

Chapters 22 & 23

The Great Depression and the
New Deal

Section 1: The Nation's Sick Economy

The FIRST with the LATEST
Full United Press
Telexed wire

Santa Ana Register

People's Paper of Orange County
Daily Evening Edition
FILA EDITION

Vol. XXIV, No. 285 Santa Ana, California, Monday, October 20, 1929 20 PAGES 3c Per Copy, 65c Per Month

BILLIONS LOST AS STOCKS CRASH

Pantages In Jail Awaits Sentence To State Prison

GUILTY SAYS JURY AFTER MANY HOURS

Theater Man Declares He Got Row Deal and Did Not Even Have Chance

MISS PRINGLE GLAD

In Statement Says Not Sure Whether She Will Continue Her Stage Career

SENATE "FARM BLOC" STARTS BATTLE FOR HIGHER TARIFFS

Friend Brings Man To Jail On Rum Charge

BINGHAM TAKES EXCEPTION TO SENATE LOBBY

Western Republicans Group With Southern Democrats to Increase Rates

WASHINGTON, Oct. 20.—The Senate today in an effort to curb the farm bloc and to limit protection of crops and fish will seek to pass a bill...

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JURY BELIEVES HER STORY

STATE PLANS TO ROUND UP TAX DOGGERS

THREE U. S. STUDENTS ARE CRASH VICTIMS

CHRISTIANITY MUST DESTROY WAR OR WAR WILL OVERTHROW CHURCH, SAYS PASTOR SCHROCK

MAINSTAYS OF MARKET IN PLUNGE

Banking Support Unable to Prevent Break Accompanied by Wild Trading

TICKERS FAR BEHIND

Generals Electric, U. S. Steel, Other Leading Issues Caught in Crash

WASHINGTON, Oct. 20.—Billions of dollars in value went down today as the stock market plunged downward—headed by the entire leading United States Stock.

Banking support, which came in to protect the market in the opening downward surge, had been unable to prevent the stock's break, which amounted to about 100 points.

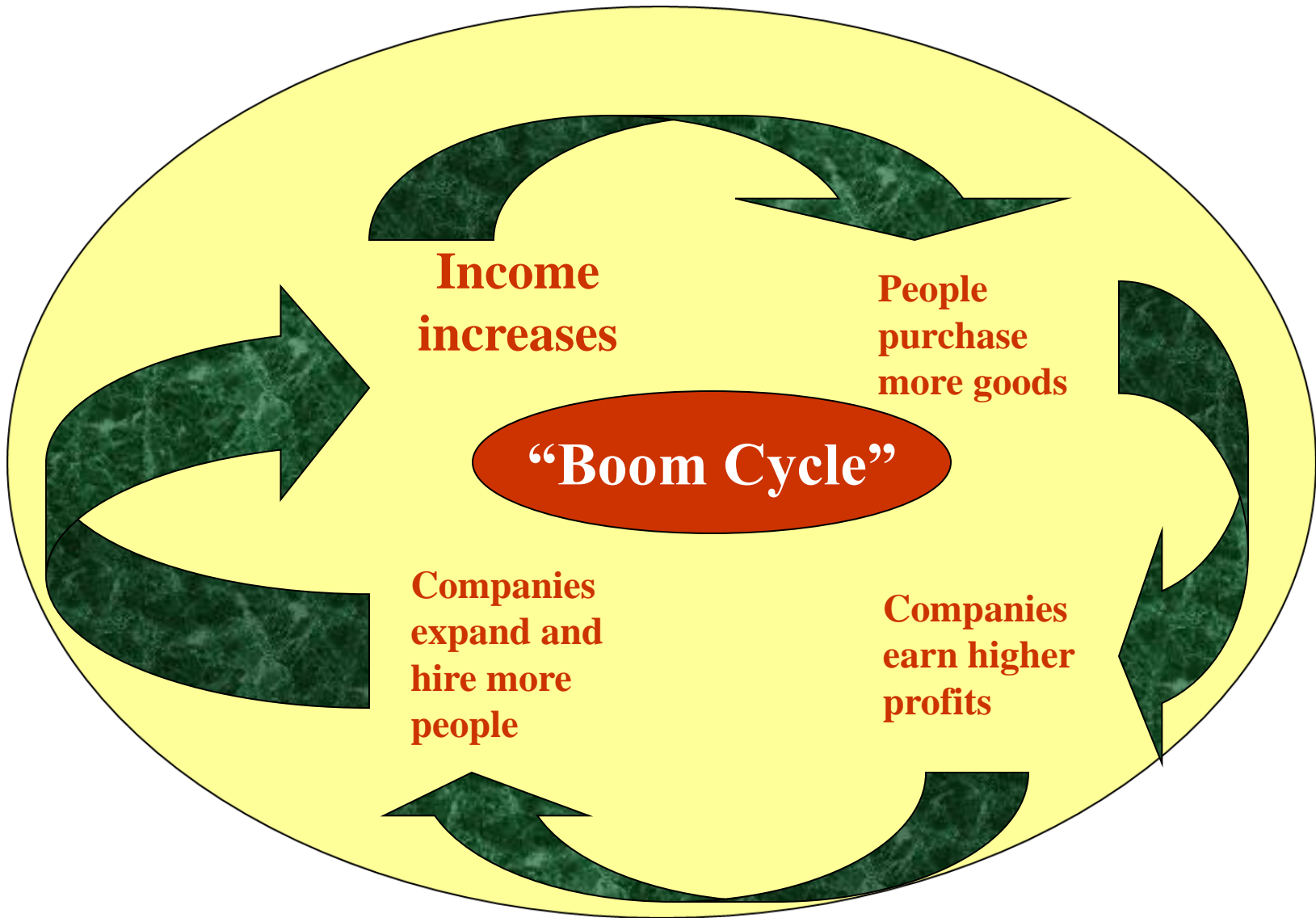
There was no longer behind in the early part of the day. The latter was of great volume although not so great as that of the previous day. The trading was very active and the market was about reached 200 points down.

There were factors of delay here. The market had been steady and the tickers had been trading in a narrow range. The market was much depressed by the news of the crash. The market was about reached 200 points down.

The bank broke today. The market was about reached 200 points down.

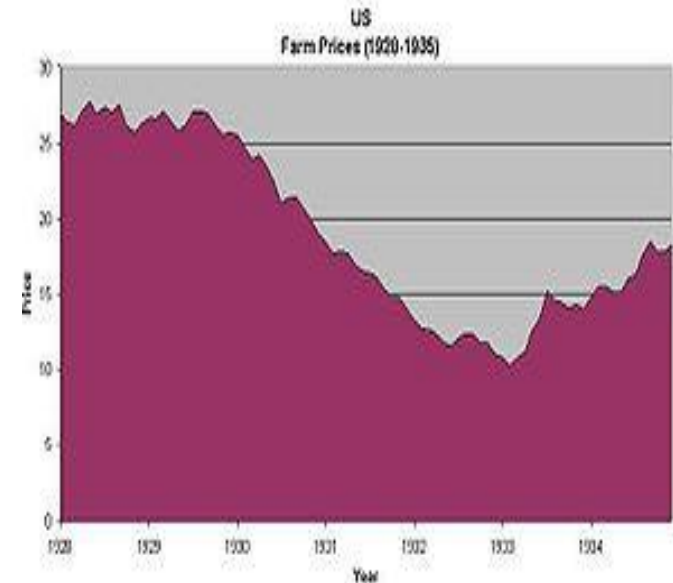
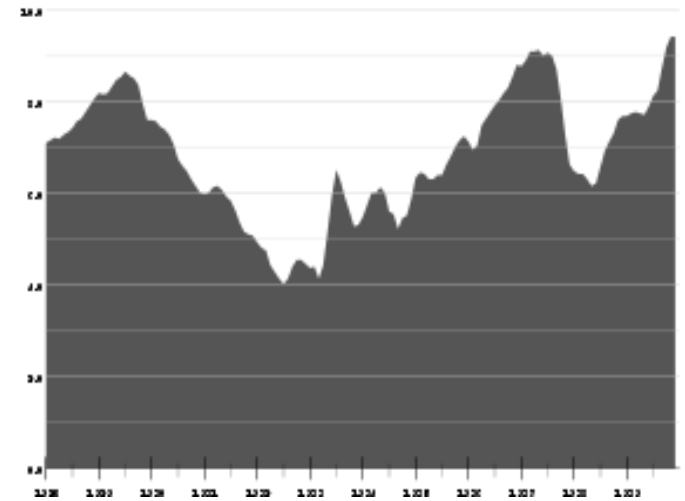


1920s Economy



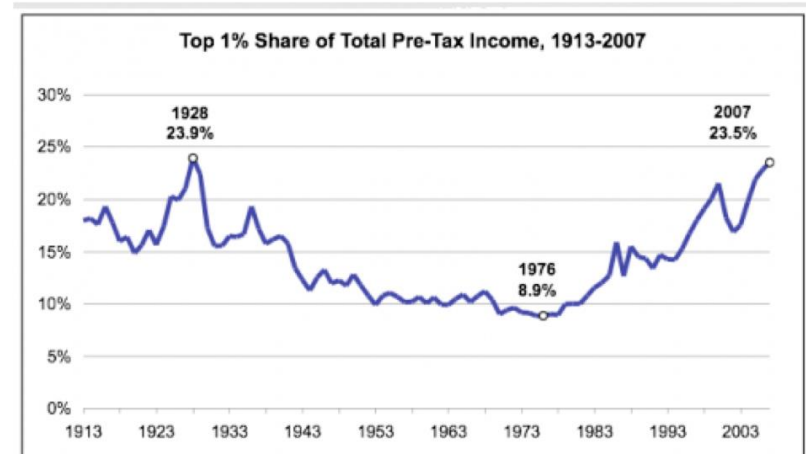
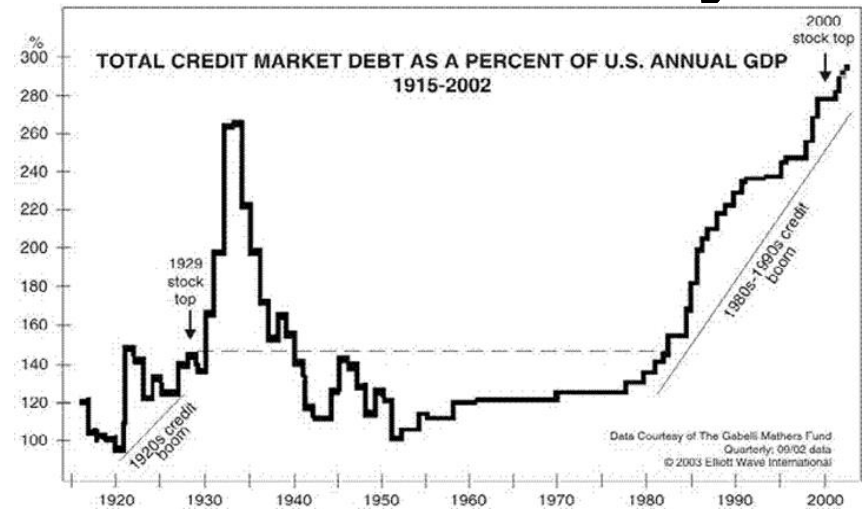
Weaknesses in the Economy

- 1920s Prosperity :
- Industries Lag
 - Railroads ↓
 - Wartime demand for lumber and coal falls
 - Housing market ↓
- Farmers Struggle
 - Postwar demand ↓
 - Prices :
 - Farmers boost production
 - Prices ↓:
 - McNary-Haugen Bill calling for price supports vetoed by Coolidge



Weaknesses in the Economy

- Falling Demand
 - Falling incomes :
- Credit
 - Easy credit = :
 - Consumer :
- Income Gap
 - Top 1% = 75% ↑ in income; Bottom 70% :
 - Country's economy dependent on :
 - Supply :



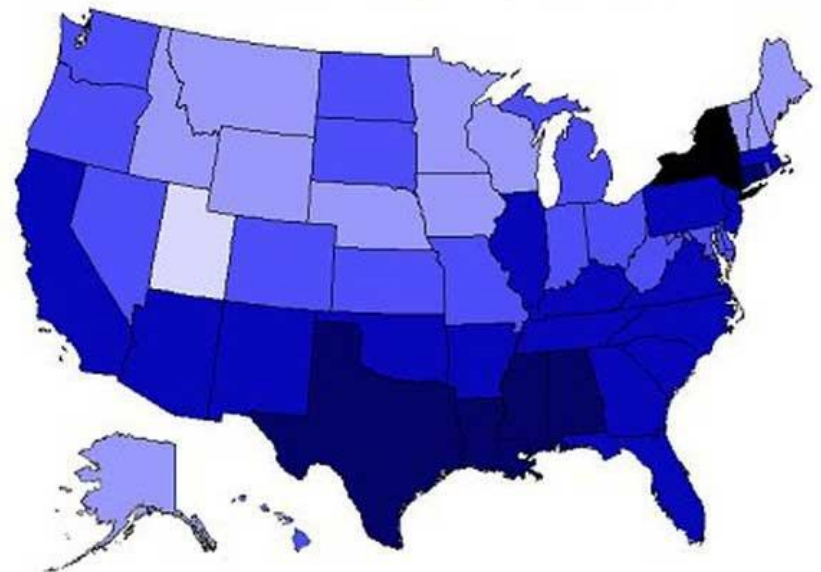
Source: Thomas Piketty and Emmanuel Saez, "Income Inequality in the United States, 1913-1998," *Quarterly Journal of Economics*, 118 (1), 2003. Updated to 2007 at <http://emlab.berkeley.edu/users/saez>.

Income Inequality Today: The worst it has been since the 1920s

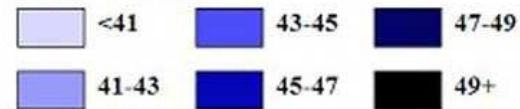


How American Wealth is Distributed
(Each cat is 12% of the population.)

Income Inequality by State



GINI Coefficient



Election of 1928

- Herbert Hoover triumphs
 - Engineer
 - WWI humanitarian aid coordinator
 - Rides wave of :
 - Harding, Coolidge

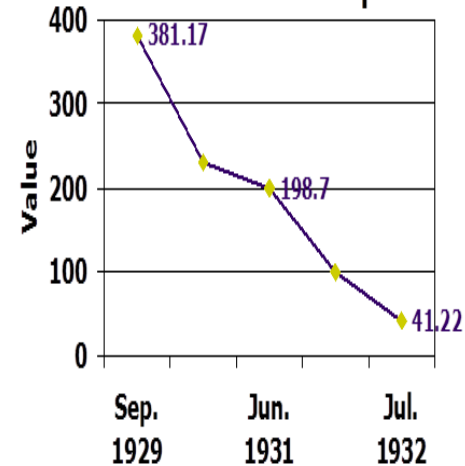


The Bull Market

- Dow Jones on the rise
 - Measures stock prices of 30 big companies on NY stock exchange
 - Hit high of :
- American investment ↑
 - By 1929 4 million owned stocks
 - ↑ in speculation and buying on margin
 - reflect :
 - do not:



Dow Jones Industrial Average:
The Great Depression



% Drop

1929 – 53%

1929-32 – 89%

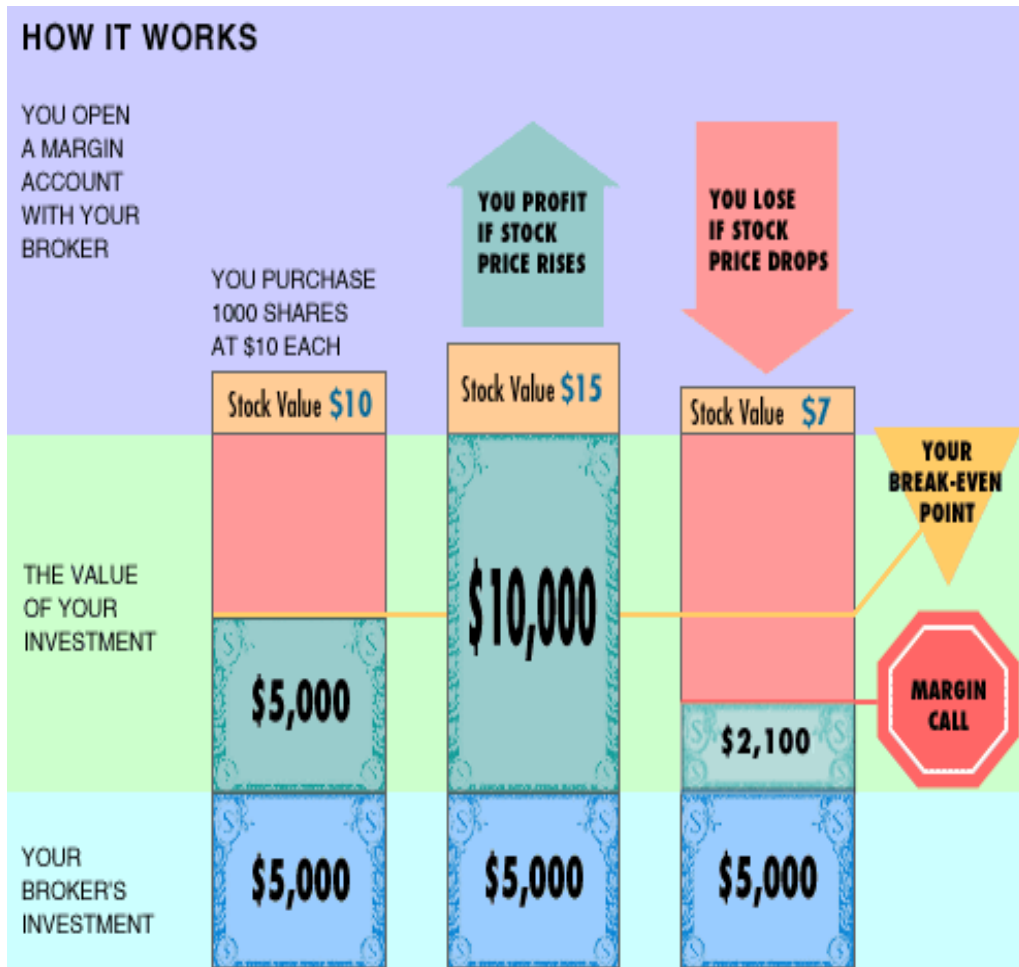
1987 – 36%

2007-09 – 53%

**2009-2011 = 49%
INCREASE**

**WHAT WAS
DIFFERENT?**

Black Tuesday



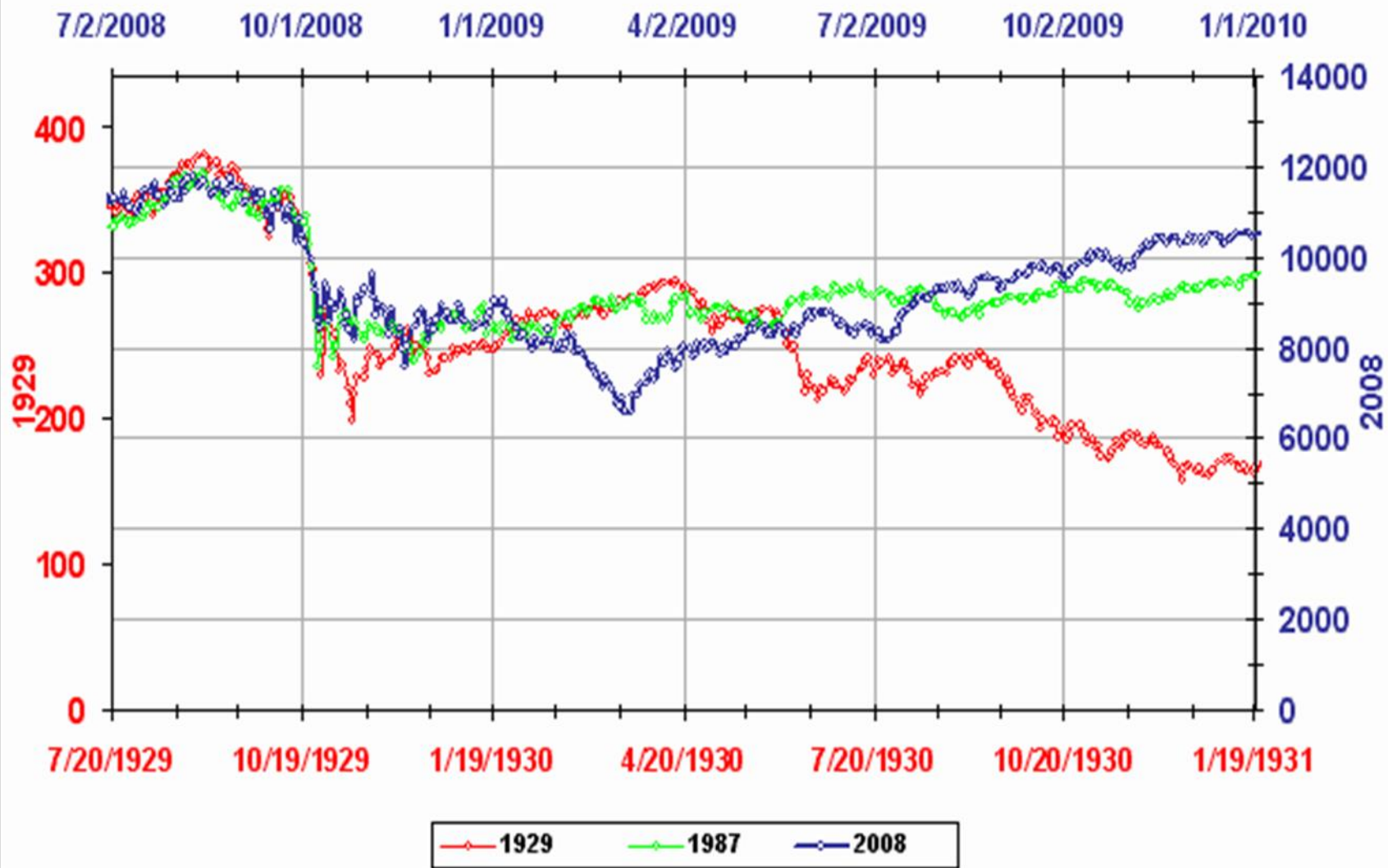
- Many could not meet margin calls, demands to put up the money to cover their loans.
- The result was panic selling.
- On October 29 (Black Tuesday) alone:

Stock Market Crash - 1929

- September
 - Stocks peak and then fall
 - Some investors:
- October
 - 24th = first plunge, then rebound
 - 29th – Black Tuesday
 - 16.4 million shares sold off in one day
- November
 - \$30 :
 - Depression sets in by May

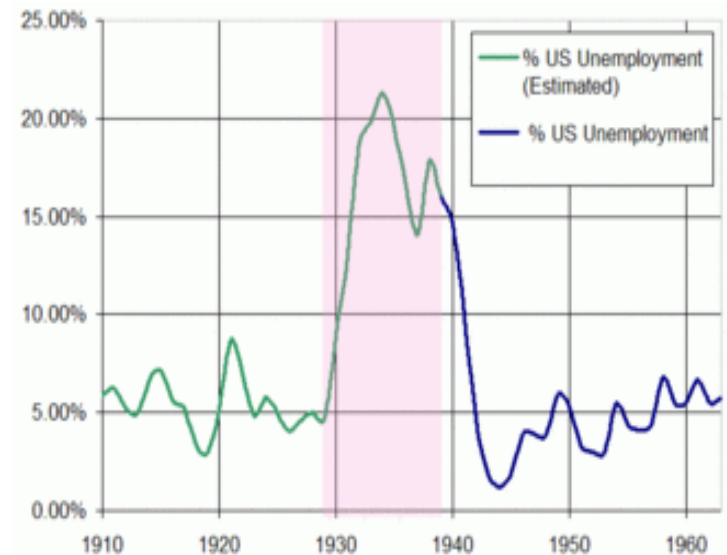
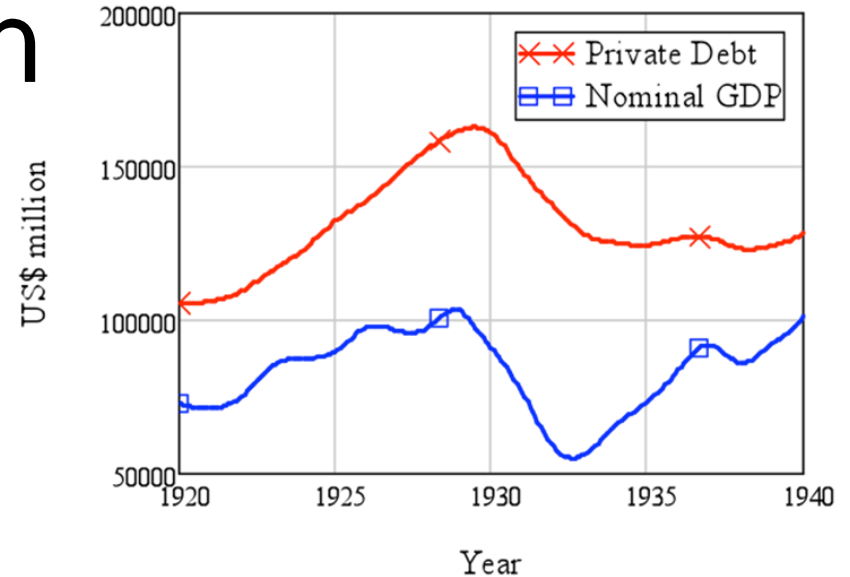


The Dow, 2008 vs. 1987 vs. 1929
as of 2 Jan. 2010



Panic Sets In

- Banks Fail
 - Massive withdrawals of \$ causes bank failures
 - 11,000 of 25,000:
 - People lose lifesavings
- Businesses ↓
 - GDP ↓ :
 - 90,000 :
- Unemployment ↑
 - Hits 25% nationally



Run on the Banks

- Crowds gather at New York's American Union Bank during a bank run early in the Great Depression.
- The Fed's decision to allow the failure of large public banks produced panic and led to widespread runs on local banks.
- The Nation's money supply shrank by 1/3 between 1929-1933 turning a recession into a full fledged depression.



Table 1: Real Average Weekly or Daily Earnings for Selected Occupations, 1920 to 1930.
(1929=100)

	(1)	(2)	(3)	(4)	(5)
	Weekly: Skilled and Semi-Skilled Male Production Workers Workers in 25 Manufacturing Industries	Weekly: Unskilled Male Production Workers Workers in 25 Manufacturing Industries	Weekly: Female Production Workers Workers in 25 Manufacturing Industries	Weekly: Bituminous Coal- Lignite Mining	Farmworkers Daily Wage Rate
Year					
1920	29.16	22.28	15.14	--	2.82
1921	26.19	19.41	14.96	--	1.96
1922	28.73	20.74	16.19	--	2.04
1923	30.93	22.37	17.31	25.51	2.36
1924	30.61	22.45	16.78	23.47	2.40
1925	30.57	22.41	16.78	25.64	2.30
1926	30.60	22.47	16.72	27.51	2.32
1927	31.09	23.22	17.14	23.85	2.32
1928	31.94	23.89	17.15	24.46	2.30
1929	32.60	24.40	17.61	25.11	2.30
1930	29.93	22.47	16.40	22.61	2.21

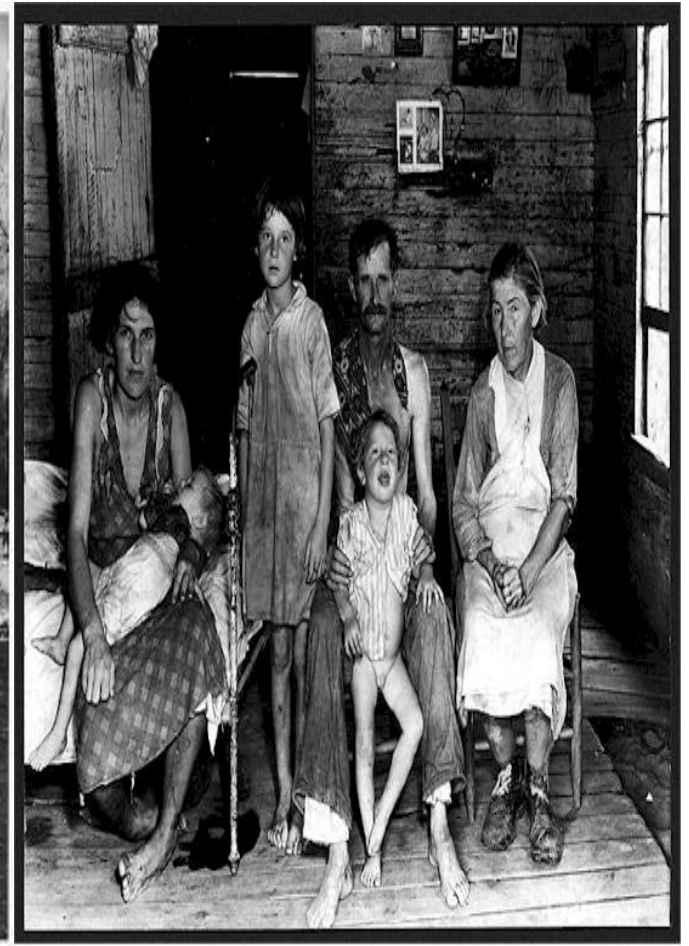
Source: U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970* (Washington, DC: USGPO, 1976). Col. (1): Series D844. Col. (2): Series D841. Col. (3): Series D838. Col. (4): Series D811. Col. (5): Series K181. All dollar figures were deflated by the Consumer Price Index from series E135 set to 1929=100.

Global Depression

- European economies falter
 - Devastation of WWI
 - Germany :
 - American :
- Hawley-Smoot Tariff
 - Highest protective tariff in U.S. history
 - Imports ↓, but so do exports → unemployment ↑
 - World trade :



Section 3: Hoover Struggles with the Depression



Hoover Calls for Cooperation

- Laissez Faire
 - Depressions = part of normal cycle
 - Prevailing economic philosophy:
- Limited Govt. Role
 - Govt. to encourage, not control cooperation
 - Maintain:
 - No federal welfare
 - Hoover's efforts to coordinate recovery:



Boulder Dam

- Hoover proposes construction of dam on Colorado River
- Congress approves project in 1928, construction begins 1929
- World's :
- Electricity:
 - Made growth of agriculture in California take off



"HOOVER DAM" OR "BOULDER DAM"

Hoover Becomes Scapegoat

- 1930 Congressional Elections
 - Democrats :
- Anti-government backlash
 - Farmers attempt to create :
 - “Hoovervilles”, “Hoover blankets”, “Hoover flags”



Depression and the Family

- Marriage rates fell
 - 10.14/1000 in 1929 to 7.87/1000 in 1932
 - “Do you realize how many people in my generation are not married?...It wasn’t that we didn’t have a chance. I was going with someone when the Depression hit. We probably would have gotten married. He was a commercial artist and had been doing very well...Suddenly he was laid off. It hit him like a ton of bricks. And he just disappeared.
- Divorce rates fell
- Birth rates decline
 - 14% decrease (1930-1933)
 - Birth control becomes legal in all states (except MA & CT) in 1936 under SC case *U.S. v. One Package*
- Increase in high school attendance
 - Less than half in 1930 to $\frac{3}{4}$ in 1940

Depression and the Family

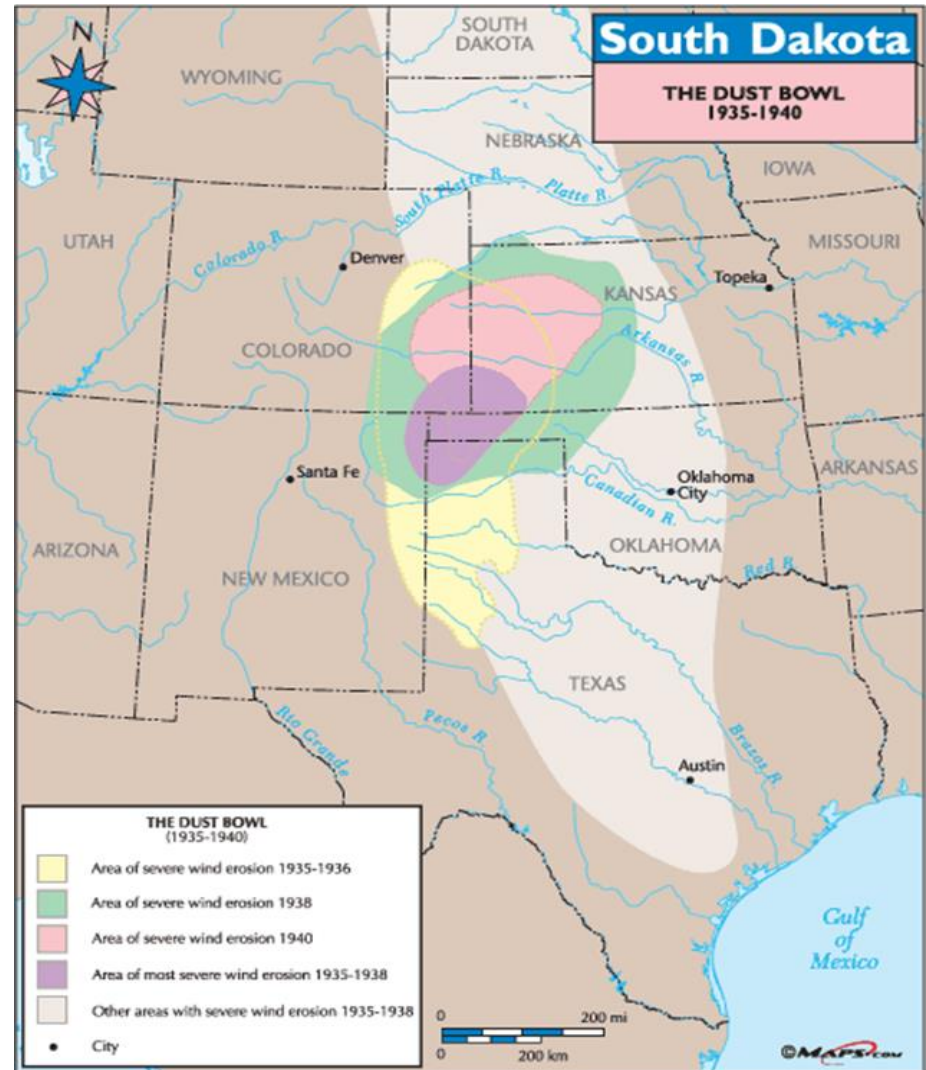


SOURCE: NATIONAL CENTER FOR HEALTH STATISTICS



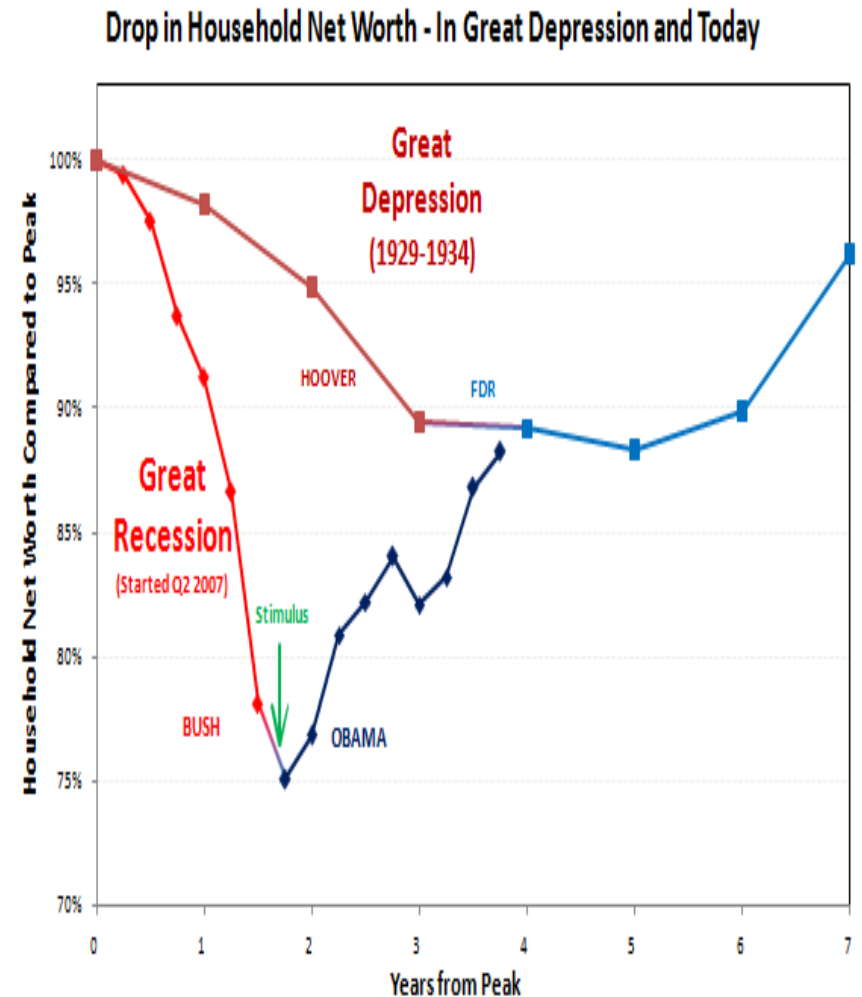
The Dustbowl

- The Dust Bowl (1930-1941)
 - Ecological and human made disasters
 - Draught in :
 - Top-soil erosion
 - 350,000 relocate to the :



Too Little Too Late

- Preliminary efforts largely ineffective
 - Federal Farm Board, National Credit Corp.
- Direct Intervention
 - Federal Home Loan Bank Act
 - Reconstruction Finance Corp.
 - Reflected faith :
 - 1st :



Sources: Frederic S. Mishkin, "Household Balance Sheet and The Great Depression," J. Econ.Hist.38 (Dec.1978), p. 920. & Federal Reserve Flow-of-Funds.

The Bonus Army - 1932

- Patman Bill
 - Bonus payment to WWI veterans:
 - Hoover opposed legislation but supported:
 - Army asked to leave when bill voted down
 - Those who refused were gassed :
 - PR :

