

## LESSON 8: CAUSES OF THE GREAT DEPRESSION

Below are 11 recognized cause of the great depression. Your job is to rank them in level of relative CAUSALITY. Rank the MOST important with the number 1, and the LEAST important with an 11. It is logical to start at the two extremes and work toward the middle in a uniform manner. Look for patterns.

- \_\_\_ a) Unequal distribution of wealth, income and purchasing power among the classes.
- \_\_\_ b) Overexpansion of agricultural production left over from WWI.
- \_\_\_ c) Overproduction of industrial output.
- \_\_\_ d) Automation
- \_\_\_ e) Unregulated banking practices
- \_\_\_ f) American tariff policies
- \_\_\_ g) Impact of European and world economy
- \_\_\_ h) Monopolistic pricing
- \_\_\_ i) Philosophy and policies of the Harding - Hoover administrations.
- \_\_\_ j) Overexpansion of credit
- \_\_\_ k) Stock market speculation

Now, turn these 11 causes into 3 categories:

- 1.
- 2.
- 3.

Finally, create an annotated timeline using some of the following terms to EXPLAIN how each item was either a cause of the GD, or an attempt to fix it:

1. Post war debts to US surpass \$10,000,000,000.
2. 1922: Fordney-McCumber Act passed
3. 8/3/1923: Coolidge sworn in as president
4. 1923: Supreme Court nullifies minimum wage for women in District of Columbia.
5. 1924: Dawes Plan enacted.
6. 1924 – 1929: McNary-Haugen bill keeps passing Congress but vetoed by Coolidge. Never passes.
7. 1925: The top tax rate is lowered to 25 percent
8. 1927: US private bankers lend European nations 1.25 Billion dollars under Dawes. 90% of this money is used to buy US goods. Tariffs are now 100% above pre-war rates. Foreign purchases plummet 30% in one month, but the Dow Jones stock exchange goes up 100%.
9. 1928: Farmers' share of the national income has dropped from 15 to 9 percent since 1920.
10. Between May 1928 and September 1929, the average prices of stocks rise 40 percent.
11. 8/3/1929: Herbert Hoover becomes President.

12. More than half of all Americans are living below a minimum subsistence level at time of the crash.
13. Construction down \$2 billion since 1926. Automobile sales decline by a third in the nine months before the crash.
14. Feb. 1929: the Federal Reserve Board tells all member banks to stop lending to people wanting to "buy on margin".
15. June 1929: Congress passes Agricultural Marketing Act
16. Recession begins in August, two months before the stock market crash. During this two month period, production declined at an annual rate of 20 percent, wholesale prices at 7.5 percent, and personal income at 5 percent.
17. Stock market crash begins October 24. Investors call October 29 "Black Tuesday." Losses for the month will total \$16 billion, an astronomical sum in those days.
18. Oct 29<sup>th</sup> 1929: black Tuesday.
19. Nov. 1929: \$30,000,000,000 lost in value of stock.
20. Jan. 1930: as unemployment reaches 4 million, Hoover meets with Congress to discuss creation of a Public Works Program.
21. 1930: By February, the Federal Reserve has cut the prime interest rate from 6 to 4 percent. Expands the money supply with a major purchase of U.S. securities. However, for the next year and a half, the Fed will add very little money to the shrinking economy. (At no time will it actually pull money out of the system.) Treasury Secretary Andrew Mellon announces that the Fed will stand by as the market works itself out: "Liquidate labor, liquidate stocks, liquidate real estate... values will be adjusted, and enterprising people will pick up the wreck from less-competent people."
22. Supreme Court rules that the monopoly U.S. Steel does not violate anti-trust laws as long as competition exists, no matter how negligible.
23. March 31<sup>st</sup> 1930: Congress passes the Public buildings Act.
24. April 4<sup>th</sup>, 1930: Congress funds \$3,000,000 to build state roads.
25. June 17<sup>th</sup>, 1930: The Smoot-Hawley Tariff passed.
26. Oct, 1930: unemployment reaches 4.5 million. This equates to a climb from 3.2 to 8.7 percent.. The GNP falls 9.4 percent from the year before. (What is it today, and what was it 1 year ago?)
27. Dec. 2<sup>nd</sup>, 1930: Hoover asks Congress for \$150 million for Public Works Program.
28. Dec. 11<sup>th</sup>: 1300 banks close. One with over 60 branch banks and 400,000 customers.
29. Jan. 1931: unemployment reaches 15.9%.
30. Feb. 1931: Congress passes Bonus Loan Bill over Hoover's veto.
31. March 3<sup>rd</sup>, 1931: Hoover vetoes the Muscle Shoals bill.
32. July, 1931: Largest wheat harvest in US history.
33. Oct. 1931: another 827 banks close.
34. Feb. 27<sup>th</sup> 1932: Glass-Steagall Banking Act passed (election getting close?????)
35. July 21<sup>st</sup>, 1931: Hoover signs the Relief and Reconstruction Act. (election getting close?????)
36. July 22<sup>nd</sup>, 1931: Hoover signs the Federal Home Loan Banks Act. (election getting close?????)
37. Nov. 8<sup>th</sup>, 1931: Hoover loses to FDR, but still remains a lame duck president for the next 9 months.
38. 1932: Unemployment reaches 23.6% as GNP falls another 13.4%.
39. 10,000 banks have failed.
40. Money supply has dropped by 31% from 1929 highs.
41. International trade has dropped by 66% since 1929 highs.