I. The Great Depression

A. The Great Depression started with the Stock Market Crash on October 29, 1929/Black Tuesday. The crash occurred after American investors dumped more than 16 million shares in one day. Within two months, more than [blank] had been lost. The crash was the primary catalyst for the [blank] which was the worst economic crisis in this country’s history.

B. Beginning in 1929, the U.S. saw one of the most dramatic turmoil in its history, in just a few short years the nation crashed steeply from the prosperity and glamour of the Roaring Twenties to the desperate hardship and poverty of the Great Depression. Never had the highs been higher or the lows been lower.

C. The Great Depression left a permanent scar on American society and culture, causing millions of people to suffer in joblessness ([blank] was 25%), homelessness, and starvation for nearly a decade. In an American culture that measured self-worth by success, many breadwinners from the Roaring Twenties felt deep humiliation when they found themselves unable even to put food on their families’ tables.

D. The Great Depression in the United States also caused a major worldwide depression, as virtually every industrialized economy—Britain, France, Italy, Germany, Japan, and others—were brought to their knees in the 1930s. The financially conservative U.S. government, led by then-president Herbert Hoover, refused to provide any direct [blank] to the masses.

E. A Global Depression—The aftermath of World War I in Europe also played a significant role in the downward spiral of the global economy in the late 1920s. Under the terms of the Treaty of Versailles, Germany owed France and England enormous war compensations that were virtually impossible for the country to afford. France and England, in turn, owed millions of dollars in war loans to the U.S. A wave of economic downturns spread through Europe, beginning in Germany, as each country became unable to pay off its debts.

F. President Harding’s and [blank] stances on foreign policy were a reflection of Americans’ isolationist attitudes, and both presidents worked hard to reduce the U.S. influence abroad.

II. Causes and Effects of the Great Depression

A. The Stock Market Crash—Elected president, [blank], promised that the recession resulting from the Crash of 1929 would be brief and that prosperity was just around the corner.

B. [blank]—Consumer goods were not the only commodities Americans bought on credit; buying stocks on margin had become very popular during the Roaring Twenties. In margin buying, an individual could purchase a share of a company’s stock and then use the promise of that share’s future earnings to buy more shares. Unfortunately, many people abused the system to invest huge sums of imaginary money that existed only on paper.

1. [blank]—was a practice of making [blank] investments in hopes of obtaining large profits.

C. [blank] in Factories—Overproduction in manufacturing was also an economic concern during the era leading up to the depression. During the 1920s, factories produced an increasing amount of popular consumer goods in an effort to match demand. Although factory output soared as more companies utilized new machines to increase production, wages for American workers remained basically the same, so demand did not keep up with supply. Eventually, the price of goods plummeted when there were more goods in the market than people could afford to buy. The effect was magnified after the crash, when people had even less money to spend.

D. Overproduction on [blank]—Farmers faced a similar overproduction crisis. Soaring debt forced many farmers to plant an increasing amount of profitable cash crops such as [blank]. Although wheat depleted the soil of nutrients and eventually made it unsuitable for planting, farmers were desperate for income and could not afford to plant less profitable crops. Unfortunately, the aggregate effect of all these farmers planting wheat was a surplus of wheat on the market, which drove prices down and, in a vicious cycle, forced farmers to plant even more wheat the next year. Furthermore, the toll that the repeated wheat crops took on the soil contributed to the 1930s environmental disaster of the [blank] in the West.

1. The Dust Bowl—Farmers were hit hard by the depression. Years of farming wheat without alternating crops (which was necessary to replenish soil nutrients) had turned many fields into a thick layer of barren dust. In addition, depressed crop prices—a result of overproduction—forced many farmers off their land. Unable to grow anything, thousands of families left the Dust Bowl region in search of work on the west coast. The plight of these Dust Bowl migrants was made famous in [blank] 1939 novel [blank].
2. Many farm families trapped in the Dust Bowl had no choice but to migrate out the region. They had lost their farms to the banks. Dust storms had destroyed most remaining opportunities. Although only some came from Oklahoma, Dust Bowl refugees were generally referred to as ____________, regardless of their states of origin.

E. ____________________________—which was greater in the late 1920s than in any other time in U.S. history, also contributed to the severity of the Great Depression. By the time of the stock market crash, the top 1 percent of Americans owned more than 1/3 of all the nation’s wealth, while the poorest 20 percent owned a meager 4 percent of it. There was essentially no __________________ class: a few Americans were rich, and the vast majority were poor or barely above the poverty line. This disparity made the depression even harder for Americans to overcome.

F. Practices—Reckless banking practices did not help the economic situation either. Many U.S. banks in the early 1900s were little better than the fly-by-night banks of the 1800s, especially in rural areas of the West and South. Because virtually no federal regulations existed to control banks, Americans had few means of protesting bad banking practices. Corruption was rampant, and most Americans had no idea what happened to their money after they handed it over to a bank. Moreover, many bankers capitalized irresponsibly on the bull market, buying stocks on margin with customers’ savings. When the stock market crashed, this money simply vanished, and thousands of families lost their entire life savings in a matter of minutes. Hundreds of banks failed during the first months of the Great Depression, which produced an even greater panic and rush to withdraw private savings.

III. President Herbert Hoover’s response ________________________

A. Hoover’s Inaction—At first, President Hoover and other officials downplayed the stock market crash, claiming that the economic slump would be only temporary and that it would actually help clean up corruption and bad business practices within the system. When the situation did not improve, Hoover advocated a strict laissez-faire (__________) policy dictating that the federal government should not interfere with the economy but rather let the economy right itself. Furthermore, Hoover argued that the nation would pull out of the slump if American families merely steeled their determination, continued to work hard, and practiced self-reliance.

B. The ____________________________—Hoover made another serious miscalculation by signing into law the 1930 Smoot-Hawley Tariff, which drove the average tariff rate on imported goods up to almost 60 percent. Although the move was meant to protect American businesses, it was so punitive that it prompted retaliation from foreign nations, which in turn stopped buying American goods. This retaliation devastated American producers, who needed any sales—foreign or domestic—desperately. As a result, U.S. trade with Europe and other foreign nations tailed off dramatically, hurting the economy even more.

C. When it became clear that the economy was not righting itself, Hoover held to his laissez-faire ideals and took only an indirect approach to jump-starting the economy. He created several committees in the early 1930s to look into helping American farmers and industrial corporations get back on their feet. In 1932, he approved the Reconstruction Finance Corporation (RFC) to provide loans to banks, insurance companies, railroads, and state governments. He hoped that federal dollars dropped into the top of the economic system would help all Americans as the money trickle down to the bottom or “__________.” Individuals, however, could not apply for RFC loans. Hoover refused to lower steep tariffs or support any “socialistic” relief proposals.

D. Millions of Americans lost their jobs and their homes, and shantytowns dubbed “__________________________” (after the president whom many blamed for the depression) began to spring up throughout the country.

E. Despite the worsening economic plight, Hoover still refused to provide any direct federal assistance to relieve the suffering. He even authorized the army to use force to remove 20,000 members of the “__________________________,” a group of World War I veterans and their families who marched on the U.S. Capitol demanding economic relief. By 1932, Americans, fed up with Hoover’s lack of economic assistance, voted him and his Republican counterparts out of office.

F. Hoover had asked state and local governments to provide more jobs and relief measures. He had faith in localism, the policy whereby problems could best be solved at the local and state levels and they would act as primary agents of economic relief.

G. During the Great Depression, trips to the movies helped people forget their troubles. __________________________, the Marx Brothers, and the __________________________ _______ cheered.