

Consumer Economy

- During the 1920s, America becomes a consumer economy, strength based upon what Americans buy.
- Big Ticket items (cars, major appliances, pianos, RADIOS) were available for purchase on installment plans.
- Advertising became very important, advertisers appealed to people's desire for convenience and to have the same and more things than their neighbors.

Buying on the Margin

- Stocks were also purchased with credit, as little as 10% down could purchase stock, with brokers making a loan for the rest.
- In the 1920s the level of personal savings was decreasing, while the level of spending increased.

Economic gains

- The government did not regulate the stock market or economy in the 1920s - Laissez Faire Capitalism
- America's economy soared during this time!
- Americans were purchasing large items, company profits were high.

Discuss

- What do you think happens next??

America Goes Bust

Great Depression & The New Deal

When was the last time America felt a Stock Market Crash?

New York Stock Exchange

Dow Jones Industrial Average 1920-1932

Reasons for Stock Market Crash

- Stocks Over-valued: Worth of company far less than stock price.
- Buying "on Margin": Buying stocks with credit. 10% down.
- Stocks began to slide and brokers called in the loans made to investors on the margin. Investors could not pay.
- Discuss: Why would buying stock "On the Margin" be a bad thing?

Black Thursday - 1929

Investors lose Millions

Effects

- \$3 Billion lost in stock value!
- Only 4 million americans owned stock. Crash effected more wealthy individuals who were invested.
- Economy begins to slow.
- Discuss: Why would a bunch of rich people losing money in the stock market lead the economy to slow down?

1 Year Later - Bank Run

What did we learn?

- Causes of the Stock Market Crash
- How Bank Failures led to the Great Depression

Bank Runs...

- US had several bank runs between 1930 and 1933.

- Several high profile scandals led to public confidence in banks declining.
- Bankers became so unpopular that outlaws such as Bonnie and Clyde and Pretty Boy Floyd became folk heroes.
- As banks folded, millions lost their entire life savings.

“As through this world I’ve rambled, I’ve met lots of funny me: some will rob you with a six-gun and some with a fountain pen...”

What two groups of People is Woody Guthrie writing about? Which do you think is worse?

Joblessness

Unemployment in the United States reached as high as 25%...

Bank Runs and the stock crash , combined with consumer worries led to slowdowns in production and loss of jobs

Food prices went down, so even farmers were making less money.

Soup Lines /

Bread Lines

Many Americans lost their homes & were forced into slums called “Hooverilles”

Hooverilles

Hobos ride the rails

Unemployment forced many men into a transient existence

Many would illegally ride in the box cars of trains

These “hobos” developed their own codes and ways of communicating.

Hobos

Hobo Code

- Good Road to follow
- Religious talk will get you a free meal
- Barking Dog here
- Kind old lady lives here

Bonus Army

Bonus Army

The Bonus Army

- WWI Soldiers were promised a Bonus after the war, to be paid in the 1940s. \$1/day in service, \$1.5/day in combat.
- Depression led many of these veterans to demand the bonus early.
- They marched on Washington DC to demand payment. Called themselves the “Bonus Expeditionary Army”

Discuss

- **How should the government handle the Bonus Army protest?**

Bonus Bill Defeated

June 17, 1932 - Congress rejects bill to pay Bonus

Bonus army refuses to leave, and begins riot.

US Army called in to evict Bonus Army

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Election of 1932

Hoover vs. Roosevelt

- Hoover deeply unpopular. Almost did not receive Republican nomination.
- Hoover had tried many things to alleviate the depression, but he did not believe that the government should take much direct action
- Roosevelt believed that the government should be more active in helping to end the depression and putting people to work.

Dust Bowl

What caused the Dust Bowl??

- The Dirty Thirties
- Caused by severe drought combined with inadequate farming techniques
- Static electricity caused dust particles to become airborne and blow thousands of miles.
- Thousands of farmers lost their land and were forced to move to other areas of the country.
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Inauguration of Franklin Roosevelt

Roosevelt's term would change how Americans viewed their Government.

Roosevelt would often address the American people directly on Radio

The New Deal

The New Deal

- Roosevelt's plan to put America back to work.
- One of Roosevelt's first acts was a Bank Holiday, wherein banks closed for several days for federal audit. Helped to restore confidence in the banks.
- Also set up F.D.I.C, Securities and Exchange Commission, took America off the Gold Standard, and gave new powers to the Federal Reserve.

New Deal programs

- FERA - Federal Emergency Relief Administration
- CWA - Civil Works Administration - built roads, schools, etc...
- CCC - Civilian Conservation Corps - maintained national parks and other public lands

- NRA - National Recovery Administration - Increase industrial prices, gave unions right to collective bargaining.

New Deal

- HOLC - Home Owners Loan Corporation - re-financed mortgages
- FHA - Federal Housing Administration - improve standards, stabilize housing market
- AAA - Agricultural Adjustment Administration - subsidize farmers, sometimes paid them to not grow crops.
- TVA - Tennessee Valley Authority - Provide electricity to Tennessee River Valley. This and other programs brought electricity to rural areas. By 1960s, most of America had electricity.
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New Deal

- National Labor Standards Act - Set up National Labor Relations Board
 - Officially legalized collective bargaining
- Fair Labor Standards Act - Set Federal minimum Wage & Banned Child labor nationally.
- Social Security - Old age pension, state-run unemployment insurance, aid for dependent children and those who were disabled.

1936

Recession of 1937

Economic recovery was happening, but in 1937 New Deal Programs were trimmed, leading to spikes in Unemployment and decreases in consumer spending.

Recession lasted until 1938, but the economy would not recover to pre-depression levels until WWII.