of the image.)







**FREE**  
**COFFEE & DOUGHNUTS**  
**FOR THE UNEMPLOYED**

**HORAN**  
BULLY







Hooverville, Sacramento, Calif.  
Some of Hoovervilles younger citizens.

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

MB  
4100

BIRNE  
1907-1911

TO RENT  
PLATE  
RATIO  
51 P. 1911 ST

TO LET  
1911 ST

WALSH & M  
5c

COFFEE and  
Hamburg  
Gardner





