Background in formation

On the 24 October 1929, Wall Street crashed. On 'Black Thursday', 13 million shares were sold, more than five times the usual number, because people were suddenly losing confidence in the value of shares. They realised that a share was only worth money if someone was willing to buy it, and they were becoming too expensive to buy. This resulted in shares plummeting in price and investors losing confidence in the stock market.

This was followed by the worst depression (time of financial regression and hardship) in the history of the United States and everyone was affected – farmers, factory workers, the rich, and so on. The government did not know what to do – the President, Herbert Hoover, had himself only just encouraged everyone to invest in the stock market and had no contingency plans economic trouble.

Tasks

1. Read the background information. Highlight or annotate the key terms and dates.

2. Define the following key-terms (you may need to complete task three before you can do them all):

   - economic depression
   - stock market
   - Hoovervilles
   - Herbert Hoover
   - the dust bowl
   - overproduction

3. Read the information in the eight boxes on p.4-5. Highlight or annotate the key terms and dates in this information.

- Can you complete task two now?

4. Sort the eight boxes into the table on p.2-3. For the following four key themes, there is one descriptive text (key details) and one explanatory text (effect on Americans):

   - the Wall Street Crash
   - unemployment and Hoovervilles
   - agriculture
   - industry.

5. Which of the effects of the Great Depression was the most significant?

   - Judge each of the four themes with a score out of ten for significance.
   - Evaluate how far the Wall Street Crash caused all of the other effects of the Great Depression (one paragraph minimum).

Aspect of the Great Depression	Key details	What effect did this have on Americans?
The Wall Street Crash		
Unemployment and Hoovervilles		

Agriculture		
Industry		

As soon as companies' shares started to fall, the companies started to collapse. **Investment** was immediately withdrawn, there were huge numbers fired overnight and businesses could not pay back their loans from banks (causing either the business, bank, or both to go **bankrupt**). Entire towns had been built around huge factories, and when these workers were fired it affected everyone – there were no workers to eat out, get haircuts, go to the movies; entire towns' and cities' economic systems collapsed.

Unemployment skyrocketed, in industry more than anywhere else – over 13 million had lost their jobs before 1932, 12,000 people were being fired every day and certain areas were affected particularly badly – for example steel workers in Cleveland, of whom **a full half were fired**. Many of those who became unemployed initially tried to move cities, thinking it might be better elsewhere. Later, even though they knew it wasn't, they had to move because they could not pay their **mortgages**.

Factories had got so carried away with **mass production**, and making 'more and more', that for several years factories had been **overproducing**. They did not want to slow down production, as this would make the prices higher, or result in having to fire workers. However, the factories produced more goods than the American people wanted, or could buy. These companies also couldn't sell abroad, because foreign governments had reacted to the **Republican tariffs** with their own taxes on American goods.

The Great Depression was largely brought about through **under regulation** of the financial markets, and an exploding sense of overconfidence in the Stock Market. People **invested too much** money in stocks and shares - more than they could afford, and in many cases all of their money. As such, when Wall Street struggled, the economy collapsed. Share prices tumbled by hundreds of dollars overnight as people realised they were based on **confidence**, and all of a sudden there was no confidence left.

People who moved cities could not afford a new house or mortgage, and began to congregate in **slums**, known as '**Hoovervilles**' (this was a joke about the then-President, Hoover, who was criticised for his handling of the Depression). Hoovervilles were full of self-made houses using scrap materials, and had no services (including power, water, or sewage). Many were reduced to begging, looking for food and belongings in rubbish heaps, and queuing for free food – these were known as **breadlines**.

Farmers had already been losing money in the second half of the 1920s, but they were affected even more badly by the Depression. **Industrial techniques** had also led to food **overfarming** in several States, which drove prices too low for farmers to make any profit, and expensive bank loans for new equipment suddenly had to be repaid – the farmers could not afford this. Their only answer was to try to farm even harder; growing more intensely, with fewer workers and with less care.

People lost all of their savings, companies lost their savings, and one of the central pillars of the American economy was destroyed. As a result of this, a whole generation of Americans were worried about **retirement** – indeed, many who were meant to retire around the time of the Great Depression could not afford to. In 1929, over 650 banks went bankrupt because their customers had used all of their savings to invest in stocks – now worthless.

All non-essential workers were quickly fired, farming businesses went bankrupt, and there was too much food in some States and not enough in others. This combined with poor weather and the '**Dust Bowl**'; intensive farming practices had been too demanding on the land, and turned good soil into little more than dust and sand. Huge **storms** passed through the farming States, blowing up and away the useless sand-soil and making farming impossible.