**Unit 5 R.A.T. Notes 2**

**The Depression Cripples America**



As Herbert Hoover looked out the White House

windows, he felt like the coach of a losing team. No

matter what he tried, nothing seemed to work. Like

almost everyone else, he felt that the stock market

drop was only temporary, and soon the economy

would get back to normal. As a good and decent man

who believed that if people cooperated, anything

could be solved, he relied on the method that had

always served him well – he called meetings.

Governors and business executives were asked to

start new spending programs and avoid the temptation of cutting wages; they agreed. Labor unions were asked not to threaten strikes that would hamper recovery, and they agreed. That policy usually would have ended the problem; but this time, there was a new dimension to the problem. Americans had always been optimistic, but now there was a gloom that took confidence and hope away. People did not worry about getting ahead; they were only concerned with surviving.

When consumers stop buying, as Americans began to do during this period, producers start laying off workers. Banks had to stop lending money because they feared their depositors would all want to take their deposits from the bank at the same time (a run), and they did not have the cash on hand for such an event. Banks began to pressure borrowers to pay their loans, and they tightened credit. Stores tried using sales to attract customers, but with no money, they could not afford even a good bargain.

Farmers, who did not enjoy prosperity in the 1920s, faced a drop in the prices of farm goods in the grocery store. When the cost of buying seed, equipment and rail transportation became higher than the price they could sell food for in the city, farmers stopped shipping their crops and found ways to use them to feed their families. Milk needed by children in town was dumped into the gully. To help the farmer, Hoover and Congress created the Agricultural Marketing Act. The government bought up to $500 million worth of farm products and *asked* farmers to cut back production. Farmers, desperate to meet their mortgage payments, raised more; so the farm problem continued.

To encourage economic activity, the Reconstruction Finance Corporation was created; it lent out $1.5 billion to railroads, banks, and corporations. That effort did not work either, as those companies used it to pay debts or dividends.

Unemployment increased from 3 million in 1929 to 9 million in 1931 and to 13 million in 1932.That meant that one out of four was unemployed, and many who had jobs worked only part of the day or two or three days a week. Employers were cutting wages, in many cases just to keep the company from going under.

**Results**: millions of Americans were unemployed, hungry and without housing for the first time in US history. As desperate as the situation was, only a few thousand Americans turn to communism or socialism as the answer. But in 1932, they threw Hoover and his party out of office by an electoral vote of 472 to 59.

Questions

1. When the stock market crash came, did Hoover think its effects would last?
2. What were the first things he did?
3. What was a "run"?
4. Why did farmers quit sending food to cities?
5. What was the purpose of the Agricultural Marketing Act?
6. Why did it fail?
7. What was the Reconstruction Finance Corporation (RFC) created to do? Why did it fail?
8. How many more men were unemployed in 1932 than had been in 1929?
9. Besides firing workers, what other cutbacks were employers making?
10. The popular vote in 1932 was 22.8 million for Franklin Roosevelt and 15.7 million for Herbert Hoover. As a Democrat, would you rather look at the electoral vote count or the popular vote count? Explain.