

## What we're the main CAUSES of the economic crash?

- Overproduction and underconsumption in agriculture;
- overproduction and underconsumption in consumer industries; decline of traditional industries;
- The government policy of laissez-faire, which led to insufficient regulation of the stock market and banks;
- the government policy of **protectionism**, which reduced America's trade with other countries;
- increased **debt**, partly due to new methods of borrowing at low interest rates;
- massive **speculation** on land and the stock market, leading to inflated share prices;
- A decline in confidence in the economy.

## How did Hoover respond? (Contrary to popular belief, he didn't do nothing')

- Hoover took some action to help industry.
- He introduced the Hawley-Smoot Act 1930, which increased tariffs by 50 per cent on imported manufactured items, aimed to help industry sell more home-produced goods.
- The reconstruction Finance Corporation (RFC) was established in 1932 which provided loans totaling \$1,500 million to rescue businesses, banks and insurance companies.
- Initially he cut taxes by \$130 million to stimulate investment, but in 1932 they were increased on businesses to help balance the budget.

## What we're the causes and consequences of the Wall St Crash and Depression.

**BIG PICTURE:** The economic prosperity of the 'Roaring Twenties' came to an end in October 1929.

**On Black Tuesday, 29 October, 16 million shares were sold on the stock market in Wall Street and the economy collapsed completely.**

**By 1930, America was in the Great Depression.**

## Focus on Hoover - Did Hoover's policies work?

- Industrial production continued to drop. It decreased by 45 per cent between 1929 and 1932.
- House-building fell by 92 per cent between 1929 and 1932.
- Businesses continued to go bankrupt, especially banks. From 1929 to 1932, 5,000 banks, which tended to be too small and unregulated, went out of business. In New York, 10,000 of the 29,000 manufacturing firms closed

**So not really !**

**Homelessness** soared: By 1932 over 250,000 people could not pay their mortgages. Those who fell behind with their mortgages or their rent were evicted. Most ended up either on the streets sleeping on park benches or living in Hoovervilles **Reliance on charity and relief schemes escalated** Many state governments went bankrupt. Hoover eventually had to lend billions of federal monies to them in 1932 to fund public works schemes.

## Consequences for businesses and banking

The crash brought financial ruin for many businessmen and financiers.

**HEADLINES!** America's GNP **dropped** by almost 50 per cent. Car production fell by 80 per cent and building construction by 92 per cent.

Firms went bankrupt. Between 1929 and 1932 109,371 businesses failed. Some businessmen committed suicide.

## BANKS COLLAPSED

659 banks closed in 1929. This increased to 2,294 in 1931. They collapsed because people withdrew their savings for fear of losing money. Their closures, in turn, led to the remainder of savers losing their cash as well.

Those banks which remained refused loans to struggling firms, leading to bankruptcies.

People who bought "on the margin" were also in debt

People could no longer buy consumer goods, such as cars and clothes. As a result, workers were made redundant.

**Unemployment rose to 25 per cent of the national workforce**

**(14 million people).**