

Chapter 8 Rapid Review

Causes of the Great Depression

*A loss of confidence in the stock market via the 1929 Stock Market CRASH.

*Major cause of Crash: many stocks being overvalued & stockholders wanting to sell at peak prices.

*Some investors bought stocks “on margin.” – Stockholders took loans out to buy stocks hoping the stocks would rise and make a profit before they had to repay their loan.

*Uneven Wealth Distribution – Highest paid 5% of the economy received 70% of the country’s income; incomes for remaining 95% did not increase much throughout the 1920s.

*Credit abuse – many people overextended their credit on installment plans and took out loans they weren’t able to repay.

*Overproduction – When the consumer boom slowed in the late 1920s from credit abuses and declining income for many Americans, manufacturers overproduced products, which led to surplus and a decline in profits for those companies.

*Problems in the agricultural industry following World War I due to a dramatic drop in demand & crop prices.

The Bonus Army

*In 1932, an “army” of WWI veterans marched on Washington demanding early payment of a bonus promised to them by Congress to be paid in 1945. President Hoover used FORCE with the U.S. Army to disband the Bonus Army from their camp. This incident severely damaged Hoover’s public reputation and showed his misunderstanding of the Great Depression.

President Hoover’s Economic Policies

*Hoover believed that the economic recovery of the U.S. depended primarily on the business community.

*Hoover also believed that individuals were accountable for themselves and it shouldn’t be up to the government to bail people out. (this is the idea of RUGGED INDIVIDUALISM)

*Hoover established the Reconstruction Finance Corporation (RFC) to provide loans to struggling banks when things got desperate during the Depression *but it was too little too late* – the organization was not equipped to handle the severity of the Great Depression.

American Society during the Great Depression

*Hoovervilles: Millions of Americans were evicted from their homes and apartments because they could not pay their mortgage or rent; Hoovervilles (shantytowns/slums of unemployed and homeless people, sarcastically nicknamed after President Hoover) sprang up in most American cities.

*People on the move: the Great Depression led to a mass migration of Americans looking for work; African Americans continued to migrate from the South to urban centers in the North and West.