

STUDENT GUIDE SHEET

What Caused the Great Depression?

Directions: Between 1929 and 1940 the United States suffered from the greatest economic depression in its history. Millions of people – men and women, black, white, Hispanic, and Asian, rich and poor – were out of work, or afraid they soon would be. This document based question asks you to determine the causes of this economic nightmare.

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It is suggested that you follow these steps:

1. Read the Background Essay.
2. Skim through the 16 documents to get a sense of what they are about.
3. Read the documents slowly. In the margin or on a Document Analysis Sheet record the main idea of each document.
4. Organize the documents by causes. One or more may be a context document. Context documents may suggest causes themselves or simply provide color or feeling.
5. Clearly state how each cause contributed to the decline of the economy.
6. Decide which causes of the Great Depression were the most important. Was there any one cause that you think was at the bottom of the problem? Why?

The Documents:

- Document A: The Business Cycle (chart)
- Document B: Calvin Coolidge
- Document C: John D. Raskob
- Document D: *New York Times* Headline
- Document E: Unemployment Figures (chart)
- Document F: Speculation (Carman and Syrett)
- Document G: Margin (Carman and Syrett)
- Document H: Buying on Credit (William Leuchtenburg)
- Document I: Forty-six Cents a Day
- Document J: Gar Wood Inc. (advertisement)
- Document K: Income Distribution (chart)
- Document L: Banking (John Kenneth Galbraith)
- Document M: On Production (Elmer Davis)
- Document N: "The Stumbling Block" (cartoon)
- Document O: Tariff Policy (cartoon)
- Document P: International Finance (William Leuchtenburg)

What Caused the Great Depression?

A young man in a federal work program was interviewed in Birmingham, Alabama, in 1934: “For a few weeks it isn’t so bad for a man and his wife and a baby to get along on \$4.80 a week, paying \$3 of it out for rent. But when it runs into months – and you can’t see anything better ahead – you get damned discouraged.”

In Chicago, elevated train riders reported seeing men and women searching for scraps of food in garbage cans and refuse piles behind restaurants.

A western rancher explained that he had just killed 3000 sheep and thrown them down a canyon, because it cost \$1.10 to ship a sheep to market, and then he couldn’t sell it for even a dollar.

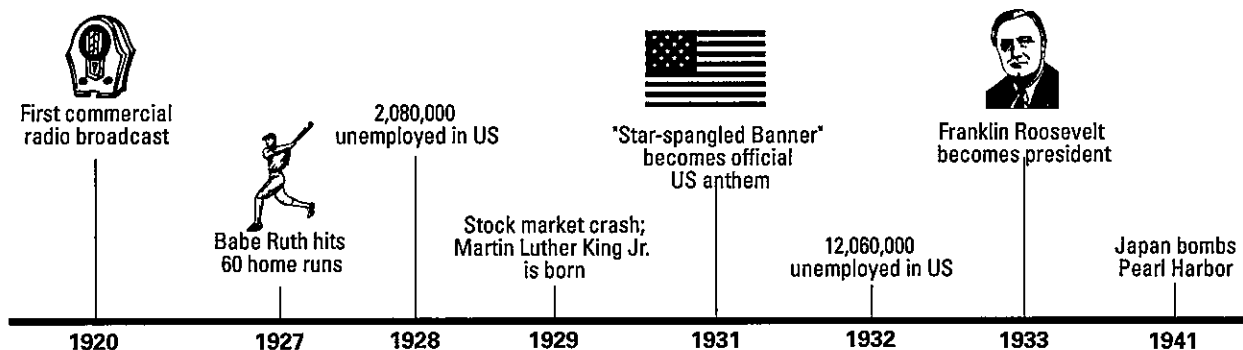
On a cold mountain morning in the early 1930s, a young Appalachian school girl did not look well. Her teacher approached her desk and urged her to go home and get some food in her system. “I can’t,” said the little girl, “It’s my sister’s turn to eat.”

This was the underside of America in the 1930s. Not everyone was in such desperate straits, but millions were. Was this the same America that a few short years before had been filled with Yankee baseball, soaring stock prices, and the promise of a Ford in every garage? What happened to those Roaring Twenties? What had gone wrong?

What caused the Great Depression is basically an economic question. For years economists and economic historians have looked for the answers. There is general agreement that the Depression resulted from several causes, not just one. However, the argument takes place over which cause or causes are most important. In this DBQ you are asked to join the debate. In preparation, let’s do a little **Economics 101**. We will cover four basic ideas.

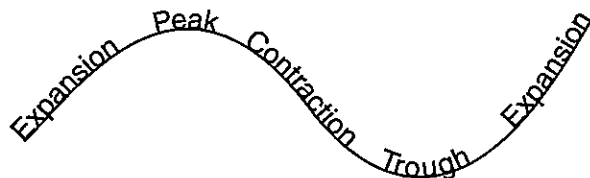
One of the most fundamental concepts in economics is the **law of supply and demand**. This law says that if the supply of goods increases, and if consumer demand stays the same, then prices will drop. Or, if consumer demand increases, say for Nike shoes, and supply remains the same, then prices will ? (You’re right, go up.) One of the happy results of this thinking is that you will never produce too many goods. If you manufacture more Nikes than people will buy at \$80, well, just lower the price and demand will take care of your surplus.

Another theory, **Say’s Law**, predicts that surplus will always disappear because prices will come down until everything gets bought. Most economists and politicians in the 1920s firmly believed this. Government action wasn’t necessary to make things better. The law of supply and demand and Say’s Law would take care of everything.



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A third idea in economics is the **business cycle**. It works hand in hand with supply and demand. The business cycle is best explained with the help of a picture. You will first notice that it isn't really a cycle; it's more like a roller



coaster. How does it work? Let's pick a **trough** for a starting point. An economic trough is a low point. If it is a very low point we call it a **recession**. If it is a very, *very* low point we call it a **depression**. It is always a time when more people than usual are out of work. These unemployed workers are quite broke and only buying the bare essentials.

Now, according to standard economic thinking in the 1920s, troughs will disappear when prices get so low that even the poor begin to buy. Middle-class buyers who might have been a bit cautious during the downturn (could they, too, lose their jobs?) see the economy picking up and decide to buy that new car after all. Such buying gets the economic engine started again. This is called **recovery**. Plants hire back workers to meet new orders; the new workers get paid and go out and buy their own new car, or refrigerator, or fancy dress. This further stimulates production, and the economy enters a full-blown period of **expansion**. Housing starts increase; stocks go up; happy days are here again!

But the business cycle has a built-in – some would say necessary – downside. People get “stuffed” with stuff. They have their car, or two cars, their house, their new furniture. At this point, buying slacks off. A few workers are let go. The fired workers can't buy, and the economy goes into a slide – this is a **contraction**. More workers are fired; more workers can't buy. Down the roller coaster goes until it reaches a

new trough where it rests until the economy is ready for another ride upward.

Supply and demand. Says Law. The business cycle. And now our fourth and last concept, the **stock market**. Stocks are a rather ingenious invention. They were first used in Europe about 300 years ago to solve a problem: how to raise **capital** (money) for a new business that was bigger than the entrepreneur and the partners could afford. The answer was to set up a **joint stock company**. Quite simply, this meant selling ownership shares in the new company to anyone willing to invest. Stock purchasers were really buying a piece of the business. If the business made a profit, the investors shared the profits. If it failed, the investors lost part or even all of their money.

When stocks are initially sold, the company gets the investor's money and the investor gets a certificate of partial ownership. In the 1920s, like today, most original stock buyers did not hold onto their stock certificates. They sold them, hopefully for a profit, in what is called the **secondary stock market**. This secondary market accounts for most buying and selling of stock.

An investor can make money from stock in two ways. First, companies often pay **dividends**, or earnings shares, to stock holders. Second, investors can sell their stock on the secondary market for more than they paid for it. Dividends tend to go up if the company is doing well. So do stock prices. However, there are times when stocks go up simply because buyers believe they will be able to sell the stock for more next week or next month. Purchasers look in the financial pages of the newspaper, see that Radio Corporation has gone up **nine points** (dollars) in the last week, and buy shares not even knowing if the company is actually making a profit. This is called **speculation**, and it can be dangerous.

In the spring and summer of 1929 many stocks traded on the New York Stock Exchange were hitting new highs. True, probably less than

1% (under a million) of all Americans actually owned stock, but many millions more followed the market and were buoyed up by all the hoopla. So much of how an economy is doing has to do with public confidence. When things seem to be going well, consumer confidence is high and people buy. The stock market helps to build that confidence – or, if stock prices suddenly fall, to weaken it. And fall they did in the autumn of 1929.

For three years, from 1929 to 1932, most of America, from day laborers to President Hoover, waited for supply to create its own demand, waited for the business cycle to run its natural course, waited for the stock market to get back on its upward course. Even the Democratic candidate for president in 1932, Franklin Roosevelt, preached the old basic remedy of waiting for the economy to fix itself.

But the trough was deep and the roller coaster appeared stuck. Once elected, Roosevelt changed his thinking. He became convinced that it was necessary for the government to intervene with

deficit federal spending. That is, Roosevelt planned to borrow money to start projects to get the economy rolling again. Roosevelt called for a “**New Deal**” for the American worker. In the first 100 days of his administration, an avalanche of new programs passed through the Democrat controlled Congress – some provided immediate economic relief, some provided for longer range recovery, and still other programs sought reform of problem areas like the banking system.

For eight long years Roosevelt and his New Dealers would battle the Great Depression. Loved by many, hated by some, Roosevelt labored to move the economy forward. But it was World War II and massive military spending by the government that finally broke the Depression’s back.

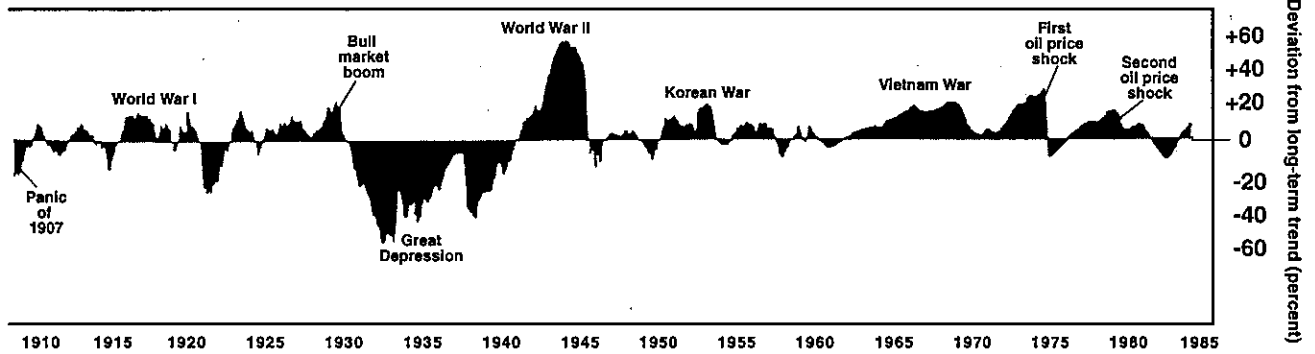
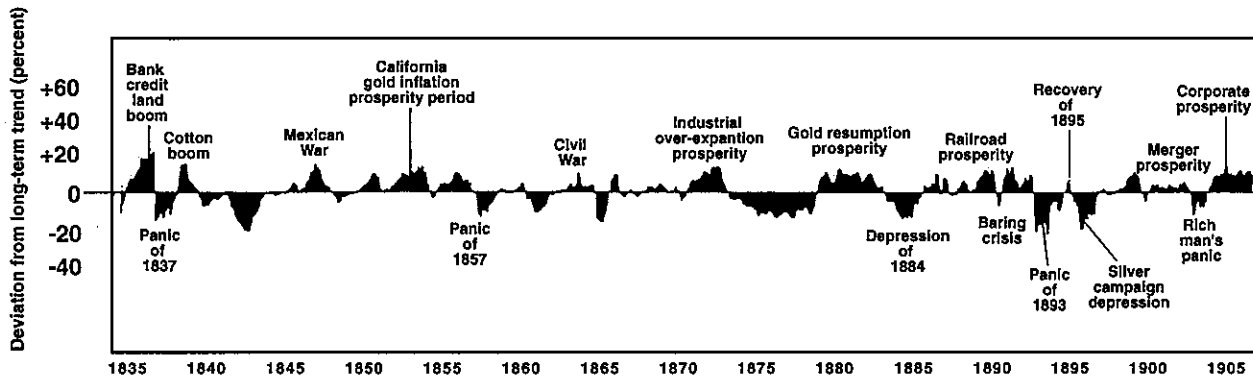
What follows are 16 documents – charts, cartoons, an ad, short narratives – for your examination. Use them together with this essay and your own cause and effect logic to answer the question: *What caused the Great Depression?*

Document A

Source: AmeriTrust Co., Cleveland.

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United States Business Cycle



Document B

Source: President Calvin Coolidge, last Annual Message to Congress, December, 1928.

No Congress of the United States ever assembled...has met with a more pleasing prospect.... The great wealth created by our enterprise and industry, and saved by our economy, has had the widest distribution among our own people, and has gone out in a steady stream to serve the charity and the business of the world. The requirements of existence have passed beyond the standard of necessity into the region of luxury.... The country can regard the present with satisfaction and anticipate the future with optimism.

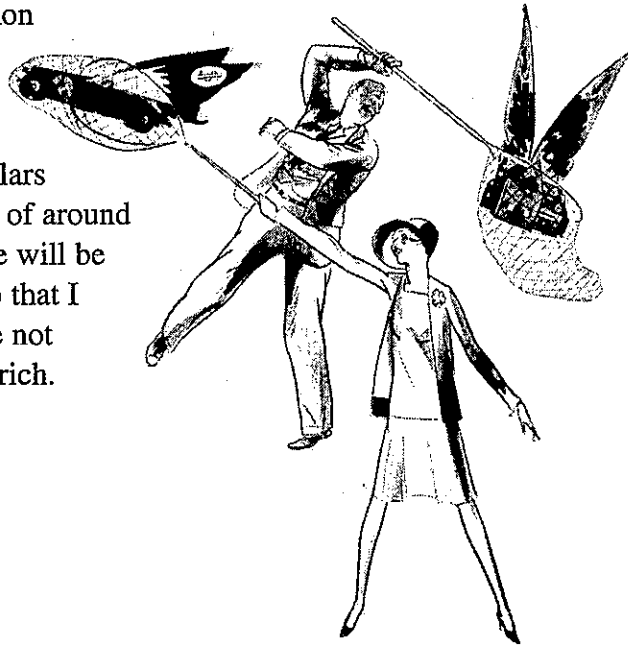
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Document C

Source: John T. Raskob, former executive, General Motors; Chairman, Democratic National Committee. "Everybody Ought to be Rich," *Ladies Home Journal*, August, 1929.

Reprinted with the permission of *Ladies Home Journal*, Copyright (c) 1929 Meredith Corporation. All rights reserved.

Suppose a man marries at the age of twenty-three and begins a regular saving of fifteen dollars a month – and almost anyone who is employed can do that if he tries. If he invests in good common stocks and allows the dividends...to accumulate, he will at the end of twenty years have at least eighty thousand dollars and an income from investments of around four hundred dollars a month. He will be rich. And because anyone can do that I am firm in my belief that anyone not only can be rich but ought to be rich.



Source: New York Times, October 29, 1929.

New York Times.

Copyright, 1929, by The New York Times Company.

THE WEATHER
Rain today and probably tomorrow; somewhat colder tomorrow.
Temperatures Yesterday—Max. 51, Min. 43.
7 P. M. Weather Forecast—For details see Page 8.

NEW YORK, TUESDAY, OCTOBER 29, 1929. TWO CENTS In Greater KINGS LINTS FOUR CENTS Outside New York Within 750 Miles Except 7th and 8th Postal Zones

Memory Honored Day Fete on Ships

and in port office. Navy Day yesterday major land celebration on Sunday, the birth of Theatricals, similar ceremonies were reserved for ships.

was kept by ships public was invited. Flags appropriate were broken out on all ships, and even some craft in the harbor.

ants in honor of Angeles and the new craft and other were ordered out and along the Atlantic over this city and

EUROPE IS DISTURBED BY AMERICAN ACTION ON OCCUPATION DEBT

London Urges an Explanation of Move for Direct Payments by Germany.

BANK'S PRESTIGE INVOLVED

Britain and Continent Feel That We Do Not Have Faith in Young Plan Institution.

STOCK PRICES SLUMP \$14,000,000,000 IN NATION-WIDE STAMPEDE TO UNLOAD; BANKERS TO SUPPORT MARKET TODAY

Sixteen Leading Issues Down \$2,893,520,108; Tel. & Tel. and Steel Among Heaviest Losers

A shrinkage of \$2,893,520,108 in the open market value of the shares of sixteen representative companies resulted from yesterday's sweeping decline on the New York Stock Exchange.

American Telephone and Telegraph was the heaviest loser, \$448,905,162 having been lopped off of its total value. United States Steel common, traditional bellwether of the stock market, made its greatest nose-dive in recent years by falling from a high of 202 1/2 to a low of 185. In a feeble last-minute rally it snapped back to 186, at which it closed, showing a net loss of 17 1/2 points. This represented for the 8,131,055 shares of common stock outstanding a total loss in value of \$142,293,446.

In the following table are shown the day's net depreciation in the outstanding shares of the sixteen companies referred to:

Issues.	Shares Listed.	Points.	Depreciation.
American Radiator	10,096,289	10 1/2	\$104,748,997
American Tel. & Tel.	13,203,093	34	448,905,162
Commonwealth & Southern	30,764,468	3/4	86,138,962
Columbia Gas & Electric	8,477,807	22	166,500,784
Consolidated Gas	11,451,268	20	228,023,760
DuPont E. I.	20,322,481	16 1/2	109,030,625
Eastman Kodak	2,228,703	4 1/2	83,368,818
General Electric	7,211,484	4 1/2	312,545,480
General Motors	43,500,000	6 1/2	283,623,000
International Nickel	13,777,404	7 1/2	108,487,038
New York Central	4,637,086	22 1/2	104,914,071
Standard Oil of New Jersey	24,843,643	5	188,749,144
Union Carbide & Carbon	8,730,173	20	174,615,460
United States Steel	8,131,055	17 1/2	142,293,446
United Gas Improvement	18,646,835	6	111,881,010
Westinghouse Elec. & Mfg.	2,389,265	34 1/2	88,682,326
			\$2,893,520,108

The stocks included in the foregoing table are typical, but include only a few of the "blue chips" that fell widely. Some of the medium-priced stocks were swept down almost as sharply as the "big stocks." The loss in open market value by General Motors, for instance, was greater than that of some of the higher priced issues such as Steel, Consolidated Gas and New York Central.

For some of the market's trading favorites yesterday was the most disastrous day since they were admitted to trading.

T. E. BURTON, DIES AT 77

an Had Served in 41 Years—First to the House.

OCATE OF PEACE

Early Hoover Sup-pressant Visited Him at Capital.

SCHEME IS LAID TO HOOVER

President is Said to Wish to Avoid Clash in Congress Over Linking of Reparations and War Debts.

By EDWIN L. JAMES.

Special Cable to THE NEW YORK TIMES.

LONDON, Oct. 28.—There appears to exist in London a certain absence of understanding as to the significance of the conversations between Washington and Berlin which now are about to ripen into diplomatic negotiations in the German capital for the preparation of a treaty dealing with the future payments by the Reich in the United States to cover costs of the army of occupation. It seems the French capital shares with London the lack of information on which to base exact appreciation of the move.

New York Times, N. Oct. 28.—Senator Burton of Ohio died today. He did not emerge in which he had lain yesterday. At 8:45 his bed that Senator Burton was rising and then strong and regular irregular.

son, the Senator's faithful friend, was seventh-floor apartment in summation by Robert W. Baker, the dean.

tioned to Dr. Baker k upstairs. When he Senator's bedroom plan was at the bed-night nurse. Senator t heat were then ishable and in a few d sent message.

day Senator Bur-ton said Mr. Burton another twenty-four

Germany's debt to the United States for occupation costs has been figured as part of the German reparations debt. This was true in drafting the Dawes plan and also in writing the Young plan. Under the Dawes plan America received about 100,000,000 marks (about \$24,000,000) annually and during the Young committee negotiations the Washington Government agreed to join with Germany's other creditors in making the concessions involved in reducing the normal Dawes plan payments.

Thus, instead of 100,000,000 marks yearly, America would receive annual sums varying from 40,000,000 marks (about \$9,600,000) to 76,000,000 marks (about \$18,240,000), but these smaller sums would be paid over fifty-seven instead of twenty years, thus reducing in effect the size of the sacrifices America made.

Would Pass Through Bank.

These payments to the United States were included in the Young plan, Annex VII, laying down the

AIRLINER IS LOST WITH 5 IN STORM

Last Reported Heading for New Mexico Region Where the T. A. T. Plane Crashed.

SEEN NEAR MOUNT TAYLOR

BANKERS MOBILIZE FOR BUYING TODAY

Wall St. is Certain Coalition Has Decided to Throw Funds Into Market for Support.

INVESTMENT TRUSTS TO AID

PREMIER ISSUES HARD HIT

Unexpected Torrent of Liquidation Again Rocks Markets.

DAY'S SALES 9,212,900

Nearly 3,000,000 Shares Are Traded In Final Hour—The Tickers Lag 167 Minutes.

NEW RALLY SOON BROKEN

Selling by Europeans and "Mob Psychology" Big Factors in Second Big Break.

The second hurricane of liquidation within four days hit the stock market yesterday. It came suddenly, and violently, after holders of stocks had been lulled into a sense of security by the rallies of Friday and Saturday. It was a country-wide collapse of open-market security values in which the declines established and the actual losses taken in dollars and cents were, probably, the most disastrous and far-reaching in the history of the STOCK EXCHANGE.

That the storm has now blown itself out, that there will be organized support to put an end to the reaction which has ripped billions of dollars from market values, appeared certain last night through statements by leading bankers.

Although total estimates of the losses on securities are difficult to make, because of the large number of them not listed on any exchange, it was calculated last night that the total shrinkage in American securities on all exchanges yesterday had aggregated some \$14,000,000,000, with a decline of about \$10,000,000,000 in New York Stock Exchange securities. The figure is necessarily a rough one, but nevertheless gives an idea of the dollars and cents recessions in one of the most extraordinary declines in the history of Amer-

Document E

Source: Adapted from *Historical Statistics of the United States, Part 1, 1975*.

**U.S. Unemployment
(in percent)**

	Civilian labor force including farmers	Nonfarm employees only
1926	1.8	2.9
1927	3.3	5.4
1928	4.2	6.9
1929	3.2	5.3
1930	8.9	14.2
1931	16.3	25.2
1932	24.1	36.3
1933	25.2	37.6
1934	22.0	32.6
1935	20.3	30.2
1936	17.0	25.4
1937	14.3	21.3
1938	19.1	27.9
1939	17.2	25.2
1940	14.6	21.3
1941	9.9	14.4
1942	4.7	6.8
1943	1.9	2.7
1944	1.2	1.7
1945	1.9	2.7

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Document F

Source: Harry J. Carman and Harold C. Syrett, *A History of the American People*, 1952.

The final development that set the stage for the collapse of American prosperity in 1929 was the speculative boom that developed with increasing intensity in the years after 1927. As more investors put their money into securities (stocks) in the hope of making a quick profit on a speculative rise in stocks, the character of the New York Stock Exchange was fundamentally altered. Instead of serving primarily as a device for the accumulation of capital of industrial enterprises, the exchange became a betting ring where people gambled on stocks in much the same fashion that gamblers wagered on roulette or horse races. Security prices were forced up by competitive bidding rather than by any fundamental improvement in American corporate enterprise.

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Document G

Source: Harry J. Carman and Harold C. Syrett, *A History of the American People*, 1952.

...(L)iberal margin requirements permitted the investor to enter the market on a shoestring. By buying on margin (see note below), the investor had to pay only a fraction of the quoted price of any particular security. The additional money needed to cover the purchase was supplied by the broker, who obtained these funds from a bank with which he had deposited his customer's stock as collateral. The margin buyer was particularly vulnerable to even a small decline in stock quotations. With any decrease in security values he would have to pay the additional money to cover the corresponding decrease in his collateral. If he should be unable to supply this money – and usually he could not – the broker would be compelled to sell the stock to protect himself at the bank. Once this process had started there was always the danger that it could not be stopped. (P)rices would be further depressed, and more margin buyers would be compelled to dump more stocks on the market. The circle would then be complete, for there was no apparent way of checking this downward spiral after it had been set in motion.

Note: Margin refers to buying stock on credit. It was possible in the late 1920s to pay as little as 10% down for a stock purchase, borrowing the rest from the stock seller or broker. The broker in turn borrowed from a friendly bank with the bank holding the stock as collateral.

Document H

Source: William E. Leuchtenburg, *The Perils of Prosperity, 1914-1932*, 1958.

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With debt no longer regarded as shameful, people bought on installment. Three out of every four radios were purchased on the installment plan, 60 per cent of all automobiles and furniture. In other words, consumers bought goods on installment at a rate faster than their income was expanding, but it was inevitable that a time would come when they would have to reduce purchases, and the cutback in buying would sap the whole economy.

Document I



Source: Paul Blanshard, "How to live on Forty-six Cents a Day," *The Nation*, May 15, 1929.

Reprinted by permission of *The Nation*.

Note: Paul Blanshard, a reporter for *The Nation*, went to Greenville, South Carolina, to interview a typical cotton mill worker. Gladys Caldwell (not her real name) met Blanshard at her four-room mill cottage. The house had three double beds, four wooden chairs, a dresser, a table, an oil cook stove, and a picture of Jesus on the wall. There was no plaster, no rugs, and no heating stove. An excerpt of the interview follows.

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Yes, I have a husband and five children. I'm a weaver, at least I work in the weave room fillin' batt'ries. I get paid by the day....

I get up at four to start breakfast for the children. When you got five young 'uns it takes a while to dress 'em. The oldest is nine and she helps alot. The others are seven, five, four, and three. What do we have for breakfast? Well, we usually have bread and butter and syrup.... We get a gallon of butter milk every day from Mrs. Rochester for twenty-five cents....

After I've got the children dressed and fed I take 'em to the mill nursery, that is, three of 'em. Two go to school, but after school they go to the nursery until I get home from the mill. The mill don't charge anythin' to keep the children there. I couldn't afford it....

My husband and I go to the mill at seven. He's a stripper in the cardin' room and gets \$12.85 a week. You know he's runnin' four jobs ever since they put this stretch-system on him and he ain't gettin' any more than he used to get for one. Where'd they put the other three men? Why they laid 'em off and they gave him the same \$12.85 he got before.

I work in the weavin' room and I get \$1.80 a day. That's \$9.95 a week for five and a half days. I work from seven to six with an hour for dinner.... At noon I run home and get dinner for the seven of us. The

children come home from school and the nursery. We have more to eat at noon. We have beans and baked sweets (potatoes) and bread and butter, and sometimes fat-back (fat bacon) and sometimes pie, if I get time to make it. Of course I make my own bread.

It takes about \$16 a week to feed us. We get nearly all of it at the company store with jay flaps. They are the slips the company gives you for buying groceries with after you've worked all day.

When the whistle blows at six I come home and get supper. When supper is over I have a chance to make the children's clothes. Yes, I make 'em all, and all my own clothes, too. I never buy a dress at a store.... I send the washin' to the laundry. It costs nearly two dollars a week. I just couldn't do that, too. Our rent in this house is only \$1.30 a week....

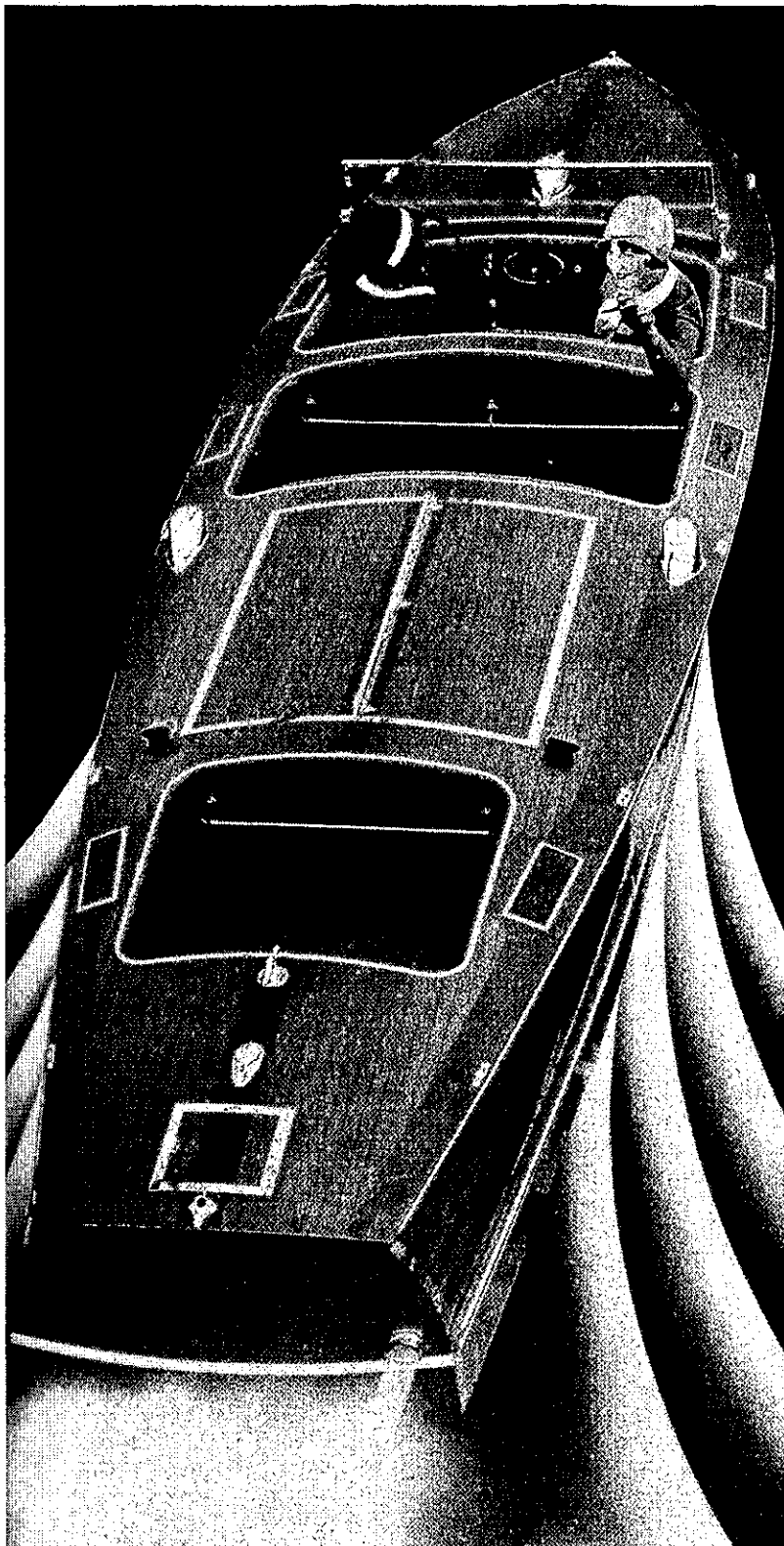
I rode around right smart when I was single, but I ain't been on a train more than once a year since. My husband reads a book once in a while but I don't get time. I went through the third grade in school and then I went to work in the mill. I was nine years old when I started work at Number 4 in Pelzer.

Maybe my children ought to get away from the mill village, but if they went anywhere they would go back to the farm and there ain't no use doin' that. The farmers haven't got it as good as we have.

Document J



Source: *Fortune*, February, 1930.



BUILT by Gar Wood—by the same craftsmen who build the Miss Americas, year after year the fastest boats of their time!

How superfluous to say anything more about Gar Wood runabouts.

Yet, you may be interested in knowing, as a shrewd investor, that these stock runabouts that Gar Wood builds are put together of the same identical materials and with the same care and skill as are the Gar Wood custom boats.

One man pays \$35,000 for a boat, another \$10,000. One has a special design, the other a stock model. Yet each is as fine a craft as the finest materials and the best skill can produce.

And if you have seen the new 1930 models at the Motor Boat Show, you know how graceful, how modern, how versatile they are. If not, permit us to send you the detailed information on the softest-riding speed boat ever built.

Ten Models—30 to 55 m.p.h., \$3,150 to \$12,950

GAR WOOD Inc.

THE GREATEST NAME IN MOTORBOATING

415 Connecticut Ave. DETROIT, MICHIGAN 1860 Broadway NEW YORK CITY

Gar Wood, Inc.
415 Connecticut Avenue, Detroit, Michigan
Gentlemen:—

I shall be glad to have your booklet on the 1930
Gar Wood Boats—without obligation, of course.

Name _____

Street or R. F. D. _____

City or County _____ State _____

9-1-30

Document K

Source: Table constructed from data in Frederick Lewis Allen, *The Big Change*, 1952.

U.S. Family Income Distribution (1929)	
Annual Income	Percent of American Families Earning this Income
Over \$10,000	2%
\$5,000 - \$10,000	6%
\$2,000 - \$5,000	32%
\$1,500 - \$2,000	18%
\$1,000 - \$1,500	21%
Under \$1,000	21%

Note: In 1929, a \$2000 income was considered the minimum necessary for meeting basic needs of the average US family. It marked the poverty line.

Note: In 1929, the wealthiest 5% of the US population received about 33% of the nation's personal income. In 1948, the wealthiest 5% received less than 20%. (Galbraith, *The Great Crash*, pp. 197-198.)

Document L

Source: John Kenneth Galbraith, *The Great Crash*, 1954.

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...(A)lthough the bankers were not unusually foolish in 1929, the banking structure was inherently weak. The weakness was...in the large number of independent (banks). When one bank failed, the assets of others were frozen while depositors elsewhere had a...warning to go and ask for their money. Thus one failure led to other failures, and these spread with a domino effect.... When income, employment, and values fell as the result of a depression bank failures could quickly become epidemic. This happened after 1929.... The weak destroyed not only the other weak, but weakened the strong.... Needless to say, such a banking system, once in the convulsions of failure, had a...repressive effect on the spending of its depositors and the investment of its clients.

Document M

Source: Elmer Davis, "If Hoover Fails," *Harpers Monthly*, March, 1929.

Our prosperity is a quantity prosperity...(a)nd quantity prosperity inevitably defeats its own purpose.... When every family has become a two-car family, dividends on automobile stocks can be maintained only by insisting that it must become a three-car family. In past times...(w)hen people had bought all they could afford they stopped buying; production slackened, workmen were laid off, until the manufactured surplus was used up. We, it seems, have abolished the business cycle; when people have bought all they can afford they go on buying, a little down and the rest in easy payments. But I suspect that...we have only deferred payment, not escaped it, and that the bill will be all the larger when it finally has to be faced.

LV

Document N

Source: *Current History*, from *St. Paul Daily News*, April, 1930.

The Stumbling Block



Document O

Source: Printed in *Current History*, August, 1930.



AMERICAN TARIFF POLICY
 "A mighty fortress is our gold"
 —Nebelspalter, Zurich

Document P

Source: William E. Leuchtenburg, *The Perils of Prosperity, 1914-1932*, 1958.
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...The war (World War I) had produced a revolutionary change in the world economy. In 1914 the United States was a debtor nation; American citizens owed foreign investors three billion dollars. By the end of 1919, the United States was a creditor nation, with foreigners owing American investors nearly three billion dollars. In addition, the United States had loaned over ten billion dollars to foreign countries, mostly to carry on the war, in part for post war reconstruction.

...If the United States was to function as a creditor nation, it had to import more than it exported (only by selling to the US could foreign nations get the money to pay off US creditors). But the country moved in precisely the opposite direction. By an emergency tariff in 1921 and the Fordney-McCumber Tariff Act of 1922, the United States...restored the high prewar rates and added a few new high tolls of its own.

...In 1930, neomercantilism (the attempt to export more than was imported, regardless of the long-run effect) was carried as far as it could go with the adoption of the Hawley-Smoot Tariff; in the teeth of protests from thirty-four countries and over one thousand American economists, Congress stepped up tariff rates still higher. As the economists had warned, the new law throttled world trade and brought a wave of retaliation from other countries.

Scaffolding Questions Unit VIII

(NAME AND DATE)

What Caused the Great Depression? (LV)

Doc A: Refer to the Background Essay. What are the four stages of the business cycle?

According to this document, between what years did the US economy experience its longest and deepest fall?

What event seems to have pulled the economy out of this deep depression?

Doc B: Who is the author of this speech and when was it delivered?

What is the main message in the speech?

Is it possible for a president's extreme optimism about the economy to hurt the economy? Explain.

Doc C: What is the title of this article?

According to the author, how could every American get rich?

How do this and the next document together help answer the question of this DBQ?

Doc D: Identify the newspaper and the date of this famous front page.

What event happened the previous day?

What happened to the value of American Telephone and Telegraph stock?

Explain one way a stock market crash could make an economy worse.

Doc E: What was the unemployment rate for all civilian American workers in 1929?
(Note: The word *civilian* includes all workers except people in the military.)

In what year were more than one quarter of American workers without jobs?

For how many consecutive years did America experience double-digit unemployment?

Doc F: What are people doing when they "speculate in the stock market"?

"Security (stock) prices were forced up by competitive bidding rather than by any fundamental improvement in American corporate enterprise." What does this mean?

Doc G: What does it mean to buy stock on margin?

How could an investor who bought stock on margin go broke in a stock market crash?

Should buying on margin be listed as a cause of the Depression? Explain your thinking.

Doc H: What is installment buying? What percentage of cars were bought on installment at this time?

How can installment buying help cause a depression?

Depression (LV)

Doc I: Why is the article called “How to Live on Forty-six Cents a Day”?

Can you think of any way that the cotton mill owners could actually have made a greater profit if they had paid people like Gladys and her family higher wages?

Doc J: Round off Gladys Caldwell’s weekly income (see previous document) to \$10.00. If Gladys saved all her pay, how long would she have had to work to buy Gar Wood Inc’s least expensive boat? the most expensive boat? (For boat prices, see very small print.)

How does widespread poverty in a country hurt big business and help cause a depression?

Doc K: According to the note in this document, what was the poverty line for the average American family in 1929?

What percentage of American families lived at or below that line in 1929?

What is the connection between this document and the previous two?

How might uneven income distribution have helped to cause a depression?

Doc L: What does the author mean when he says the structure of American banks in 1929 was weak?

Why might an independent bank have gone broke in 1929? (Hint: What happens if a bank makes lots of loans to stock buyers buying on margin?)

If many banks fail, what are the ways businesses and workers can be hurt?

Doc M: What does Elmer Davis mean by the phrase “quantity prosperity”?

How can “quantity prosperity” cause a depression?

Doc N: What does the cartoon say was a big problem for the farm industry?

What happens to prices when surpluses (over-production) are high?

Why do falling prices hurt the economy and help cause a depression?

Doc O: What is a tariff?

According to this cartoon, what was America’s tariff policy in 1930?

How might this kind of a tariff make a depression worse?

Doc P: What is a creditor nation?

Why does the author of this document say it was important for America to import (buy) foreign goods?

Did the tariff law at the time encourage Americans to buy foreign goods? Explain.