Causes of the Great Depression

Overproduction of Goods

- Many industries began to struggle during the 1920s
- Railroad, steel, textile, coal, and lumber profits decreased
- Booming industries weren't safe either
- Housing industry began to slow down
- Jobs in related industries decreased
- Some industries continued to increase production → surplus

Steel mill in Pittsburgh, Pennsylvania, with railcars

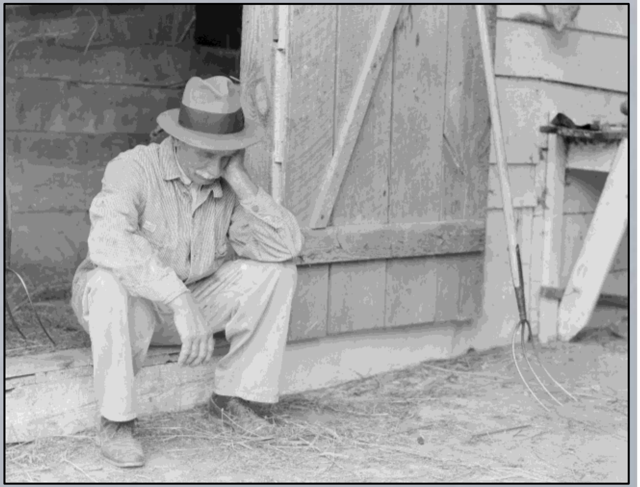
A miner loading coal.

Saw mill in Michigan

Agricultural Crisis

New technologies, such as this mechanical digging, made farming easier.

- During WW1 demand for crops soared
- Prices increased → high profit
- Farmers planted more crops, so they had to take out loans for supplies and better equipment
- After the war demand dropped → prices fell 40%
- Farmers increased production → prices fell more
- Farmers could not pay back debts
- Banks would foreclose on property to settle
- Many small banks in rural areas began to fail
- Congress tried to help, but President Calvin Coolidge vetoed the McNary-Haugen Bill



By the end of the 20s, many farmers began to suffer financial hardship.

Uneven Distribution of Income

- During the 1920s, the income of the average American increased by 9%
- Income of the wealthiest 1% increased by 75%
- Rich → richer; poor → poorer
- Income needed for decent standard of living was $2,500 a year
- Over 70% of American families earned less than this
- Many struggled to buy necessities
- Most Americans did not have electricity

A woman shops at a grocery store.

Increased Consumer Debt

- Many Americans could not purchase the new goods and services produced in the 20s, so businesses and banks made credit easily available
- Consumers did not have to have cash
- Borrow money and repay it plus interest fees
- As Americans purchased items using credit, their consumer debt increased

Americans began to spend more money when it became easier to get credit.

A man sits atop a wagon pulled by oxen while a car drives by (1924).

Job Losses & Less Wages

- Workers' wages remained stagnant or even decreased
- Price of goods and services increased
- Americans did not have extra money to spend and many struggled to pay back their consumer debt
- Businesses were now left with a surplus of goods they could not sell

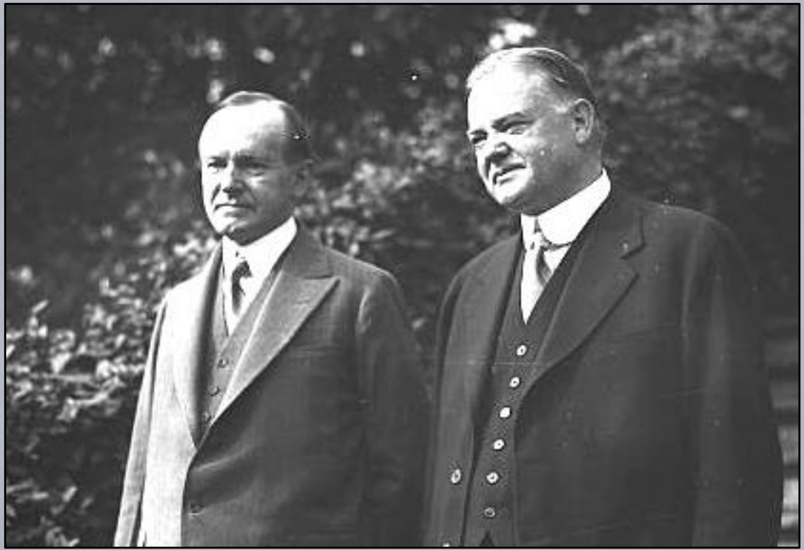
Workers who weren't laid off saw fewer hours, which meant less wages.

Bad for the economy!!!!!

An unemployed man walks through a town filled with shacks.

Election of 1928

- Encouraged Americans about the outlook of the economy
- Republican Herbert Hoover ran against Democrat Alfred E. Smith
- Hoover had less experience but had been the Secretary of Commerce under former President Warren G. Harding and current President Coolidge
- Hoover gained voters and won because of the economic prosperity of the 20s
- He promised to keep the economy strong



Calvin Coolidge (left) and Herbert Hoover

Stock Market Soars

- Dow Jones Industrial Average was strong
- Stock prices had been rising steadily
- Some invested in the stock market
- By 1929, 3% of Americans owned shares of stocks
- Most were already wealthy, but some Americans had hoped to strike it rich
- Bought shares based on speculation and didn't think about the risk
- Some borrowed money to buy stocks

TERRIBLE IDEA!!!!!!

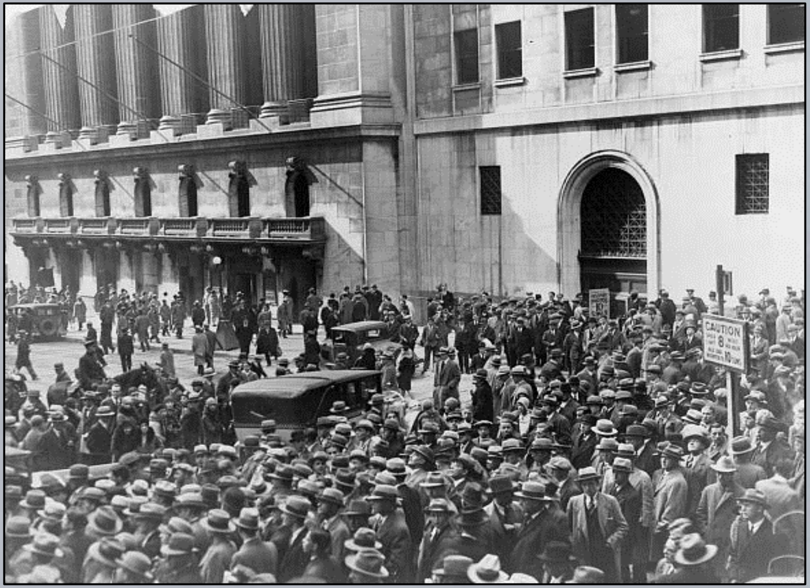
- Government did not regulate the market
- Stock market soared
- Value in 1925 was $27 billion; 1929 $87 billion

The New York Stock Exchange

Stock Market Crashes

- During this time, many companies' stocks rose in price, but the worth of the companies did not rise
- Many continued to ignore the risks
- September 1929 → stock prices fell & some investors sold
- October 24 → stock prices fell lower & 13 million shares were sold
- As shares are sold, the prices drop even more
- October 29 → stock market crashes

Inside the New York Stock Exchange



A crowd forms outside the New York Stock Exchange after the stock market crashed.

Stock Market Crashes

- October 29 → "Black Tuesday"
- 16 million shares were sold, but millions were left unsold
- People who had used credit to buy stocks were left with high debt and worthless shares
- Many lost their life savings
- By the following month, investors had lost $30 billion
- By 1932 the stock market was worth only $15 billion

The trading floor of the New York Stock Exchange in April 1930

Banks & Businesses Fail

- 90% of Americans did not invest in the stock market, but they still felt consequences
- People panicked and tried to take their money of the banks

“Run on the banks”

- Banks had invested the money in the stock market → no $$$$
- 11,000 of 25,000 banks failed → millions lost all their money
- Entire life savings were gone

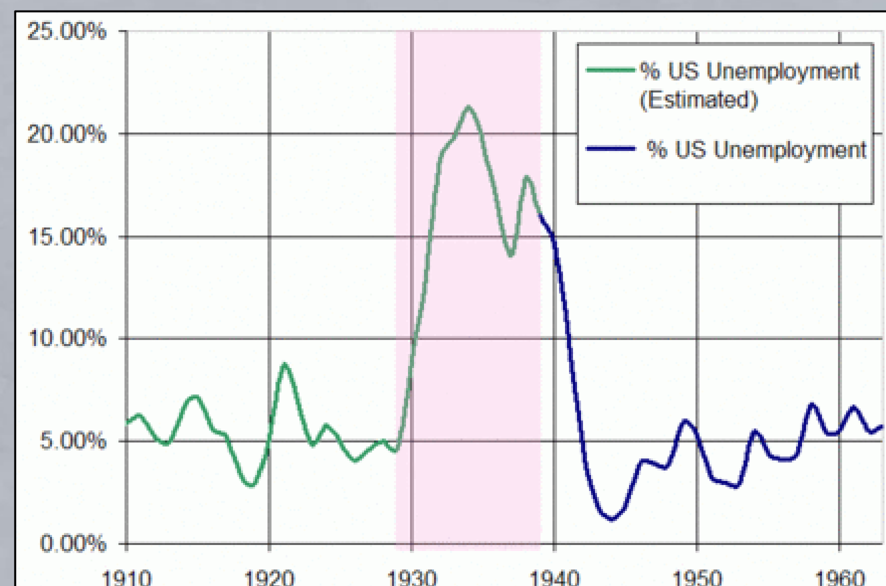
People line up outside a closed bank wanting to withdraw their money in 1933.

A breadline in New York City (1932)

Banks & Businesses Fail

- 90,000 businesses went bankrupt, even the prosperous ones
- Gross Domestic Product (GDP): 1929 $104 billion → 1932 $59 billion

- Workers were laid off: 1929 1.5 million unemployed → 1932 15 million
- Soup kitchens and breadlines became common
- Homelessness increased



World Depression

- Other countries fell into a depression, which hurt America's economy
  - Americans spent less, so foreign imports weren't selling
    - Foreign businesses saw less profits
  - Other countries imported fewer American goods
    - European stock market suffered
- 1930 → passed the Smoot-Hawley Tariff Act- raised taxes on imports in hopes Americans would buy more American-made goods

DID NOT WORK

- World trade dropped → foreign businesses failed → job loss
  - Unemployment rates increased around the world
- Many countries raised tariffs which made situation worse
  - 1933 → world trade decreased by 40%