

CHAPTER 25

Brother, Can You Spare a Dime? The Great Depression, 1929-1932



Figure 25.1 In 1935, American photographer Berenice Abbott photographed these shanties, which the unemployed in Lower Manhattan built during the depths of the Great Depression. (credit: modification of work by Works Progress Administration)

Chapter Outline

- 25.1 The Stock Market Crash of 1929
- 25.2 President Hoover's Response
- 25.3 The Depths of the Great Depression
- 25.4 Assessing the Hoover Years on the Eve of the New Deal

Introduction

On March 4, 1929, at his presidential inauguration, Herbert Hoover stated, "I have no fears for the future of our country. It is bright with hope." Most Americans shared his optimism. They believed that the prosperity of the 1920s would continue, and that the country was moving closer to a land of abundance for all. Little could Hoover imagine that barely a year into his presidency, shantytowns known as "Hoovervilles" would emerge on the fringes of most major cities (**Figure 25.1**), newspapers covering the homeless would be called "Hoover blankets," and pants pockets, turned inside-out to show their emptiness, would become "Hoover flags."

The stock market crash of October 1929 set the Great Depression into motion, but other factors were at the root of the problem, propelled onward by a series of both human-made and natural catastrophes. Anticipating a short downturn and living under an ethos of free enterprise and individualism, Americans suffered mightily in the first years of the Depression. As conditions worsened and the government failed to act, they grew increasingly desperate for change. While Hoover could not be blamed for the Great Depression, his failure to address the nation's hardships would remain his legacy.

25.1 The Stock Market Crash of 1929

By the end of this section, you will be able to:

- Identify the causes of the stock market crash of 1929
- Assess the underlying weaknesses in the economy that resulted in America's spiraling from prosperity to depression so quickly
- Explain how a stock market crash might contribute to a nationwide economic disaster

Herbert Hoover became president at a time of ongoing prosperity in the country. Americans hoped he would continue to lead the country through still more economic growth, and neither he nor the country was ready for the unraveling that followed. But Hoover's moderate policies, based upon a strongly held belief in the spirit of American individualism, were not enough to stem the ever-growing problems, and the economy slipped further and further into the Great Depression.

While it is misleading to view the stock market crash of 1929 as the sole cause of the Great Depression, the dramatic events of that October did play a role in the downward spiral of the American economy. The crash, which took place less than a year after Hoover was inaugurated, was the most extreme sign of the economy's weakness. Multiple factors contributed to the crash, which in turn caused a consumer panic that drove the economy even further downhill, in ways that neither Hoover nor the financial industry was able to restrain. Hoover, like many others at the time, thought and hoped that the country would right itself with limited government intervention. This was not the case, however, and millions of Americans sank into grinding poverty.

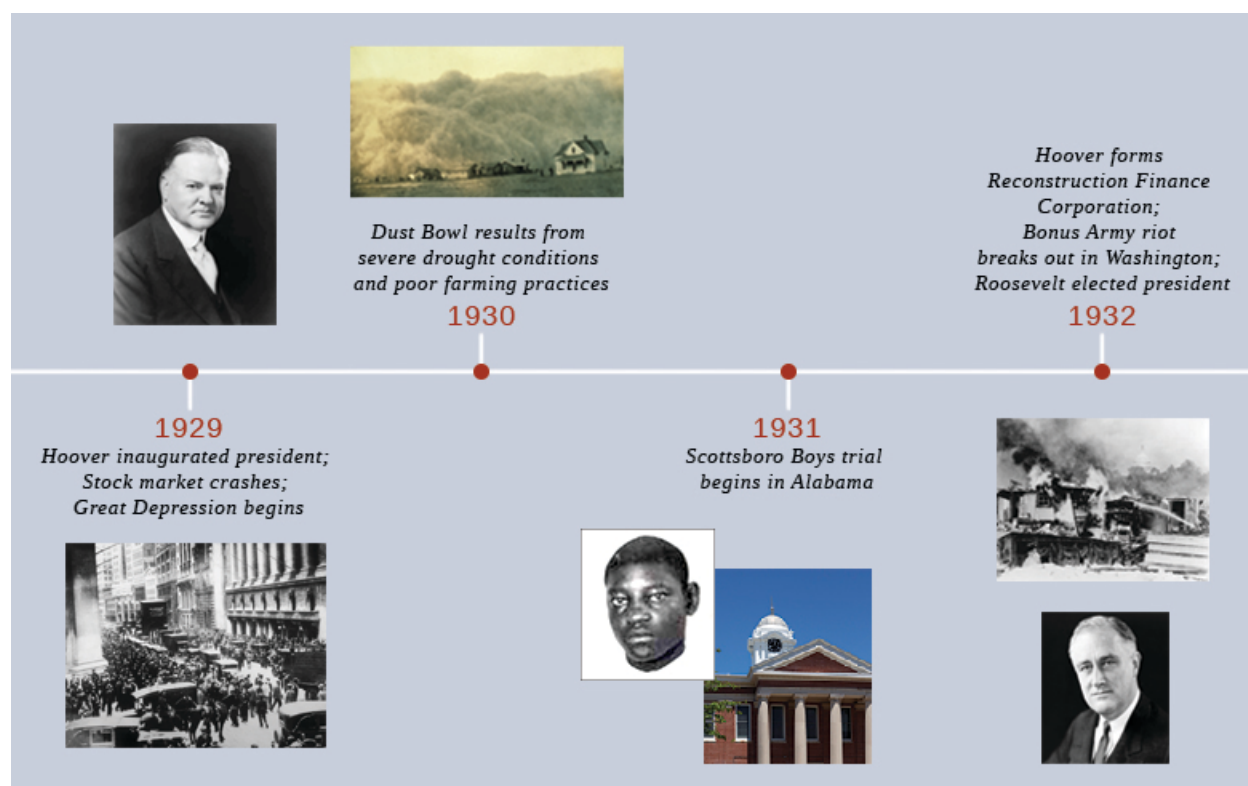


Figure 25.2 (credit "courthouse": modification of work by National Oceanic and Atmospheric Administration)

THE EARLY DAYS OF HOOVER'S PRESIDENCY

Upon his inauguration, President Hoover set forth an agenda that he hoped would continue the “Coolidge prosperity” of the previous administration. While accepting the Republican Party’s presidential nomination in 1928, Hoover commented, “Given the chance to go forward with the policies of the last eight years, we shall soon with the help of God be in sight of the day when poverty will be banished from this nation forever.” In the spirit of normalcy that defined the Republican ascendancy of the 1920s, Hoover planned to immediately overhaul federal regulations with the intention of allowing the nation’s economy to grow unfettered by any controls. The role of the government, he contended, should be to create a partnership with the American people, in which the latter would rise (or fall) on their own merits and abilities. He felt the less government intervention in their lives, the better.

Yet, to listen to Hoover’s later reflections on Franklin Roosevelt’s first term in office, one could easily mistake his vision for America for the one held by his successor. Speaking in 1936 before an audience in Denver, Colorado, he acknowledged that it was always his intent as president to ensure “a nation built of home owners and farm owners. We want to see more and more of them insured against death and accident, unemployment and old age,” he declared. “We want them all secure.”^[1] Such humanitarianism was not uncommon to Hoover. Throughout his early career in public service, he was committed to relief for people around the world. In 1900, he coordinated relief efforts for foreign nationals trapped in China during the Boxer Rebellion. At the outset of World War I, he led the food relief effort in Europe, specifically helping millions of Belgians who faced German forces. President Woodrow Wilson subsequently appointed him head of the U.S. Food Administration to coordinate rationing efforts in America as well as to secure essential food items for the Allied forces and citizens in Europe.

Hoover’s first months in office hinted at the reformist, humanitarian spirit that he had displayed throughout his career. He continued the civil service reform of the early twentieth century by expanding opportunities for employment throughout the federal government. In response to the Teapot Dome Affair, which had occurred during the Harding administration, he invalidated several private oil leases on public lands. He directed the Department of Justice, through its Bureau of Investigation, to crack down on organized crime, resulting in the arrest and imprisonment of Al Capone. By the summer of 1929, he had signed into law the creation of a Federal Farm Board to help farmers with government price supports, expanded tax cuts across all income classes, and set aside federal funds to clean up slums in major American cities. To directly assist several overlooked populations, he created the Veterans Administration and expanded veterans’ hospitals, established the Federal Bureau of Prisons to oversee incarceration conditions nationwide, and reorganized the Bureau of Indian Affairs to further protect Native Americans. Just prior to the stock market crash, he even proposed the creation of an old-age pension program, promising fifty dollars monthly to all Americans over the age of sixty-five—a proposal remarkably similar to the social security benefit that would become a hallmark of Roosevelt’s subsequent New Deal programs. As the summer of 1929 came to a close, Hoover remained a popular successor to Calvin “Silent Cal” Coolidge, and all signs pointed to a highly successful administration.

THE GREAT CRASH

The promise of the Hoover administration was cut short when the stock market lost almost one-half its value in the fall of 1929, plunging many Americans into financial ruin. However, as a singular event, the stock market crash itself did not cause the Great Depression that followed. In fact, only approximately 10 percent of American households held stock investments and speculated in the market; yet nearly a third would lose their lifelong savings and jobs in the ensuing depression. The connection between the crash and the subsequent decade of hardship was complex, involving underlying weaknesses in the economy that many policymakers had long ignored.

1. Herbert Hoover, address delivered in Denver, Colorado, 30 October 1936, compiled in Hoover, *Addresses Upon the American Road, 1933-1938* (New York, 1938), p. 216. This particular quotation is frequently misidentified as part of Hoover’s inaugural address in 1932.

What Was the Crash?

To understand the crash, it is useful to address the decade that preceded it. The prosperous 1920s ushered in a feeling of euphoria among middle-class and wealthy Americans, and people began to speculate on wilder investments. The government was a willing partner in this endeavor: The Federal Reserve followed a brief postwar recession in 1920–1921 with a policy of setting interest rates artificially low, as well as easing the reserve requirements on the nation's largest banks. As a result, the money supply in the U.S. increased by nearly 60 percent, which convinced even more Americans of the safety of investing in questionable schemes. They felt that prosperity was boundless and that extreme risks were likely tickets to wealth. Named for Charles Ponzi, the original "Ponzi schemes" emerged early in the 1920s to encourage novice investors to divert funds to unfounded ventures, which in reality simply used new investors' funds to pay off older investors as the schemes grew in size. **Speculation**, where investors purchased into high-risk schemes that they hoped would pay off quickly, became the norm. Several banks, including deposit institutions that originally avoided investment loans, began to offer easy credit, allowing people to invest, even when they lacked the money to do so. An example of this mindset was the Florida land boom of the 1920s: Real estate developers touted Florida as a tropical paradise and investors went all in, buying land they had never seen with money they didn't have and selling it for even higher prices.

AMERICANA

☀ *Selling Optimism and Risk*

Advertising offers a useful window into the popular perceptions and beliefs of an era. By seeing how businesses were presenting their goods to consumers, it is possible to sense the hopes and aspirations of people at that moment in history. Maybe companies are selling patriotism or pride in technological advances. Maybe they are pushing idealized views of parenthood or safety. In the 1920s, advertisers were selling opportunity and euphoria, further feeding the notions of many Americans that prosperity would never end.

In the decade before the Great Depression, the optimism of the American public was seemingly boundless. Advertisements from that era show large new cars, timesaving labor devices, and, of course, land. This advertisement for California real estate illustrates how realtors in the West, much like the ongoing Florida land boom, used a combination of the hard sell and easy credit (**Figure 25.3**). “Buy now!!” the ad shouts. “You are sure to make money on these.” In great numbers, people did. With easy access to credit and hard-pushing advertisements like this one, many felt that they could not afford to miss out on such an opportunity. Unfortunately, overspeculation in California and hurricanes along the Gulf Coast and in Florida conspired to burst this land bubble, and would-be millionaires were left with nothing but the ads that once pulled them in.

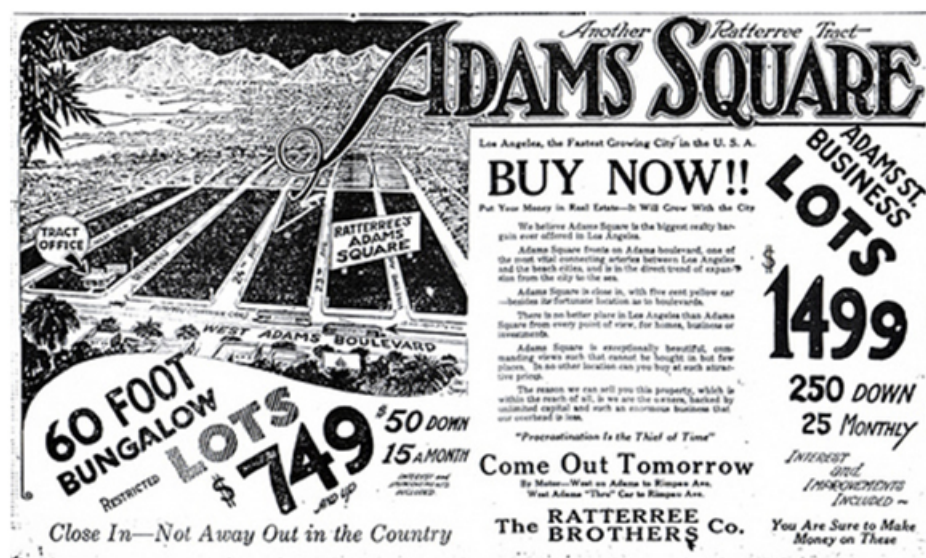


Figure 25.3 This real estate advertisement from Los Angeles illustrates the hard-sell techniques and easy credit offered to those who wished to buy in. Unfortunately, the opportunities being promoted with these techniques were of little value, and many lost their investments. (credit: "army.arch"/Flickr)

The Florida land boom went bust in 1925–1926. A combination of negative press about the speculative nature of the boom, IRS investigations into the questionable financial practices of several land brokers, and a railroad embargo that limited the delivery of construction supplies into the region significantly hampered investor interest. The subsequent Great Miami Hurricane of 1926 drove most land developers into outright bankruptcy. However, speculation continued throughout the decade, this time in the stock market. Buyers purchased stock “on margin”—buying for a small down payment with borrowed money, with the intention of quickly selling at a much higher price before the remaining payment came due—which worked well as long as prices continued to rise. Speculators were aided by retail stock brokerage firms, which catered to average investors anxious to play the market but lacking direct ties to investment banking houses or larger brokerage firms. When prices began to fluctuate in the summer of 1929, investors sought excuses to continue their speculation. When fluctuations turned to outright and steady losses, everyone started to sell. As September began to unfold, the Dow Jones Industrial Average

peaked at a value of 381 points, or roughly ten times the stock market's value, at the start of the 1920s.

Several warning signs portended the impending crash but went unheeded by Americans still giddy over the potential fortunes that speculation might promise. A brief downturn in the market on September 18, 1929, raised questions among more-seasoned investment bankers, leading some to predict an end to high stock values, but did little to stem the tide of investment. Even the collapse of the London Stock Exchange on September 20 failed to fully curtail the optimism of American investors. However, when the New York Stock Exchange lost 11 percent of its value on October 24—often referred to as “Black Thursday”—key American investors sat up and took notice. In an effort to forestall a much-feared panic, leading banks, including Chase National, National City, J.P. Morgan, and others, conspired to purchase large amounts of blue chip stocks (including U.S. Steel) in order to keep the prices artificially high. Even that effort failed in the growing wave of stock sales. Nevertheless, Hoover delivered a radio address on Friday in which he assured the American people, “The fundamental business of the country . . . is on a sound and prosperous basis.”

As newspapers across the country began to cover the story in earnest, investors anxiously awaited the start of the following week. When the Dow Jones Industrial Average lost another 13 percent of its value on Monday morning, many knew the end of stock market speculation was near. The evening before the infamous crash was ominous. Jonathan Leonard, a newspaper reporter who regularly covered the stock market beat, wrote of how Wall Street “lit up like a Christmas tree.” Brokers and businessmen who feared the worst the next day crowded into restaurants and speakeasies (a place where alcoholic beverages were illegally sold). After a night of heavy drinking, they retreated to nearby hotels or flop-houses (cheap boarding houses), all of which were overbooked, and awaited sunrise. Children from nearby slums and tenement districts played stickball in the streets of the financial district, using wads of ticker tape for balls. Although they all awoke to newspapers filled with predictions of a financial turnaround, as well as technical reasons why the decline might be short-lived, the crash on Tuesday morning, October 29, caught few by surprise.

No one even heard the opening bell on Wall Street that day, as shouts of “Sell! Sell!” drowned it out. In the first three minutes alone, nearly three million shares of stock, accounting for \$2 million of wealth, changed hands. The volume of Western Union telegrams tripled, and telephone lines could not meet the demand, as investors sought any means available to dump their stock immediately. Rumors spread of investors jumping from their office windows. Fistfights broke out on the trading floor, where one broker fainted from physical exhaustion. Stock trades happened at such a furious pace that runners had nowhere to store the trade slips, and so they resorted to stuffing them into trash cans. Although the stock exchange's board of governors briefly considered closing the exchange early, they subsequently chose to let the market run its course, lest the American public panic even further at the thought of closure. When the final bell rang, errand boys spent hours sweeping up tons of paper, tickertape, and sales slips. Among the more curious finds in the rubbish were torn suit coats, crumpled eyeglasses, and one broker's artificial leg. Outside a nearby brokerage house, a policeman allegedly found a discarded birdcage with a live parrot squawking, “More margin! More margin!”

On **Black Tuesday**, October 29, stock holders traded over sixteen million shares and lost over \$14 billion in wealth in a single day. To put this in context, a trading day of three million shares was considered a busy day on the stock market. People unloaded their stock as quickly as they could, never minding the loss. Banks, facing debt and seeking to protect their own assets, demanded payment for the loans they had provided to individual investors. Those individuals who could not afford to pay found their stocks sold immediately and their life savings wiped out in minutes, yet their debt to the bank still remained (**Figure 25.4**).



Figure 25.4 October 29, 1929, or Black Tuesday, witnessed thousands of people racing to Wall Street discount brokerages and markets to sell their stocks. Prices plummeted throughout the day, eventually leading to a complete stock market crash.

The financial outcome of the crash was devastating. Between September 1 and November 30, 1929, the stock market lost over one-half its value, dropping from \$64 billion to approximately \$30 billion. Any effort to stem the tide was, as one historian noted, tantamount to bailing Niagara Falls with a bucket. The crash affected many more than the relatively few Americans who invested in the stock market. While only 10 percent of households had investments, over 90 percent of all banks had invested in the stock market. Many banks failed due to their dwindling cash reserves. This was in part due to the Federal Reserve lowering the limits of cash reserves that banks were traditionally required to hold in their vaults, as well as the fact that many banks invested in the stock market themselves. Eventually, thousands of banks closed their doors after losing all of their assets, leaving their customers penniless. While a few savvy investors got out at the right time and eventually made fortunes buying up discarded stock, those success stories were rare. Housewives who speculated with grocery money, bookkeepers who embezzled company funds hoping to strike it rich and pay the funds back before getting caught, and bankers who used customer deposits to follow speculative trends all lost. While the stock market crash was the trigger, the lack of appropriate economic and banking safeguards, along with a public psyche that pursued wealth and prosperity at all costs, allowed this event to spiral downward into a depression.

Click and Explore



The **National Humanities Center** (<http://openstaxcollege.org//crash>) has brought together a selection of newspaper commentary from the 1920s, from before the crash to its aftermath. Read through to see what journalists and financial analysts thought of the situation at the time.

Causes of the Crash

The crash of 1929 did not occur in a vacuum, nor did it cause the Great Depression. Rather, it was a tipping point where the underlying weaknesses in the economy, specifically in the nation's banking system, came to the fore. It also represented both the end of an era characterized by blind faith in American

exceptionalism and the beginning of one in which citizens began increasingly to question some long-held American values. A number of factors played a role in bringing the stock market to this point and contributed to the downward trend in the market, which continued well into the 1930s. In addition to the Federal Reserve's questionable policies and misguided banking practices, three primary reasons for the collapse of the stock market were international economic woes, poor income distribution, and the psychology of public confidence.

After World War I, both America's allies and the defeated nations of Germany and Austria contended with disastrous economies. The Allies owed large amounts of money to U.S. banks, which had advanced them money during the war effort. Unable to repay these debts, the Allies looked to reparations from Germany and Austria to help. The economies of those countries, however, were struggling badly, and they could not pay their reparations, despite the loans that the U.S. provided to assist with their payments. The U.S. government refused to forgive these loans, and American banks were in the position of extending additional private loans to foreign governments, who used them to repay their debts to the U.S. government, essentially shifting their obligations to private banks. When other countries began to default on this second wave of private bank loans, still more strain was placed on U.S. banks, which soon sought to liquidate these loans at the first sign of a stock market crisis.

Poor income distribution among Americans compounded the problem. A strong stock market relies on today's buyers becoming tomorrow's sellers, and therefore it must always have an influx of new buyers. In the 1920s, this was not the case. Eighty percent of American families had virtually no savings, and only one-half to 1 percent of Americans controlled over a third of the wealth. This scenario meant that there were no new buyers coming into the marketplace, and nowhere for sellers to unload their stock as the speculation came to a close. In addition, the vast majority of Americans with limited savings lost their accounts as local banks closed, and likewise lost their jobs as investment in business and industry came to a screeching halt.

Finally, one of the most important factors in the crash was the contagion effect of panic. For much of the 1920s, the public felt confident that prosperity would continue forever, and therefore, in a self-fulfilling cycle, the market continued to grow. But once the panic began, it spread quickly and with the same cyclical results; people were worried that the market was going down, they sold their stock, and the market continued to drop. This was partly due to Americans' inability to weather market volatility, given the limited cash surpluses they had on hand, as well as their psychological concern that economic recovery might never happen.

IN THE AFTERMATH OF THE CRASH

After the crash, Hoover announced that the economy was "fundamentally sound." On the last day of trading in 1929, the New York Stock Exchange held its annual wild and lavish party, complete with confetti, musicians, and illegal alcohol. The U.S. Department of Labor predicted that 1930 would be "a splendid employment year." These sentiments were not as baseless as it may seem in hindsight. Historically, markets cycled up and down, and periods of growth were often followed by downturns that corrected themselves. But this time, there was no market correction; rather, the abrupt shock of the crash was followed by an even more devastating depression. Investors, along with the general public, withdrew their money from banks by the thousands, fearing the banks would go under. The more people pulled out their money in **bank runs**, the closer the banks came to insolvency (**Figure 25.5**).



Figure 25.5 As the financial markets collapsed, hurting the banks that had gambled with their holdings, people began to fear that the money they had in the bank would be lost. This began bank runs across the country, a period of still more panic, where people pulled their money out of banks to keep it hidden at home.

The contagion effect of the crash grew quickly. With investors losing billions of dollars, they invested very little in new or expanded businesses. At this time, two industries had the greatest impact on the country's economic future in terms of investment, potential growth, and employment: automotive and construction. After the crash, both were hit hard. In November 1929, fewer cars were built than in any other month since November 1919. Even before the crash, widespread saturation of the market meant that few Americans bought them, leading to a slowdown. Afterward, very few could afford them. By 1933, Stutz, Locomobile, Durant, Franklin, Deussenberg, and Pierce-Arrow automobiles, all luxury models, were largely unavailable; production had ground to a halt. They would not be made again until 1949. In construction, the drop-off was even more dramatic. It would be another thirty years before a new hotel or theater was built in New York City. The Empire State Building itself stood half empty for years after being completed in 1931.

The damage to major industries led to, and reflected, limited purchasing by both consumers and businesses. Even those Americans who continued to make a modest income during the Great Depression lost the drive for conspicuous consumption that they exhibited in the 1920s. People with less money to buy goods could not help businesses grow; in turn, businesses with no market for their products could not hire workers or purchase raw materials. Employers began to lay off workers. The country's gross national product declined by over 25 percent within a year, and wages and salaries declined by \$4 billion. Unemployment tripled, from 1.5 million at the end of 1929 to 4.5 million by the end of 1930. By mid-1930, the slide into economic chaos had begun but was nowhere near complete.

THE NEW REALITY FOR AMERICANS

For most Americans, the crash affected daily life in myriad ways. In the immediate aftermath, there was a run on the banks, where citizens took their money out, if they could get it, and hid their savings under mattresses, in bookshelves, or anywhere else they felt was safe. Some went so far as to exchange their dollars for gold and ship it out of the country. A number of banks failed outright, and others, in their attempts to stay solvent, called in loans that people could not afford to repay. Working-class Americans saw their wages drop: Even Henry Ford, the champion of a high minimum wage, began lowering wages by as much as a dollar a day. Southern cotton planters paid workers only twenty cents for every one hundred pounds of cotton picked, meaning that the *strongest* picker might earn sixty cents for a fourteen-hour day of work. Cities struggled to collect property taxes and subsequently laid off teachers and police.

The new hardships that people faced were not always immediately apparent; many communities felt the

changes but could not necessarily look out their windows and see anything different. Men who lost their jobs didn't stand on street corners begging; they disappeared. They might be found keeping warm by a trashcan bonfire or picking through garbage at dawn, but mostly, they stayed out of public view. As the effects of the crash continued, however, the results became more evident. Those living in cities grew accustomed to seeing long breadlines of unemployed men waiting for a meal (**Figure 25.6**). Companies fired workers and tore down employee housing to avoid paying property taxes. The landscape of the country had changed.



Figure 25.6 As the Great Depression set in, thousands of unemployed men lined up in cities around the country, waiting for a free meal or a hot cup of coffee.

The hardships of the Great Depression threw family life into disarray. Both marriage and birth rates declined in the decade after the crash. The most vulnerable members of society—children, women, minorities, and the working class—struggled the most. Parents often sent children out to beg for food at restaurants and stores to save themselves from the disgrace of begging. Many children dropped out of school, and even fewer went to college. Childhood, as it had existed in the prosperous twenties, was over. And yet, for many children living in rural areas where the affluence of the previous decade was not fully developed, the Depression was not viewed as a great challenge. School continued. Play was simple and enjoyed. Families adapted by growing more in gardens, canning, and preserving, wasting little food if any. Home-sewn clothing became the norm as the decade progressed, as did creative methods of shoe repair with cardboard soles. Yet, one always knew of stories of the “other” families who suffered more, including those living in cardboard boxes or caves. By one estimate, as many as 200,000 children moved about the country as vagrants due to familial disintegration.

Women's lives, too, were profoundly affected. Some wives and mothers sought employment to make ends meet, an undertaking that was often met with strong resistance from husbands and potential employers. Many men derided and criticized women who worked, feeling that jobs should go to unemployed men. Some campaigned to keep companies from hiring married women, and an increasing number of school districts expanded the long-held practice of banning the hiring of married female teachers. Despite the pushback, women entered the workforce in increasing numbers, from ten million at the start of the Depression to nearly thirteen million by the end of the 1930s. This increase took place in spite of the twenty-six states that passed a variety of laws to prohibit the employment of married women. Several women found employment in the emerging pink collar occupations, viewed as traditional women's work, including jobs as telephone operators, social workers, and secretaries. Others took jobs as maids and housecleaners, working for those fortunate few who had maintained their wealth.

White women's forays into domestic service came at the expense of minority women, who had even fewer employment options. Unsurprisingly, African American men and women experienced unemployment,

and the grinding poverty that followed, at double and triple the rates of their white counterparts. By 1932, unemployment among African Americans reached near 50 percent. In rural areas, where large numbers of African Americans continued to live despite the Great Migration of 1910–1930, depression-era life represented an intensified version of the poverty that they traditionally experienced. Subsistence farming allowed many African Americans who lost either their land or jobs working for white landholders to survive, but their hardships increased. Life for African Americans in urban settings was equally trying, with blacks and working-class whites living in close proximity and competing for scarce jobs and resources.

Life for all rural Americans was difficult. Farmers largely did not experience the widespread prosperity of the 1920s. Although continued advancements in farming techniques and agricultural machinery led to increased agricultural production, decreasing demand (particularly in the previous markets created by World War I) steadily drove down commodity prices. As a result, farmers could barely pay the debt they owed on machinery and land mortgages, and even then could do so only as a result of generous lines of credit from banks. While factory workers may have lost their jobs and savings in the crash, many farmers also lost their homes, due to the thousands of farm foreclosures sought by desperate bankers. Between 1930 and 1935, nearly 750,000 family farms disappeared through foreclosure or bankruptcy. Even for those who managed to keep their farms, there was little market for their crops. Unemployed workers had less money to spend on food, and when they did purchase goods, the market excess had driven prices so low that farmers could barely piece together a living. A now-famous example of the farmer's plight is that, when the price of coal began to exceed that of corn, farmers would simply burn corn to stay warm in the winter.

As the effects of the Great Depression worsened, wealthier Americans had particular concern for “the deserving poor”—those who had lost all of their money due to no fault of their own. This concept gained greater attention beginning in the Progressive Era of the late nineteenth and early twentieth centuries, when early social reformers sought to improve the quality of life for all Americans by addressing the poverty that was becoming more prevalent, particularly in emerging urban areas. By the time of the Great Depression, social reformers and humanitarian agencies had determined that the “deserving poor” belonged to a different category from those who had speculated and lost. However, the sheer volume of Americans who fell into this group meant that charitable assistance could not begin to reach them all. Some fifteen million “deserving poor,” or a full one-third of the labor force, were struggling by 1932. The country had no mechanism or system in place to help so many; however, Hoover remained adamant that such relief should rest in the hands of private agencies, not with the federal government (**Figure 25.7**).



Figure 25.7 In the early 1930s, without significant government relief programs, many people in urban centers relied on private agencies for assistance. In New York City, St. Peter's Mission distributed bread, soup, and canned goods to large numbers of the unemployed and others in need.

Unable to receive aid from the government, Americans thus turned to private charities; churches, synagogues, and other religious organizations; and state aid. But these organizations were not prepared to deal with the scope of the problem. Private aid organizations showed declining assets as well during the Depression, with fewer Americans possessing the ability to donate to such charities. Likewise, state governments were particularly ill-equipped. Governor Franklin D. Roosevelt was the first to institute a Department of Welfare in New York in 1929. City governments had equally little to offer. In New York City in 1932, family allowances were \$2.39 per week, and only one-half of the families who qualified actually received them. In Detroit, allowances fell to fifteen cents a day per person, and eventually ran out completely. In most cases, relief was only in the form of food and fuel; organizations provided nothing in the way of rent, shelter, medical care, clothing, or other necessities. There was no infrastructure to support the elderly, who were the most vulnerable, and this population largely depended on their adult children to support them, adding to families' burdens (**Figure 25.8**).



Figure 25.8 Because there was no infrastructure to support them should they become unemployed or destitute, the elderly were extremely vulnerable during the Great Depression. As the depression continued, the results of this tenuous situation became more evident, as shown in this photo of a vacant storefront in San Francisco, captured by Dorothea Lange in 1935.

During this time, local community groups, such as police and teachers, worked to help the neediest. New York City police, for example, began contributing 1 percent of their salaries to start a food fund that was geared to help those found starving on the streets. In 1932, New York City schoolteachers also joined forces to try to help; they contributed as much as \$250,000 per month from their own salaries to help needy children. Chicago teachers did the same, feeding some eleven thousand students out of their own pockets in 1931, despite the fact that many of them had not been paid a salary in months. These noble efforts, however, failed to fully address the level of desperation that the American public was facing.

25.2 President Hoover's Response

By the end of this section, you will be able to:

- Explain Herbert Hoover's responses to the Great Depression and how they reflected his political philosophy
- Identify the local, city, and state efforts to combat the Great Depression
- Analyze the frustration and anger that a majority of Americans directed at Herbert Hoover

President Hoover was unprepared for the scope of the depression crisis, and his limited response did not begin to help the millions of Americans in need. The steps he took were very much in keeping with his philosophy of limited government, a philosophy that many had shared with him until the upheavals of the Great Depression made it clear that a more direct government response was required. But Hoover was stubborn in his refusal to give "handouts," as he saw direct government aid. He called for a spirit of volunteerism among America's businesses, asking them to keep workers employed, and he exhorted the American people to tighten their belts and make do in the spirit of "rugged individualism." While Hoover's philosophy and his appeal to the country were very much in keeping with his character, it was not enough to keep the economy from plummeting further into economic chaos.

The steps Hoover did ultimately take were too little, too late. He created programs for putting people back to work and helping beleaguered local and state charities with aid. But the programs were small in scale and highly specific as to who could benefit, and they only touched a small percentage of those in need. As the situation worsened, the public grew increasingly unhappy with Hoover. He left office with one of the lowest approval ratings of any president in history.

THE INITIAL REACTION

In the immediate aftermath of Black Tuesday, Hoover sought to reassure Americans that all was well. Reading his words after the fact, it is easy to find fault. In 1929 he said, “Any lack of confidence in the economic future or the strength of business in the United States is foolish.” In 1930, he stated, “The worst is behind us.” In 1931, he pledged federal aid should he ever witness starvation in the country; but as of that date, he had yet to see such need in America, despite the very real evidence that children and the elderly were starving to death. Yet Hoover was neither intentionally blind nor unsympathetic. He simply held fast to a belief system that did not change as the realities of the Great Depression set in.

Hoover believed strongly in the ethos of **American individualism**: that hard work brought its own rewards. His life story testified to that belief. Hoover was born into poverty, made his way through college at Stanford University, and eventually made his fortune as an engineer. This experience, as well as his extensive travels in China and throughout Europe, shaped his fundamental conviction that the very existence of American civilization depended upon the moral fiber of its citizens, as evidenced by their ability to overcome all hardships through individual effort and resolve. The idea of government handouts to Americans was repellant to him. Whereas Europeans might need assistance, such as his hunger relief work in Belgium during and after World War I, he believed the American character to be different. In a 1931 radio address, he said, “The spread of government destroys initiative and thus destroys character.”

Likewise, Hoover was not completely unaware of the potential harm that wild stock speculation might create if left unchecked. As secretary of commerce, Hoover often warned President Coolidge of the dangers that such speculation engendered. In the weeks before his inauguration, he offered many interviews to newspapers and magazines, urging Americans to curtail their rampant stock investments, and even encouraged the Federal Reserve to raise the discount rate to make it more costly for local banks to lend money to potential speculators. However, fearful of creating a panic, Hoover never issued a stern warning to discourage Americans from such investments. Neither Hoover, nor any other politician of that day, ever gave serious thought to outright government regulation of the stock market. This was even true in his personal choices, as Hoover often lamented poor stock advice he had once offered to a friend. When the stock nose-dived, Hoover bought the shares from his friend to assuage his guilt, vowing never again to advise anyone on matters of investment.

In keeping with these principles, Hoover’s response to the crash focused on two very common American traditions: He asked individuals to tighten their belts and work harder, and he asked the business community to voluntarily help sustain the economy by retaining workers and continuing production. He immediately summoned a conference of leading industrialists to meet in Washington, DC, urging them to maintain their current wages while America rode out this brief economic panic. The crash, he assured business leaders, was not part of a greater downturn; they had nothing to worry about. Similar meetings with utility companies and railroad executives elicited promises for billions of dollars in new construction projects, while labor leaders agreed to withhold demands for wage increases and workers continued to labor. Hoover also persuaded Congress to pass a \$160 million tax cut to bolster American incomes, leading many to conclude that the president was doing all he could to stem the tide of the panic. In April 1930, the *New York Times* editorial board concluded that “No one in his place could have done more.”

However, these modest steps were not enough. By late 1931, when it became clear that the economy would not improve on its own, Hoover recognized the need for some government intervention. He created the President’s Emergency Committee for Employment (PECE), later renamed the President’s Organization of Unemployment Relief (POUR). In keeping with Hoover’s distaste of what he viewed as handouts,

this organization did *not* provide direct federal relief to people in need. Instead, it assisted state and private relief agencies, such as the Red Cross, Salvation Army, YMCA, and Community Chest. Hoover also strongly urged people of means to donate funds to help the poor, and he himself gave significant private donations to worthy causes. But these private efforts could not alleviate the widespread effects of poverty.

Congress pushed for a more direct government response to the hardship. In 1930–1931, it attempted to pass a \$60 million bill to provide relief to drought victims by allowing them access to food, fertilizer, and animal feed. Hoover stood fast in his refusal to provide food, resisting any element of direct relief. The final bill of \$47 million provided for everything *except* food but did not come close to adequately addressing the crisis. Again in 1931, Congress proposed the Federal Emergency Relief Bill, which would have provided \$375 million to states to help provide food, clothing, and shelter to the homeless. But Hoover opposed the bill, stating that it ruined the balance of power between states and the federal government, and in February 1932, it was defeated by fourteen votes.

However, the president's adamant opposition to direct-relief federal government programs should not be viewed as one of indifference or uncaring toward the suffering American people. His personal sympathy for those in need was boundless. Hoover was one of only two presidents to reject his salary for the office he held. Throughout the Great Depression, he donated an average of \$25,000 annually to various relief organizations to assist in their efforts. Furthermore, he helped to raise \$500,000 in private funds to support the White House Conference on Child Health and Welfare in 1930. Rather than indifference or heartlessness, Hoover's steadfast adherence to a philosophy of individualism as the path toward long-term American recovery explained many of his policy decisions. "A voluntary deed," he repeatedly commented, "is infinitely more precious to our national ideal and spirit than a thousand-fold poured from the Treasury."

As conditions worsened, however, Hoover eventually relaxed his opposition to federal relief and formed the Reconstruction Finance Corporation (RFC) in 1932, in part because it was an election year and Hoover hoped to keep his office. Although not a form of direct relief to the American people in greatest need, the RFC was much larger in scope than any preceding effort, setting aside \$2 billion in taxpayer money to rescue banks, credit unions, and insurance companies. The goal was to boost confidence in the nation's financial institutions by ensuring that they were on solid footing. This model was flawed on a number of levels. First, the program only lent money to banks with sufficient collateral, which meant that most of the aid went to large banks. In fact, of the first \$61 million loaned, \$41 million went to just three banks. Small town and rural banks got almost nothing. Furthermore, at this time, confidence in financial institutions was not the primary concern of most Americans. They needed food and jobs. Many had no money to put into the banks, no matter how confident they were that the banks were safe.

Hoover's other attempt at federal assistance also occurred in 1932, when he endorsed a bill by Senator Robert Wagner of New York. This was the Emergency Relief and Construction Act. This act authorized the RFC to expand beyond loans to financial institutions and allotted \$1.5 billion to states to fund local public works projects. This program failed to deliver the kind of help needed, however, as Hoover severely limited the types of projects it could fund to those that were ultimately self-paying (such as toll bridges and public housing) and those that required skilled workers. While well intended, these programs maintained the status quo, and there was still no direct federal relief to the individuals who so desperately needed it.

PUBLIC REACTION TO HOOVER

Hoover's steadfast resistance to government aid cost him the reelection and has placed him squarely at the forefront of the most unpopular presidents, according to public opinion, in modern American history. His name became synonymous with the poverty of the era: "Hoovervilles" became the common name for homeless shantytowns (**Figure 25.9**) and "Hoover blankets" for the newspapers that the homeless used to keep warm. A "Hoover flag" was a pants pocket—empty of all money—turned inside out. By the 1932 election, hitchhikers held up signs reading: "If you don't give me a ride, I'll vote for Hoover." Americans did not necessarily believe that Hoover caused the Great Depression. Their anger stemmed instead from

what appeared to be a willful refusal to help regular citizens with direct aid that might allow them to recover from the crisis.

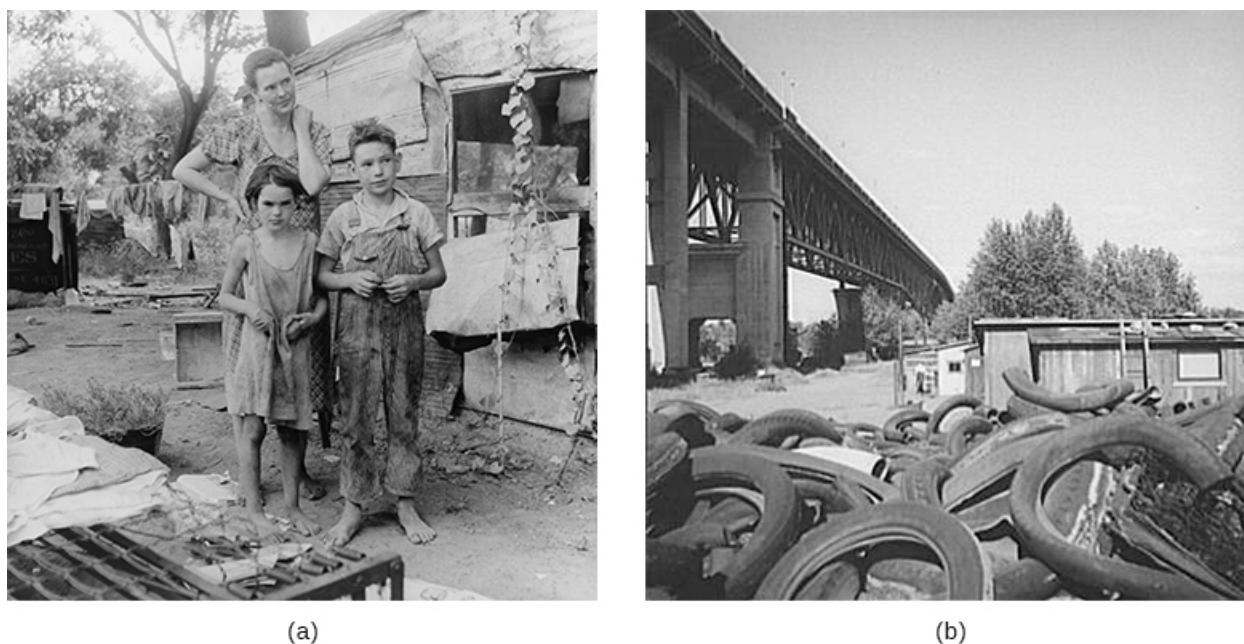


Figure 25.9 Hoover became one of the least popular presidents in history. “Hoovervilles,” or shantytowns, were a negative reminder of his role in the nation’s financial crisis. This family (a) lived in a “Hooverville” in Elm Grove, Oklahoma. This shanty (b) was one of many making up a “Hooverville” in the Portland, Oregon area. (credit: modification of work by United States Farm Security Administration)

FRUSTRATION AND PROTEST: A BAD SITUATION GROWS WORSE FOR HOOVER

Desperation and frustration often create emotional responses, and the Great Depression was no exception. Throughout 1931–1932, companies trying to stay afloat sharply cut worker wages, and, in response, workers protested in increasingly bitter strikes. As the Depression unfolded, over 80 percent of automotive workers lost their jobs. Even the typically prosperous Ford Motor Company laid off two-thirds of its workforce.

In 1932, a major strike at the Ford Motor Company factory near Detroit resulted in over sixty injuries and four deaths. Often referred to as the Ford Hunger March, the event unfolded as a planned demonstration among unemployed Ford workers who, to protest their desperate situation, marched nine miles from Detroit to the company’s River Rouge plant in Dearborn. At the Dearborn city limits, local police launched tear gas at the roughly three thousand protestors, who responded by throwing stones and clods of dirt. When they finally reached the gates of the plant, protestors faced more police and firemen, as well as private security guards. As the firemen turned hoses onto the protestors, the police and security guards opened fire. In addition to those killed and injured, police arrested fifty protestors. One week later, sixty thousand mourners attended the public funerals of the four victims of what many protestors labeled police brutality. The event set the tone for worsening labor relations in the U.S.

Farmers also organized and protested, often violently. The most notable example was the Farm Holiday Association. Led by Milo Reno, this organization held significant sway among farmers in Iowa, Nebraska, Wisconsin, Minnesota, and the Dakotas. Although they never comprised a majority of farmers in any of these states, their public actions drew press attention nationwide. Among their demands, the association sought a federal government plan to set agricultural prices artificially high enough to cover the farmers’ costs, as well as a government commitment to sell any farm surpluses on the world market. To achieve their goals, the group called for farm holidays, during which farmers would neither sell their produce

nor purchase any other goods until the government met their demands. However, the greatest strength of the association came from the unexpected and seldom-planned actions of its members, which included barricading roads into markets, attacking nonmember farmers, and destroying their produce. Some members even raided small town stores, destroying produce on the shelves. Members also engaged in “penny auctions,” bidding pennies on foreclosed farm land and threatening any potential buyers with bodily harm if they competed in the sale. Once they won the auction, the association returned the land to the original owner. In Iowa, farmers threatened to hang a local judge if he signed any more farm foreclosures. At least one death occurred as a direct result of these protests before they waned following the election of Franklin Roosevelt.

One of the most notable protest movements occurred toward the end of Hoover’s presidency and centered on the Bonus Expeditionary Force, or **Bonus Army**, in the spring of 1932. In this protest, approximately fifteen thousand World War I veterans marched on Washington to demand early payment of their veteran bonuses, which were not due to be paid until 1945. The group camped out in vacant federal buildings and set up camps in Anacostia Flats near the Capitol building (**Figure 25.10**).



Figure 25.10 In the spring of 1932, World War I veterans marched on Washington and set up camps in Anacostia Flats, remaining there for weeks. (credit: Library of Congress)

Many veterans remained in the city in protest for nearly two months, although the U.S. Senate officially rejected their request in July. By the middle of that month, Hoover wanted them gone. He ordered the police to empty the buildings and clear out the camps, and in the exchange that followed, police fired into the crowd, killing two veterans. Fearing an armed uprising, Hoover then ordered General Douglas MacArthur, along with his aides, Dwight Eisenhower and George Patton, to forcibly remove the veterans from Anacostia Flats. The ensuing raid proved catastrophic, as the military burned down the shantytown and injured dozens of people, including a twelve-week-old infant who was killed when accidentally struck by a tear gas canister (**Figure 25.11**).

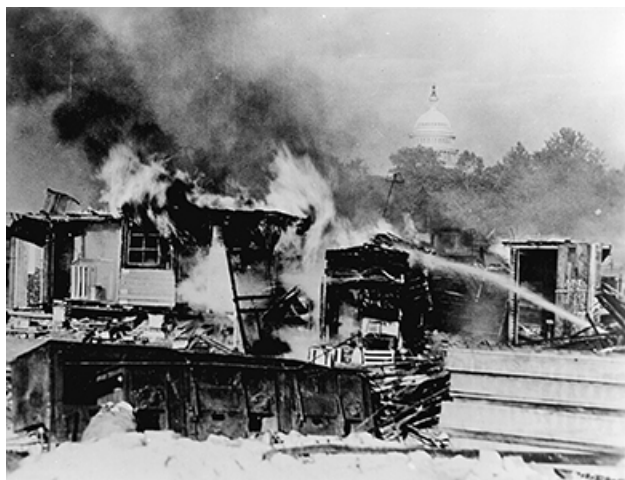


Figure 25.11 When the U.S. Senate denied early payment of their veteran bonuses, and Hoover ordered their makeshift camps cleared, the Bonus Army protest turned violent, cementing Hoover's demise as a president. (credit: U.S. Department of Defense)

As Americans bore witness to photographs and newsreels of the U.S. Army forcibly removing veterans, Hoover's popularity plummeted even further. By the summer of 1932, he was largely a defeated man. His pessimism and failure mirrored that of the nation's citizens. America was a country in desperate need: in need of a charismatic leader to restore public confidence as well as provide concrete solutions to pull the economy out of the Great Depression.

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Whether he truly believed it or simply thought the American people wanted to hear it, Hoover continued to state publicly that the country was getting back on track. Listen as he speaks about the **"Success of Recovery"** (<http://historymatters.gmu.edu/d/5062>) at a campaign stop in Detroit, Michigan on October 22, 1932.

25.3 The Depths of the Great Depression

By the end of this section, you will be able to:

- Identify the challenges that everyday Americans faced as a result of the Great Depression and analyze the government's initial unwillingness to provide assistance
- Explain the particular challenges that African Americans faced during the crisis
- Identify the unique challenges that farmers in the Great Plains faced during this period

From industrial strongholds to the rural Great Plains, from factory workers to farmers, the Great Depression affected millions. In cities, as industry slowed, then sometimes stopped altogether, workers lost jobs and joined breadlines, or sought out other charitable efforts. With limited government relief efforts, private charities tried to help, but they were unable to match the pace of demand. In rural areas, farmers suffered still more. In some parts of the country, prices for crops dropped so precipitously that

farmers could not earn enough to pay their mortgages, losing their farms to foreclosure. In the Great Plains, one of the worst droughts in history left the land barren and unfit for growing even minimal food to live on.

The country's most vulnerable populations, such as children, the elderly, and those subject to discrimination, like African Americans, were the hardest hit. Most white Americans felt entitled to what few jobs were available, leaving African Americans unable to find work, even in the jobs once considered their domain. In all, the economic misery was unprecedented in the country's history.

STARVING TO DEATH

By the end of 1932, the Great Depression had affected some sixty million people, most of whom wealthier Americans perceived as the "deserving poor." Yet, at the time, federal efforts to help those in need were extremely limited, and national charities had neither the capacity nor the will to elicit the large-scale response required to address the problem. The American Red Cross did exist, but Chairman John Barton Payne contended that unemployment was not an "Act of God" but rather an "Act of Man," and therefore refused to get involved in widespread direct relief efforts. Clubs like the Elks tried to provide food, as did small groups of individually organized college students. Religious organizations remained on the front lines, offering food and shelter. In larger cities, breadlines and soup lines became a common sight. At one count in 1932, there were as many as eighty-two breadlines in New York City.

Despite these efforts, however, people were destitute and ultimately starving. Families would first run through any savings, if they were lucky enough to have any. Then, the few who had insurance would cash out their policies. Cash surrender payments of individual insurance policies tripled in the first three years of the Great Depression, with insurance companies issuing total payments in excess of \$1.2 billion in 1932 alone. When those funds were depleted, people would borrow from family and friends, and when they could get no more, they would simply stop paying rent or mortgage payments. When evicted, they would move in with relatives, whose own situation was likely only a step or two behind. The added burden of additional people would speed along that family's demise, and the cycle would continue. This situation spiraled downward, and did so quickly. Even as late as 1939, over 60 percent of rural households, and 82 percent of farm families, were classified as "impoverished." In larger urban areas, unemployment levels exceeded the national average, with over half a million unemployed workers in Chicago, and nearly a million in New York City. Breadlines and soup kitchens were packed, serving as many as eighty-five thousand meals daily in New York City alone. Over fifty thousand New York citizens were homeless by the end of 1932.

Children, in particular, felt the brunt of poverty. Many in coastal cities would roam the docks in search of spoiled vegetables to bring home. Elsewhere, children begged at the doors of more well-off neighbors, hoping for stale bread, table scraps, or raw potato peelings. Said one childhood survivor of the Great Depression, "You get used to hunger. After the first few days it doesn't even hurt; you just get weak." In 1931 alone, there were at least twenty documented cases of starvation; in 1934, that number grew to 110. In rural areas where such documentation was lacking, the number was likely far higher. And while the middle class did not suffer from starvation, they experienced hunger as well.

By the time Hoover left office in 1933, the poor survived not on relief efforts, but because they had learned to be poor. A family with little food would stay in bed to save fuel and avoid burning calories. People began eating parts of animals that had normally been considered waste. They scavenged for scrap wood to burn in the furnace, and when electricity was turned off, it was not uncommon to try and tap into a neighbor's wire. Family members swapped clothes; sisters might take turns going to church in the one dress they owned. As one girl in a mountain town told her teacher, who had said to go home and get food, "I can't. It's my sister's turn to eat."

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personal hardships as well as on national events during the Great Depression.

For his book on the Great Depression, *Hard Times*, author Studs Terkel interviewed hundreds of Americans from across the country. He subsequently selected over seventy interviews to air on a radio show that was based in Chicago. Visit **Studs Terkel: Conversations with America** (<http://studsterkel.matrix.msu.edu/htimes.php>) to listen to those interviews, during which participants reflect on their

BLACK AND POOR: AFRICAN AMERICANS AND THE GREAT DEPRESSION

Most African Americans did not participate in the land boom and stock market speculation that preceded the crash, but that did not stop the effects of the Great Depression from hitting them particularly hard. Subject to continuing racial discrimination, blacks nationwide fared even worse than their hard-hit white counterparts. As the prices for cotton and other agricultural products plummeted, farm owners paid workers less or simply laid them off. Landlords evicted sharecroppers, and even those who owned their land outright had to abandon it when there was no way to earn any income.

In cities, African Americans fared no better. Unemployment was rampant, and many whites felt that any available jobs belonged to whites first. In some Northern cities, whites would conspire to have African American workers fired to allow white workers access to their jobs. Even jobs traditionally held by black workers, such as household servants or janitors, were now going to whites. By 1932, approximately one-half of all black Americans were unemployed. Racial violence also began to rise. In the South, lynching became more common again, with twenty-eight documented lynchings in 1933, compared to eight in 1932. Since communities were preoccupied with their own hardships, and organizing civil rights efforts was a long, difficult process, many resigned themselves to, or even ignored, this culture of racism and violence. Occasionally, however, an incident was notorious enough to gain national attention.

One such incident was the case of the **Scottsboro Boys** (**Figure 25.12**). In 1931, nine black boys, who had been riding the rails, were arrested for vagrancy and disorderly conduct after an altercation with some white travelers on the train. Two young white women, who had been dressed as boys and traveling with a group of white boys, came forward and said that the black boys had raped them. The case, which was tried in Scottsboro, Alabama, illuminated decades of racial hatred and illustrated the injustice of the court system. Despite significant evidence that the women had not been raped at all, along with one of the women subsequently recanting her testimony, the all-white jury quickly convicted the boys and sentenced all but one of them to death. The verdict broke through the veil of indifference toward the plight of African Americans, and protests erupted among newspaper editors, academics, and social reformers in the North. The Communist Party of the United States offered to handle the case and sought retrial; the NAACP later joined in this effort. In all, the case was tried three separate times. The series of trials and retrials, appeals, and overturned convictions shone a spotlight on a system that provided poor legal counsel and relied on all-white juries. In October 1932, the U.S. Supreme Court agreed with the Communist Party's defense attorneys that the defendants had been denied adequate legal representation at the original trial, and that due process as provided by the Fourteenth Amendment had been denied as a result of the exclusion of any potential black jurors. Eventually, most of the accused received lengthy prison terms and subsequent parole, but avoided the death penalty. The Scottsboro case ultimately laid some of the early groundwork for the modern American civil rights movement. Alabama granted posthumous pardons to all defendants in 2013.

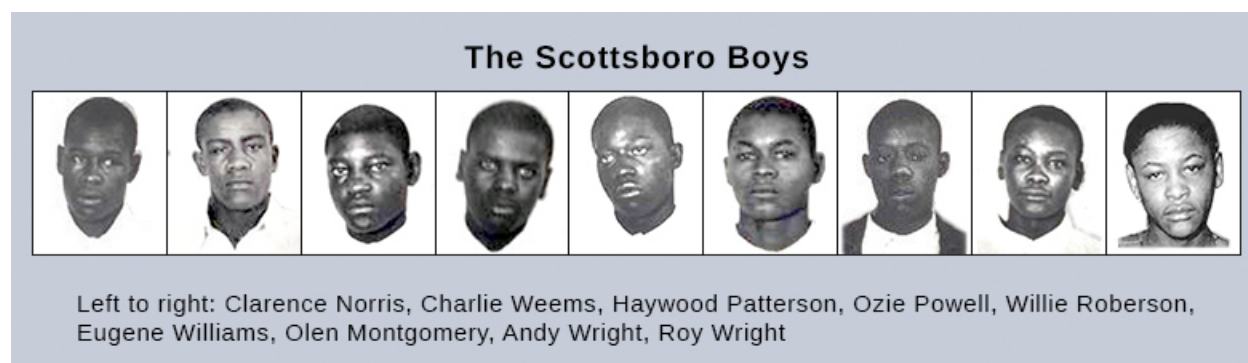


Figure 25.12 The trial and conviction of nine African American boys in Scottsboro, Alabama, illustrated the numerous injustices of the American court system. Despite being falsely accused, the boys received lengthy prison terms and were not officially pardoned by the State of Alabama until 2013.

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Read **Voices from Scottsboro** (<http://www.pbs.org/wgbh/americanexperience/films/scottsboro/>) for the perspectives of both participants and spectators in the Scottsboro case, from the initial trial to the moment, in 1976, when one of the women sued for slander.

ENVIRONMENTAL CATASTROPHE MEETS ECONOMIC HARDSHIP: THE DUST BOWL

Despite the widely held belief that rural Americans suffered less in the Great Depression due to their ability to at least grow their own food, this was not the case. Farmers, ranchers, and their families suffered more than any group other than African Americans during the Depression.

From the turn of the century through much of World War I, farmers in the Great Plains experienced prosperity due to unusually good growing conditions, high commodity prices, and generous government farming policies that led to a rush for land. As the federal government continued to purchase all excess produce for the war effort, farmers and ranchers fell into several bad practices, including mortgaging their farms and borrowing money against future production in order to expand. However, after the war, prosperity rapidly dwindled, particularly during the recession of 1921. Seeking to recoup their losses through economies of scale in which they would expand their production even further to take full advantage of their available land and machinery, farmers plowed under native grasses to plant acre after acre of wheat, with little regard for the long-term repercussions to the soil. Regardless of these misguided efforts, commodity prices continued to drop, finally plummeting in 1929, when the price of wheat dropped from two dollars to forty cents per bushel.

Exacerbating the problem was a massive drought that began in 1931 and lasted for eight terrible years. Dust storms roiled through the Great Plains, creating huge, choking clouds that piled up in doorways and filtered into homes through closed windows. Even more quickly than it had boomed, the land of agricultural opportunity went bust, due to widespread overproduction and overuse of the land, as well as to the harsh weather conditions that followed, resulting in the creation of the **Dust Bowl** (**Figure 25.13**).



Figure 25.13 The dust storms that blew through the Great Plains were epic in scale. Drifts of dirt piled up against doors and windows. People wore goggles and tied rags over their mouths to keep the dust out. (credit: U.S. National Oceanic and Atmospheric Administration)

Livestock died, or had to be sold, as there was no money for feed. Crops intended to feed the family withered and died in the drought. Terrifying dust storms became more and more frequent, as “black blizzards” of dirt blew across the landscape and created a new illness known as “dust pneumonia.” In 1935 alone, over 850 million tons of topsoil blew away. To put this number in perspective, geologists estimate that it takes the earth five hundred years to naturally regenerate one inch of topsoil; yet, just one significant dust storm could destroy a similar amount. In their desperation to get more from the land, farmers had stripped it of the delicate balance that kept it healthy. Unaware of the consequences, they had moved away from such traditional practices as crop rotation and allowing land to regain its strength by permitting it to lie fallow between plantings, working the land to death.

For farmers, the results were catastrophic. Unlike most factory workers in the cities, in most cases, farmers lost their homes when they lost their livelihood. Most farms and ranches were originally mortgaged to small country banks that understood the dynamics of farming, but as these banks failed, they often sold rural mortgages to larger eastern banks that were less concerned with the specifics of farm life. With the effects of the drought and low commodity prices, farmers could not pay their local banks, which in turn lacked funds to pay the large urban banks. Ultimately, the large banks foreclosed on the farms, often swallowing up the small country banks in the process. It is worth noting that of the five thousand banks that closed between 1930 and 1932, over 75 percent were country banks in locations with populations under 2,500. Given this dynamic, it is easy to see why farmers in the Great Plains remained wary of big city bankers.

For farmers who survived the initial crash, the situation worsened, particularly in the Great Plains where years of overproduction and rapidly declining commodity prices took their toll. Prices continued to decline, and as farmers tried to stay afloat, they produced still more crops, which drove prices even lower. Farms failed at an astounding rate, and farmers sold out at rock-bottom prices. One farm in Shelby, Nebraska was mortgaged at \$4,100 and sold for \$49.50. One-fourth of the entire state of Mississippi was auctioned off *in a single day* at a foreclosure auction in April 1932.

Not all farmers tried to keep their land. Many, especially those who had arrived only recently, in an attempt to capitalize on the earlier prosperity, simply walked away (**Figure 25.14**). In hard-hit Oklahoma, thousands of farmers packed up what they could and walked or drove away from the land they thought would be their future. They, along with other displaced farmers from throughout the Great Plains, became known as Okies. Okies were an emblem of the failure of the American breadbasket to deliver on its

promise, and their story was made famous in John Steinbeck's novel, *The Grapes of Wrath*.



Figure 25.14 As the Dust Bowl continued in the Great Plains, many had to abandon their land and equipment, as captured in this image from 1936, taken in Dallas, South Dakota. (credit: United States Department of Agriculture)

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Experience the **Interactive Dust Bowl** (<http://openstaxcollege.org//dustbowl1>) to see how decisions compounded to create peoples' destiny. Click through to see what choices you would make and where that would take you.

MY STORY

Caroline Henderson on the Dust Bowl

Now we are facing a fourth year of failure. There can be no wheat for us in 1935 in spite of all our careful and expensive work in preparing ground, sowing and re-sowing our allocated acreage. Native grass pastures are permanently damaged, in many cases hopelessly ruined, smothered under by drifted sand. Fences are buried under banks of thistles and hard packed earth or undermined by the eroding action of the wind and lying flat on the ground. Less traveled roads are impassable, covered deep under by sand or the finer silt-like loam. Orchards, groves and hedge-rows cultivated for many years with patient care are dead or dying . . . Impossible it seems not to grieve that the work of hands should prove so perishable.

—Caroline Henderson, Shelton, Oklahoma, 1935

Much like other farm families whose livelihoods were destroyed by the Dust Bowl, Caroline Henderson describes a level of hardship that many Americans living in Depression-ravaged cities could never understand. Despite their hard work, millions of Americans were losing both their produce and their homes, sometimes in as little as forty-eight hours, to environmental catastrophes. Lacking any other explanation, many began to question what they had done to incur God's wrath. Note in particular Henderson's references to "dead," "dying," and "perishable," and contrast those terms with her depiction of the "careful and expensive work" undertaken by their own hands. Many simply could not understand how such a catastrophe could have occurred.

CHANGING VALUES, CHANGING CULTURE

In the decades before the Great Depression, and particularly in the 1920s, American culture largely reflected the values of individualism, self-reliance, and material success through competition. Novels like F. Scott Fitzgerald's *The Great Gatsby* and Sinclair Lewis's *Babbitt* portrayed wealth and the self-made man in America, albeit in a critical fashion. In film, many silent movies, such as Charlie Chaplin's *The Gold Rush*, depicted the rags-to-riches fable that Americans so loved. With the shift in U.S. fortunes, however, came a shift in values, and with it, a new cultural reflection. The arts revealed a new emphasis on the welfare of the whole and the importance of community in preserving family life. While box office sales briefly declined at the beginning of the Depression, they quickly rebounded. Movies offered a way for Americans to think of better times, and people were willing to pay twenty-five cents for a chance to escape, at least for a few hours.

Even more than escapism, other films at the close of the decade reflected on the sense of community and family values that Americans struggled to maintain throughout the entire Depression. John Ford's screen version of Steinbeck's *The Grapes of Wrath* came out in 1940, portraying the haunting story of the Joad family's exodus from their Oklahoma farm to California in search of a better life. Their journey leads them to realize that they need to join a larger social movement—communism—dedicated to bettering the lives of all people. Tom Joad says, "Well, maybe it's like Casy says, a fella ain't got a soul of his own, but on'y a piece of a soul—the one big soul that belongs to ever'body." The greater lesson learned was one of the strength of community in the face of individual adversity.

Another trope was that of the hard-working everyman against greedy banks and corporations. This was perhaps best portrayed in the movies of Frank Capra, whose *Mr. Smith Goes to Washington* was emblematic of his work. In this 1939 film, Jimmy Stewart plays a legislator sent to Washington to finish out the term of a deceased senator. While there, he fights corruption to ensure the construction of a boy's camp in his hometown rather than a dam project that would only serve to line the pockets of a few. He ultimately engages in a two-day filibuster, standing up to the power players to do what's right. The Depression era was a favorite of Capra's to depict in his films, including *It's a Wonderful Life*, released in 1946. In this film, Jimmy Stewart runs a family-owned savings and loan, which at one point faces a bank run similar to those seen in 1929–1930. In the end, community support helps Stewart retain his business and home against the unscrupulous actions of a wealthy banker who sought to bring ruin to his family.

AMERICANA

☀️ “Brother, Can You Spare a Dime?”

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?
—Jay Gorney and “Yip” Harburg

“Brother, Can You Spare a Dime?” first appeared in 1932, written for the Broadway musical *New Americana* by Jay Gorney, a composer who based the song's music on a Russian lullaby, and Edgar Yipsel “Yip” Harburg, a lyricist who would go on to win an Academy Award for the song “Over the Rainbow” from *The Wizard of Oz* (1939).

With its lyrics speaking to the plight of the common man during the Great Depression and the refrain appealing to the same sense of community later found in the films of Frank Capra, “Brother, Can You Spare a Dime?” quickly became the *de facto* anthem of the Great Depression. Recordings by Bing Crosby, Al Jolson, and Rudy Vallee all enjoyed tremendous popularity in the 1930s.

Click and Explore



For more on “Brother Can You Spare a Dime?” and the Great Depression, visit **ArtsEdge** (<http://openstaxcollege.org//sparedime>) to explore the Kennedy Center's digital resources and learn the “Story Behind the Song.”

Finally, there was a great deal of pure escapism in the popular culture of the Depression. Even the songs found in films reminded many viewers of the bygone days of prosperity and happiness, from Al Dubin and Henry Warren's hit “We're in the Money” to the popular “Happy Days are Here Again.” The latter eventually became the theme song of Franklin Roosevelt's 1932 presidential campaign. People wanted to forget their worries and enjoy the madcap antics of the Marx Brothers, the youthful charm of Shirley Temple, the dazzling dances of Fred Astaire and Ginger Rogers (**Figure 25.15**), or the comforting morals of the *Andy Hardy* series. The Hardy series—nine films in all, produced by MGM from 1936 to 1940—starred Judy Garland and Mickey Rooney, and all followed the adventures of a small-town judge and his son. No matter what the challenge, it was never so big that it could not be solved with a musical production put on by the neighborhood kids, bringing together friends and family members in a warm display of community values.



Figure 25.15 *Flying Down to Rio* (1933) was the first motion picture to feature the immensely popular dance duo of Fred Astaire and Ginger Rogers. The pair would go on to star in nine more Hollywood musicals throughout the 1930s and 1940s.

All of these movies reinforced traditional American values, which suffered during these hard times, in part due to declining marriage and birth rates, and increased domestic violence. At the same time, however, they reflected an increased interest in sex and sexuality. While the birth rate was dropping, surveys in *Fortune* magazine in 1936–1937 found that two-thirds of college students favored birth control, and that 50 percent of men and 25 percent of women admitted to premarital sex, continuing a trend among younger Americans that had begun to emerge in the 1920s. Contraceptive sales soared during the decade, and again, culture reflected this shift. Blonde bombshell Mae West was famous for her sexual innuendoes, and her flirtatious persona was hugely popular, although it got her banned on radio broadcasts throughout the Midwest. Whether West or Garland, Chaplin or Stewart, American film continued to be a barometer of American values, and their challenges, through the decade.

25.4 Assessing the Hoover Years on the Eve of the New Deal

By the end of this section, you will be able to:

- Identify the successes and failures of Herbert Hoover's presidency
- Determine the fairness and accuracy of assessments of Hoover's presidency

As so much of the Hoover presidency is circumscribed by the onset of the Great Depression, one must be careful in assessing his successes and failures, so as not to attribute all blame to Hoover. Given the suffering that many Americans endured between the fall of 1929 and Franklin Roosevelt's inauguration in the spring of 1933, it is easy to lay much of the blame at Hoover's doorstep (**Figure 25.16**). However, the extent to which Hoover was constrained by the economic circumstances unfolding well before he assumed office offers a few mitigating factors. Put simply, Hoover did not cause the stock market crash. However, his stubborn adherence to a questionable belief in "American individualism," despite mounting evidence that people were starving, requires that some blame be attributed to his policies (or lack thereof) for the depth and length of the Depression. Yet, Hoover's presidency was much more than simply combating the Depression. To assess the extent of his inability to provide meaningful national leadership through the darkest months of the Depression, his other policies require consideration.



Figure 25.16 Herbert Hoover (left) had the misfortune to be a president elected in prosperity and subsequently tasked with leading the country through the Great Depression. His unwillingness to face the harsh realities of widespread unemployment, farm foreclosures, business failures, and bank closings made him a deeply unpopular president, and he lost the 1932 election in a landslide to Franklin D. Roosevelt (right). (credit: Architect of the Capitol)

HOOVER'S FOREIGN POLICY

Although it was a relatively quiet period for U.S. diplomacy, Hoover did help to usher in a period of positive relations, specifically with several Latin American neighbors. This would establish the basis for Franklin Roosevelt's "Good Neighbor" policy. After a goodwill tour of Central American countries immediately following his election in 1928, Hoover shaped the subsequent **Clark Memorandum**—released in 1930—which largely repudiated the previous Roosevelt Corollary, establishing a basis for unlimited American military intervention throughout Latin America. To the contrary, through the memorandum, Hoover asserted that greater emphasis should be placed upon the older Monroe Doctrine, in which the U.S. pledged assistance to her Latin American neighbors should any European powers interfere in Western Hemisphere affairs. Hoover further strengthened relations to the south by withdrawing American troops from Haiti and Nicaragua. Additionally, he outlined with Secretary of State Henry Stimson the Hoover-Stimson Doctrine, which announced that the United States would never recognize claims to territories seized by force (a direct response to the recent Japanese invasion of Manchuria).

Other diplomatic overtures met with less success for Hoover. Most notably, in an effort to support the American economy during the early stages of the Depression, the president signed into law the **Smoot-Hawley Tariff** in 1930. The law, which raised tariffs on thousands of imports, was intended to increase sales of American-made goods, but predictably angered foreign trade partners who in turn raised their tariffs on American imports, thus shrinking international trade and closing additional markets to desperate American manufacturers. As a result, the global depression worsened further. A similar attempt to spur the world economy, known as the Hoover Moratorium, likewise met with great opposition and little economic benefit. Issued in 1931, the moratorium called for a halt to World War I reparations to be paid by Germany to France, as well as forgiveness of Allied war debts to the U.S.

HOOVER AND CIVIL RIGHTS

Holding true to his belief in individualism, Hoover saw little need for significant civil rights legislation during his presidency, including any overtures from the NAACP to endorse federal anti-lynching legislation. He felt African Americans would benefit more from education and assimilation than from federal legislation or programs; yet he failed to recognize that, at this time in history, federal legislation and programs were required to ensure equal opportunities.

Hoover did give special attention to the improvement of Native American conditions, beginning with his

selection of Charles Curtis as his vice-presidential running mate in the 1928 election. Curtis, of the Kaw Tribe, became the country's first Native American to hold so high an elected office. Hoover subsequently appointed Charles Rhoads as the new commissioner of the Bureau of Indian Affairs and advocated, with Rhoads' assistance, for Native American self-sufficiency and full assimilation as Americans under the Indian Citizenship Act of 1924. During Hoover's presidency, federal expenditures for Native American schools and health care doubled.

Click and Explore



Cartoons, especially political cartoons, provide a window into the frustrations and worries of an age. Browse the political cartoons at **The Changing Face of Herbert Hoover** (<http://openstaxcollege.org//hoover>) to better understand the historical context of Herbert Hoover's presidency.

A FINAL ASSESSMENT

Herbert Hoover's presidency, embarked upon with much promise following his election in November 1928, produced a legacy of mixed reactions. Some Americans blamed him for all of the economic and social woes from which they suffered for the next decade; all blamed him for simply not responding to their needs. As contemporary commentator and actor Will Rogers said at the time, "If an American was lucky enough to find an apple to eat in the Depression and bit into it only to find a worm, they would blame Hoover for the worm." Likewise, subsequent public opinion polls of presidential popularity, as well as polls of professional historians, routinely rate Hoover in the bottom seven of all U.S. presidents in terms of overall success.

However, Hoover the president was a product of his time. Americans sought a president in 1928 who would continue the policies of normalcy with which many associated the prosperity they enjoyed. They wanted a president who would forego government interference and allow industrial capitalism to grow unfettered. Hoover, from his days as the secretary of commerce, was the ideal candidate. In fact, he was *too* ideal when the Great Depression actually hit. Holding steadfast to his philosophy of "American individualism," Hoover proved largely incapable of shifting into economic crisis mode when Americans came to realize that prosperity could not last forever. Desperate to help, but unwilling to compromise on his philosophy, Hoover could not manage a comprehensive solution to the worldwide depression that few foresaw. Only when reelection was less than a year away did a reluctant Hoover initiate significant policies, but even then, they did not provide direct relief. By the start of 1932, unemployment hovered near 25 percent, and thousands of banks and factories were closing their doors. Combined with Hoover's ill-timed response to the Bonus Army crisis, his political fate was sealed. Americans would look to the next president for a solution. "Democracy is a harsh employer," Hoover concluded, as he awaited all but certain defeat in the November election of 1932 (**Figure 25.17**).

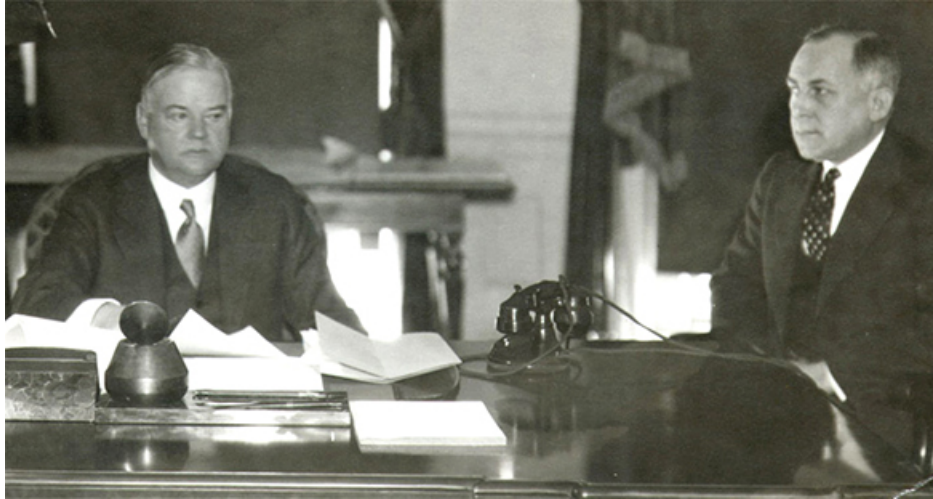


Figure 25.17 By the election of 1932, Hoover (left) knew that he was beaten. In photos from this time, he tends to appear grim-faced and downtrodden.

Key Terms

American individualism the belief, strongly held by Herbert Hoover and others, that hard work and individual effort, absent government interference, comprised the formula for success in the U.S.

bank run the withdrawal by a large number of individuals or investors of money from a bank due to fears of the bank's instability, with the ironic effect of increasing the bank's vulnerability to failure

Black Tuesday October 29, 1929, when a mass panic caused a crash in the stock market and stockholders divested over sixteen million shares, causing the overall value of the stock market to drop precipitously

Bonus Army a group of World War I veterans and affiliated groups who marched to Washington in 1932 to demand their war bonuses early, only to be refused and forcibly removed by the U.S. Army

Clark Memorandum Hoover's repudiation of the Roosevelt Corollary that justified American military intervention in Latin American affairs; this memorandum improved relations with America's neighbors by reasserting that intervention would occur only in the event of European interference in the Western Hemisphere

Dust Bowl the area in the middle of the country that had been badly overfarmed in the 1920s and suffered from a terrible drought that coincided with the Great Depression; the name came from the "black blizzard" of topsoil and dust that blew through the area

Scottsboro Boys a reference to the infamous trial in Scottsboro, Alabama in 1931, where nine African American boys were falsely accused of raping two white women and sentenced to death; the extreme injustice of the trial, particularly given the age of the boys and the inadequacy of the testimony against them, garnered national and international attention

Smoot-Hawley Tariff the tariff approved by Hoover to raise the tax on thousands of imported goods in the hope that it would encourage people to buy American-made products; the unintended result was that other nations raised their tariffs, further hurting American exports and exacerbating the global financial crisis

speculation the practice of investing in risky financial opportunities in the hopes of a fast payout due to market fluctuations

Summary

25.1 The Stock Market Crash of 1929

The prosperous decade leading up to the stock market crash of 1929, with easy access to credit and a culture that encouraged speculation and risk-taking, put into place the conditions for the country's fall. The stock market, which had been growing for years, began to decline in the summer and early fall of 1929, precipitating a panic that led to a massive stock sell-off in late October. In one month, the market lost close to 40 percent of its value. Although only a small percentage of Americans had invested in the stock market, the crash affected everyone. Banks lost millions and, in response, foreclosed on business and personal loans, which in turn pressured customers to pay back their loans, whether or not they had the cash. As the pressure mounted on individuals, the effects of the crash continued to spread. The state of the international economy, the inequitable income distribution in the United States, and, perhaps most importantly, the contagion effect of panic all played roles in the continued downward spiral of the economy.

In the immediate aftermath of the crash, the government was confident that the economy would rebound. But several factors led it to worsen instead. One significant issue was the integral role of automobiles and construction in American industry. With the crash, there was no money for either auto purchases or major construction projects; these industries therefore suffered, laying off workers, cutting wages, and reducing benefits. Affluent Americans considered the deserving poor—those who lost their money due to no fault of their own—to be especially in need of help. But at the outset of the Great Depression, there were few social safety nets in place to provide them with the necessary relief. While some families retained their wealth and middle-class lifestyle, many more were plunged quite suddenly into poverty and often homelessness. Children dropped out of school, mothers and wives went into domestic service, and the fabric of American society changed inexorably.

25.2 President Hoover's Response

President Hoover's deeply held philosophy of American individualism, which he maintained despite extraordinary economic circumstances, made him particularly unsuited to deal with the crisis of the Great Depression. He greatly resisted government intervention, considering it a path to the downfall of American greatness. His initial response of asking Americans to find their own paths to recovery and seeking voluntary business measures to stimulate the economy could not stem the tide of the Depression. Ultimately, Hoover did create some federal relief programs, such as the Reconstruction Finance Corporation (RFC), which sought to boost public confidence in financial institutions by ensuring that they were on solid footing. When this measure did little to help impoverished individuals, he signed the Emergency Relief Act, which allowed the RFC to invest in local public works projects. But even this was too little, too late. The severe limits on the types of projects funded and type of workers used meant that most Americans saw no benefit.

The American public ultimately responded with anger and protest to Hoover's apparent inability to create solutions. Protests ranged from factory strikes to farm riots, culminating in the notorious Bonus Army protest in the spring of 1932. Veterans from World War I lobbied to receive their bonuses immediately, rather than waiting until 1945. The government denied them, and in the ensuing chaos, Hoover called in the military to disrupt the protest. The violence of this act was the final blow for Hoover, whose popularity was already at an all-time low.

25.3 The Depths of the Great Depression

The Great Depression affected huge segments of the American population—sixty million people by one estimate. But certain groups were hit harder than the rest. African Americans faced discrimination in finding employment, as white workers sought even low-wage jobs like housecleaning. Southern blacks moved away from their farms as crop prices failed, migrating en masse to Northern cities, which had little to offer them. Rural Americans were also badly hit. The eight-year drought that began shortly after the stock market crash exacerbated farmers' and ranchers' problems. The cultivation of greater amounts of acreage in the preceding decades meant that land was badly overworked, and the drought led to massive and terrible dust storms, creating the region's nickname, the Dust Bowl. Some farmers tried to remain and buy up more land as neighbors went broke; others simply fled their failed farms and moved away, often to the large-scale migrant farms found in California, to search for a better life that few ever found. Maltreated by Californians who wished to avoid the unwanted competition for jobs that these "Okies" represented, many of the Dust Bowl farmers were left wandering as a result.

There was very little in the way of public assistance to help the poor. While private charities did what they could, the scale of the problem was too large for them to have any lasting effects. People learned to survive as best they could by sending their children out to beg, sharing clothing, and scrounging wood to feed the furnace. Those who could afford it turned to motion pictures for escape. Movies and books during the Great Depression reflected the shift in American cultural norms, away from rugged individualism toward

a more community-based lifestyle.

25.4 Assessing the Hoover Years on the Eve of the New Deal

In Hoover, Americans got the president they had wanted, at least at first. He was third in a line of free-market Republican presidents, elected to continue the policies that had served the economy so well. But when the stock market crashed in 1929, and the underlying weaknesses in the economy came to the fore, Hoover did not act with clear intentionality and speed. His record as a president will likely always bear the taint of his unwillingness to push through substantial government aid, but, despite that failing, his record is not without minor accomplishments. Hoover's international policies, particularly in regard to Latin America, served the country well. And while his attitude toward civil rights mirrored his conviction that government intervention was a negative force, he did play a key role changing living conditions for Native Americans. In all, it was his—and the country's—bad luck that his presidency ultimately required a very different philosophy than the one that had gotten him elected.

Review Questions

- Which of the following is a cause of the stock market crash of 1929?
 - too many people invested in the market
 - investors made risky investments with borrowed money
 - the federal government invested heavily in business stock
 - World War I created optimal conditions for an eventual crash
- Which of the following groups would not be considered “the deserving poor” by social welfare groups and humanitarians in the 1930s?
 - vagrant children
 - unemployed workers
 - stock speculators
 - single mothers
- What were Hoover's plans when he first entered office, and how were these reflective of the years that preceded the Great Depression?
- Which of the following protests was directly related to federal policies, and thus had the greatest impact in creating a negative public perception of the Hoover presidency?
 - the Farm Holiday Association
 - the Ford Motor Company labor strikes
 - the Bonus Expeditionary Force
 - the widespread appearance of “Hooverville” shantytowns
- Which of the following groups or bodies did *not* offer direct relief to needy people?
 - the federal government
 - local police and schoolteachers
 - churches and synagogues
 - wealthy individuals
- What attempts did Hoover make to offer federal relief? How would you evaluate the success or failure of these programs?
- Which of the following hardships did African Americans *not* typically face during the Great Depression?
 - lower farm wages in the South
 - the belief that white workers needed jobs more than their black counterparts
 - white workers taking historically “black” jobs, such as maids and janitors
 - widespread race riots in large urban centers
- Which of the following was *not* a key factor in the conditions that led to the Dust Bowl?
 - previous overcultivation of farmland
 - decreasing American demand for farm produce
 - unfavorable weather conditions
 - poor farming techniques regarding proper irrigation and acreage rotation

9. What did the popular movies of the Depression reveal about American values at that time? How did these values contrast with the values Americans held before the Depression?
10. Which assessment of Herbert Hoover's presidency is most accurate?
- A. Hoover's policies caused the stock market crash and subsequent depression.
 - B. Although he did not cause the stock market crash, Hoover deserves criticism for his inadequate response to it.
 - C. Hoover pledged a great deal of direct federal aid to unemployed Americans, overtaxing the federal budget and worsening the financial crisis.
 - D. Hoover disapproved of American capitalism and therefore attempted to forestall any concrete solutions to the Depression.
11. Which of the following phrases best characterizes Herbert Hoover's foreign policy agenda?
- A. interventionist, in terms of unwanted interference in other nations' affairs
 - B. militaristic, in terms of strengthening American armed forces
 - C. isolationist, in terms of preventing America's interaction with other nations
 - D. mutual respect, in terms of being available to support others when called upon, but not interfering unnecessarily in their affairs

Critical Thinking Questions

12. What were the possible causes of the Great Depression? To what extent could a stock market crash of the intensity of 1929 occur again in America?
13. Why did people feel so confident before the stock market crash of 1929? What were some factors that led to irrational investing?
14. Why was Herbert Hoover's response to the initial months of the Great Depression so limited in scope?
15. How did the cultural products of the Great Depression serve to reflect, shape, and assuage Americans' fears and concerns during this volatile period? How do our cultural products—such as books, movies, and music—reflect and reinforce our values in our own times?
16. To what extent did the Great Depression catalyze important changes in Americans' perceptions of themselves, their national identity, and the role of their government? What evidence of these shifts can you find in the politics and values of our own times?
17. Why is Herbert Hoover so often blamed for the Great Depression? To what extent is such an assessment fair or accurate?

