

The Great Depression Begins

1. Read the section review.
2. As you read: underline/highlight important terms, people, events.
3. Circle any words you don't know/understand.
4. Ask questions in margins about information.

CHAPTER OVERVIEW The economic boom of the 1920s collapses in 1929 as the United States enters a deep economic depression. Millions of Americans lose their jobs, and President Hoover is unable to end the downslide.

1 The Nation's Sick Economy

MAIN IDEA As the prosperity of the 1920s ended, severe economic problems gripped the nation.

Although the economy of the 1920s boomed, trouble lurked beneath the surface. The textile, steel, and railroad industries were barely profitable. Mining and lumbering were in decline. In the late 1920s, the auto, construction, and consumer goods industries faltered. The biggest problem, though, was in agriculture. Wartime demand for food dropped, and farmers suffered. Unable to make mortgage payments, many lost their land. Congress tried to help farmers by passing laws that would boost food prices, but President Calvin Coolidge vetoed them.

Farmers, short on money, bought fewer goods. That trend, combined with the consumer debt load, cut consumer spending. Consumer spending was also hurt by low incomes.

These problems were not completely evident in the 1928 presidential election. Republican Herbert Hoover, pointing to years of prosperity under presidents Harding and Coolidge, won the election over Democrat Alfred Smith.

Meanwhile, the stock market continued its amazing rise. People bought stocks, hoping to become rich. Many bought on margin, borrowing against future profits to pay for stocks today. If prices did not rise, though, there would be trouble. Stock prices began a decline in September of 1929. On October 29, known as Black Tuesday, they plunged sharply. More than 16 million shares of stock were sold that day until no more willing buyers could be found. By mid-November investors had lost more than \$30 billion.

The Depression spread around the world. The drop in consumer demand in the United States cut European exports, hurting their economies. Also, Congress passed a high tariff to reduce imports. They hoped to protect American industry, but instead cut the demand for American exports.

President Hoover tried to reassure Americans that the economy would right itself. Many people,

panicking, pulled their money from banks. With so many withdrawals happening so suddenly, many banks were forced to close. When the banks failed, other depositors lost their deposits. Businesses began to close as well, and millions of Americans lost their jobs. Unemployment had been 3 percent in 1929; by 1933, it was 25 percent. Those who kept their jobs suffered pay cuts or reduced hours.

The great stock market crash signaled the beginning of the Great Depression. It didn't cause the Depression, but it hurried—and worsened—the economic collapse. The main causes of the Depression were a decrease in demand for American goods overseas, farmers' problems, the problem of easy credit, and the fact that too few people held too great a share of the nation's wealth.

2 Hardship and Suffering During the Depression

MAIN IDEA During the Great Depression, Americans did what they could to survive.

The Depression devastated many Americans. With no jobs, millions of people went hungry or homeless. Cities across the country were full of people who had been thrown out of their apartments or homes because they couldn't meet housing payments. They slept under newspaper or built shantytowns. People stood in line to get food from soup kitchens set up by charities.

African Americans and Hispanic Americans living in the cities suffered greatly. Some suffered violence at the hands of angry whites who had lost their jobs. These groups had higher jobless rates; they also were given lower-paying jobs.

The Depression hurt people in rural areas, too, although farmers could at least grow food. Still, as food prices continued to fall, more and more farmers lost their farms from failure to meet mortgage payments. From 1929 to 1932, about 400,000 farmers lost their land. To worsen matters, a long drought struck the Great Plains. Parched land could hold no crops. When powerful winds swept