

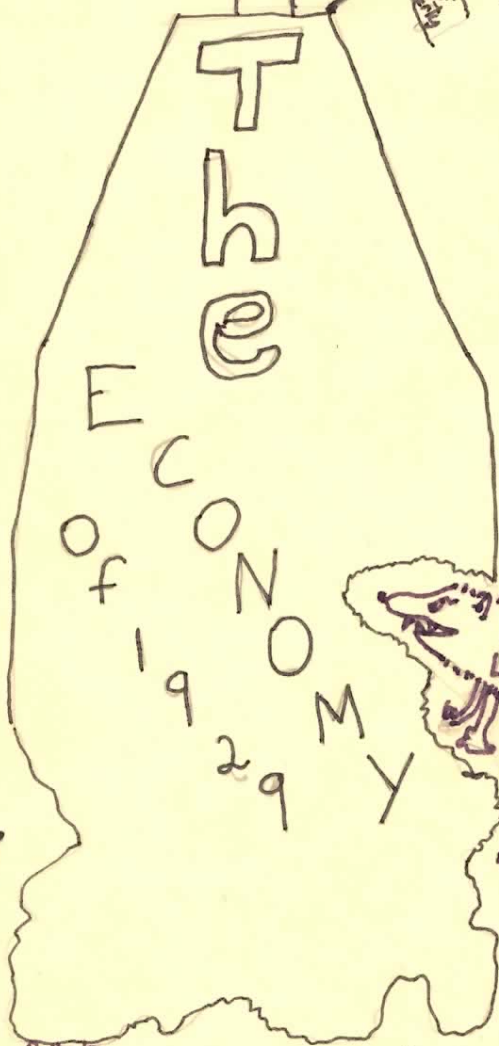
The Great Depression

By David Pollak

Don't worry, hurry the economy is solid

Buy Stock now Pay later

Stocks



Pollak

THE GREAT DEPRESSION

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JUNE 2, 1978

HUMANITIES

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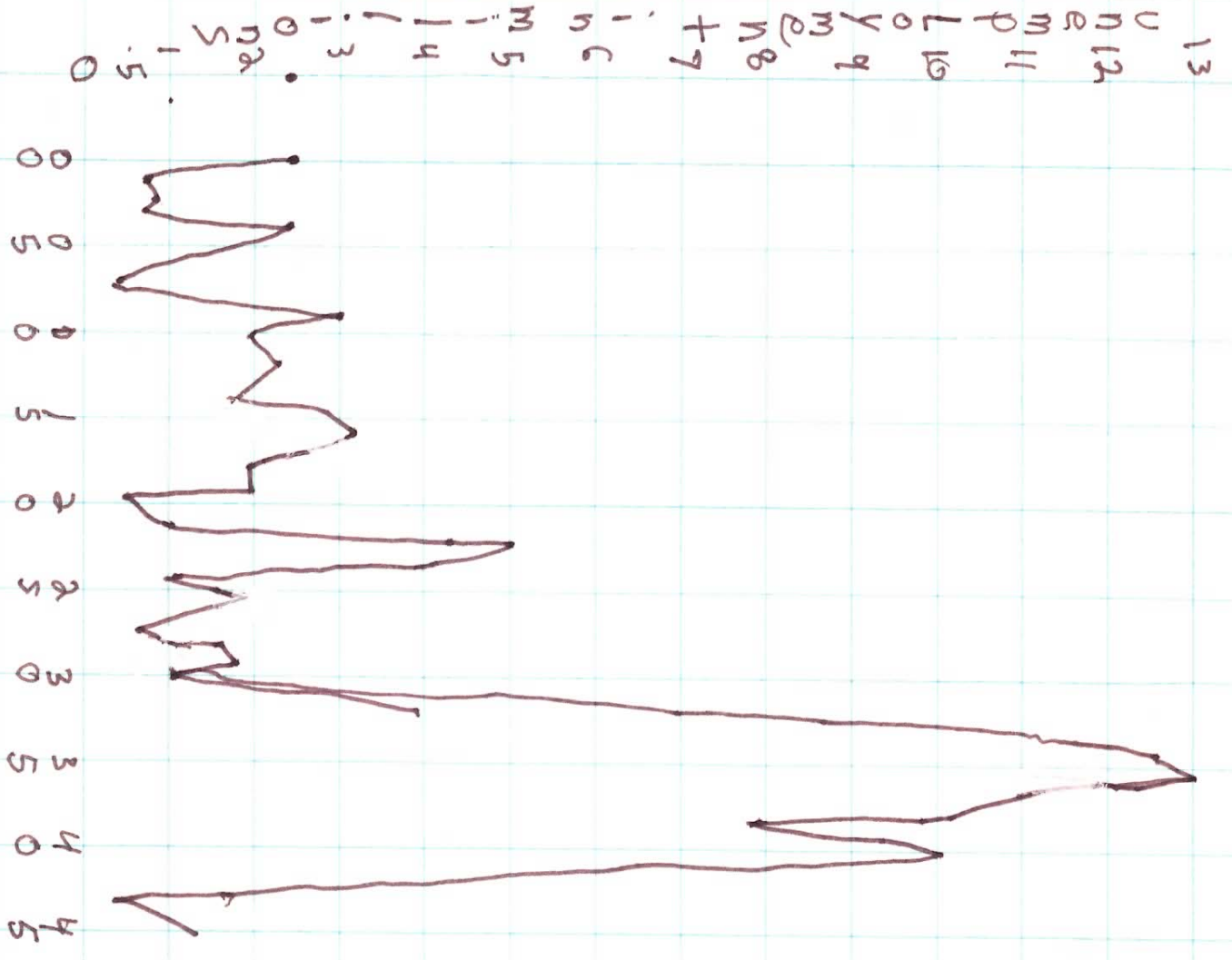
In 1929, the major United States stock markets crashed leaving one quarter of the country's working force out in the street, but what was the president doing? How did people live with no food or money? This report tells what happened to the people and government during the Roaring Twenties, the Bottom years, and the Roosevelt Administration.

After World War I, the country went into a post war boom. Cars and other automated devices were coming out; people started buying conveniences to make life easier; a car to get around, a telephone to talk to other people without walking. Transportation was coming into style with the invention of the airplane. Rumrunners also came into style. In 1928, the Election used prohibition as its main platform. After Hoover was elected, he made the Prohibition Commission which had \$8,000,000 for five years to guard 18,000 miles of coast and for the diversion of 57,000,000 gallons of industrial alcohol and to check on 20,000,000 homes against bathtub gin.

In Chicago, Al Capone made his millions on bootleg liquor. An army of 1,000 gunslingers protected him until 1931 when he was caught on tax evasion. In seven years, 250 gangsters were killed in street battles. Around 1925, the Florida land boom became popular. People lost millions in the Florida land schemes. They kept investing. The land kept going up and up until the prices went into a nose dive, and the investors lost their money. That was an indication of what was happening on the stock market, but no one listened. They just kept investing.

Even a common man could buy stock because stock trading was done on margin, where the buyer would put down 25% of the cost of the stock and the broker would buy the rest by borrowing from the bank. By February, 1929, banks had loaned six billion dollars and were almost out of money, yet they couldn't stop the flow because that would cause people to sell and cause a market crash. The whole basis of the economy was rising stock prices and any significant decrease would make people sell and make the banks recall their money. The Federal Reserve Board was getting worried, but they couldn't do much. They had limited powers. They could raise the loan rate five per cent to try to slow the buying. A shudder ran through the financial community and they pressured President Coolidge, who wanted to leave the presidency with a glow about him. So he postponed the decision and left the burden with the next president.

Between 1920 and 1929, the number of brokers more than doubled. They were professing a high plateau of prosperity where no one was poor and everyone could have two cars and "a chicken in every pot". If \$15 a week were put away for twenty years, a person could come out with eighty thousand dollars, but seventyfive per cent of the United States families couldn't save anything. The 27,500 richest people in the country had more money than twelve million of the poorest people. This uneven distribution of money made it hard to have mass consumption and this drove prices higher and out of the range of more people which drove the prices higher...In one year, the



What is this axis?
 years?

Rockefeller's paid over six million dollars in taxes while other people couldn't afford rent.

Credit was one of the main causes of the depression. Seventyfive per cent of the cars bought in 1929 were bought on credit. A working man could buy anything on credit; stock, a car, a boat, a fur coat or a penthouse. He could live like a king on stock bought on time. The whole system of credit collapsed, and the economy went into a ten year slump. The slump was the dissolving of the good looking mask that covered up the economy.

In the '20's, unemployment was very high, but the prosperity was made up by the very rich who had most of the money. The farmers had many bumper crops which drove prices lower, and the war also drove prices down because they had to supply cheaply. The New England textile mills, the Allegheny coal mines, shoe makers, and many other businesses felt unemployment even before the depression. The unemployment rate had been rising since 1920 which should have been an indicator, yet people ignored it and kept investing. On October 23rd, 1929, the major U.S. stock markets dropped severly. On the 24th, the markets kept dropping until about noon when banks made a buying rally. It helped. At about four o'clock, J. P. Morgan bought one million, fifty thousand dollars worth of United States steel. This show of good will by the major corporations helped a little but when the stock prices got high enough for the brokers to make back the money on the stock bought on margin, they sold.

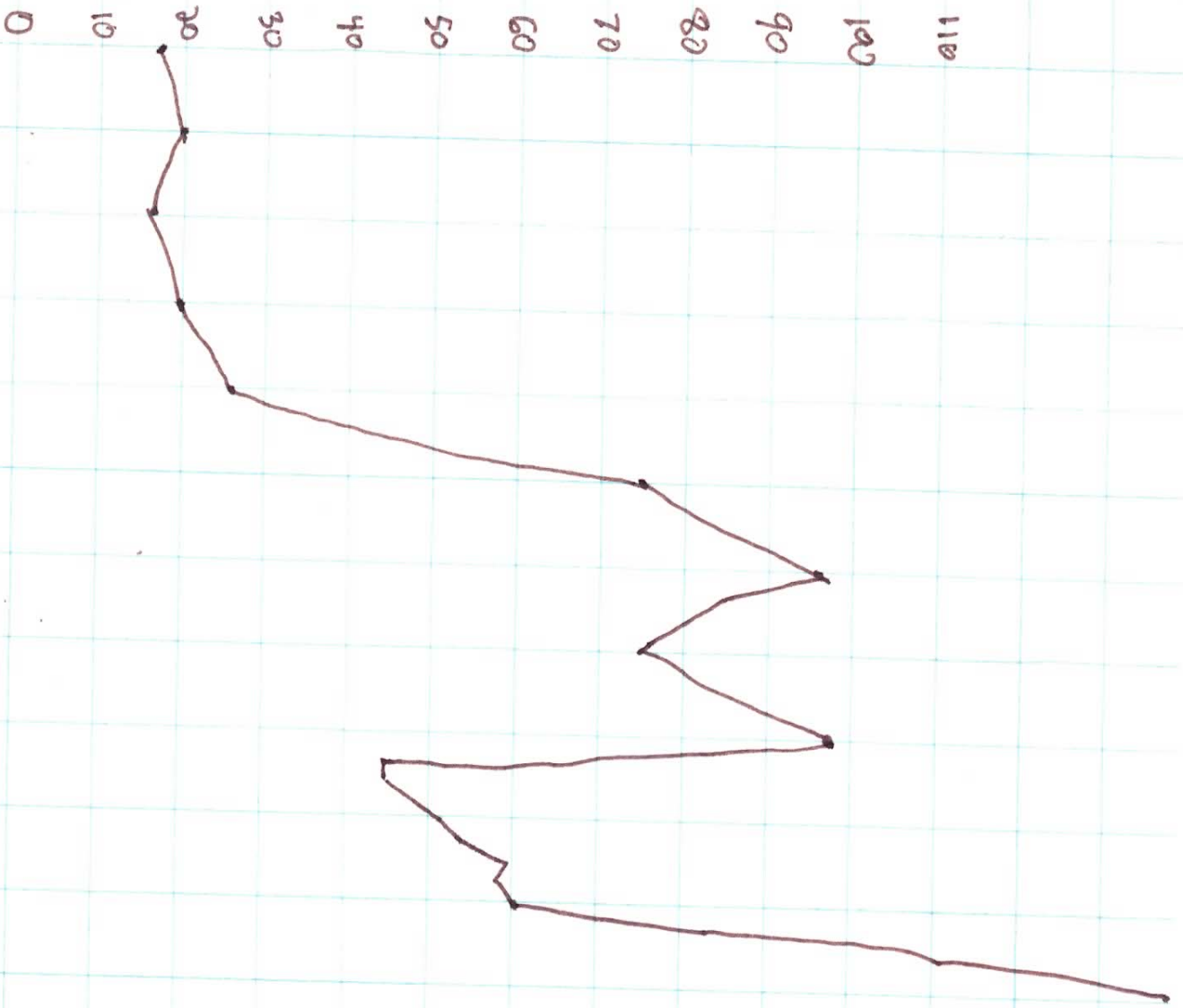
By mid November, the stock markets had hit rock bottom, and people had lost thirty billion dollars, as much money as was spent in World War I. After the crash of the United States' markets, the U. S. investors ^{with drew money from} Europe's rebuilding programs ^{that caused them to go} ~~went~~ broke causing many of the major European stock markets to crash and most major banks defaulted. This was all caused by the U.S.'s market crash. The crash didn't affect the production immediately but after about a month, factories started firing people. Steel was down from one hundred per cent production to sixtyseven per cent, which showed a construction slowdown which was magnified by the depression.

Business was losing money so they launched a program aimed to make people buy more and they said there was no depression. It worked for a little while, but after people realized there was no food in their stomachs, they began to ignore the campaign..

There are some main reasons for the depression; here they are:

1. Big Business kept too much profit for themselves which didn't give the average people enough money to buy the company's products.
2. Business could produce more then they could sell which drove prices down.
3. Business could produce more products with less people, using machinery. This meant that less people could be employed which meant less money.

Grain Net-Export - percentage (in millions)



1890 1895 1900 1905 1910 1915 1920 1925 1930 1935 1940 1945

4. Business expanded by feeding off the rich. It expanded until it burst.

Despite the problems, many big people in the government and in private industry were calling for industry to make jobs and circulate money; it didn't work as well as expected. People, even the president, were saying that prosperity was just around the corner and that the country made it through many depressions and has come out better off than before. People didn't listen; they were too worried about money. There was no large scale unemployment plan (only about two hundred thousand people had one), so they had to beg money; it wasn't the American way but people had to fill their stomachs.

The depression seemed bad but Blacks were even worse off. The last man hired was first man fired. That made things tough. Before the depression, the Blacks had an unemployment rate of forty per cent and they had to live in the ghetto. The floods, drought and locusts drove the Blacks up north because they had no where else to go.

The Communists found their chance to make the country follow a leftist trend. They used slogans like: "Work or wages!" and "Don't starve, fight!" Having slogans painted on signs, they marched throughout the country. In New York City, police had to

break up a protest of 35,000 in Union Square with riot gear and clubs. Incidents like these marked the era just after the crash (1929-1930). More civilized demonstrations happened in the following years.

By 1930, the U.S. was hitting rock bottom, over twenty per cent unemployment in New York City. In New York, thirty thousand men were getting food, a shower, and a place to sleep five days a month, from flop houses called "Hoover's Hotels." The farmers had grain stockpiled so high that some grain had to be dumped into the sea, yet people had to steal a loaf of bread to stay alive.

The thirtie's showed a boom in migratory workers; thousands of children worked producing crops. If they couldn't find work around their homes or if they felt the burden of their parents was too much, then they'd hit the road and try to make their way in the world. These children had to go without any clothes except the ones on their backs. It was hard for the farmers to make money, and so they had to raise prices, resulting in less mass consumption.

A chain of events which caused the collapse of many large stock markets in Europe also caused one of the largest Austrian banks to collapse and caused Europe to go off the gold standard, withdrawing all their gold from our banks which caused

us to go into worse debt, which became a vicious circle. From May, 1931, to July, 1932, the economy sank lower and lower; unemployment was soaring; there were more and more foreclosures. Hoover still predicted a voluntary recovery.

After awhile, Hoover started doing something. He called upon Congress to adopt two bills; the first was to establish the Reconstruction Finance Corporation which gave aid to failing companies, such as the railroads, insurances companies, banks, etc. The second bill was the establishment of the Federal Home Loan Bank Board which gave loans to families who were facing foreclosures or if they were destitute and needed support money. Hoover also passed bills which gave communities Federal aid if they had financial problems or if they had a high unemployment rate. Hoover was not accused of doing nothing; he was accused of doing too little, too late.

In Philadelphia the unemployment funds ran dry in the spring of 1932. At that time there were two hundred ninety eight thousand people out of work, and one fifth of them were on unemployment. Each family was given three dollars and ninety eight cents for food each week.

During that time many cities followed the example of the Veterans of Foreign Wars in Oklahoma City when they opened a soup kitchen for people who couldn't keep up a house and had to go live in a river bed or a shack. The VFW kitchen served with no questions asked.

In September, 1931, the president of General Electric proposed a plan that was a prototype of the Work Projects Administration. Hoover rejected it calling it a giant proposal of monopoly. Hoover was saying, "We can't squander ourselves into prosperity." The Democratic Congress was acting slowly on Hoover's bills while quickly passing their own; Hoover accused them of not wanting recovery until 1932. Slowly they passed some bills.

In three years, the economy went from a high plateau to a low pit of The Great Depression. The machinery for a healthy economy was there sitting idle; the engine needed some priming. The Depression wasn't caused by a natural disaster, a flood or a drought, but by the balloon of prosperity expanding so much that it burst. On Black Thursday the country came to a steep slope in the bumpy terrain of the economy. The Depression was not caused by a lack of merchandice; the stores had too much for people to buy which caused a price rise. Food was rotting in the fields, yet people were starving to death. These were the effects of The Depression. It was time for Roosevelt and the "New Deal".

The election platform of prohibition had faded into the shadows; the Depression had swung into the spotlight. Roosevelt won the election, not by the landslide that was predicted. After Roosevelt got into office, people were saying, "A new party, a new administration and a new policy had won the day." People were exaggerating the difference between the two presidents, yet two years later Walter Lippman wrote in a syndicated column, "...most of President Roosevelt's recovery programs is an evolution of President Hoover's." Nobody liked this statement, yet both presidents' plans revolved around the idea that Federally created jobs would increase the public's buying power which would boost the economy.

F.D.R. attacked the problems of the economy with great zeal. He realized that the economy needed more than a tap; it needed a real shove to get it started again. Roosevelt started boosting morale with his "fireside chats"; he sounded like a professional radio broadcaster. Over the first weekend of the president's term, the worst financial crises was weathered; but after that weekend, the banks started to reopen. The reopening of the banks began to restore confidence in the dollar; yet it wasn't meant to help toward recovery.

Roosevelt decided that the "New Deal" administration would have to make changes that would permanently affect the relationship between the government and business. Roosevelt was prepared to do anything short of out and out revolution to revive the economy.

In the first hundred days of Roosevelt's administration, he drafted and passed the New Deal which focused on recovery but some attention was given to some recovery bills which had dried up in years before. To relieve the financial burdens, the Federal Emergency Relief Act (FERA) was passed which gave five hundred million dollars for its operations. Harry Hopkins was appointed to direct the distribution of funds to bankrupt communities and states.

In the summer of 1933, the country hit a measurable improvement, a higher production rate and a higher consumption, but by November, they were back down to their low level.

The FERA was a welfare type program. The Work Programs Administration which was Federally set up work, met a lot of opposition from business; business said that a work program would put the government in direct competition with business for hiring.

Despite protest work programs were chosen over a straight dole out system. This influenced the "New Deal" throughout the thirties. Other work programs were started, such as the CWA, which was passed as an emergency stopgap in November, 1933. In the winter of '33-'34, the CWA put four million people to work. The FCA centralized the farming agencies to increase efficiency and prices.

The farmers were the hardest hit, so the government helped them. The FCA refinanced almost two hundred fifty thousand farms, and the Frazier-Lemke Farm Bankruptcy act enabled farmers to regain

possession of their property. Under the AAA of 1933, the Federal Government paid farmers not to produce, and one fourth of the crops already growing would be plowed under. Later, this act was called unconstitutional. Millions of hogs were also slaughtered. Making farm prices go up was a weird thing to do when people were starving, but the farmers had to make some money since they were the basis of the economy.

The government tried to make industry give higher wages and produce a certain amount; the companies had to give quotas of what they had to produce. The law made this hard to enforce, and later it was ruled unconstititutional.

The "New Deal" was a time where a country had laws trying to get itself out of a slump. Many parts of it were ruled unconstitutional.

In this report you have seen the struggle of a whole nation to get back on its feet. World War II helped although Roosevelt's plans started us toward recovery.

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