

Section 3

Hoover Responds to the Depression

Guide to Reading

Big Ideas

Government and Society President Hoover's ideas about government shaped his response to the Great Depression, making the government slow to respond.

Content Vocabulary

- public works (p. 412)
- relief (p. 414)
- foreclose (p. 415)

Academic Vocabulary

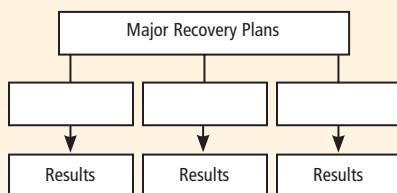
- series (p. 412)
- community (p. 413)

People and Events to Identify

- Reconstruction Finance Corporation (p. 413)
- Bonus Army (p. 415)

Reading Strategy

Categorizing As you read about Herbert Hoover's response to the Depression, create a graphic organizer listing his major initiatives and their results.



President Hoover tried to fix the economy by providing loans to banks and corporations and by starting public works projects. Later, he reluctantly supported direct aid to impoverished families. By the early 1930s, more Americans were demanding the government's help.

Promoting Recovery

MAIN Idea Hoover encouraged businesses to stop laying off workers and created public works projects.

HISTORY AND YOU What efforts would you have taken to help the economy if you had been president? Read about the public works efforts of the early 1930s.

On Friday, October 25, 1929, the day after Black Thursday, President Herbert Hoover declared that "the fundamental business of the country . . . is on a sound and prosperous basis." On March 7, 1930, he told the press that "the worst effects of the crash upon employment will have passed during the next sixty days." Critics derided his optimism as conditions worsened. Hoover, however, hoped to downplay the public's fears. He wanted to avoid more bank runs and layoffs by urging consumers and business leaders to make rational decisions. In the end, Hoover's efforts failed to inspire the public's confidence, and the economy continued its downward slide.

President Hoover believed that the American system of "rugged individualism" would keep the economy moving. He felt that the government should not step in to help individuals out. After World War I, many European countries had implemented a form of socialism, which Hoover felt contributed to their lack of economic recovery. In 1922 Hoover had written a book, *American Individualism*, which presented arguments for why the American system of individualism was the best social, political, spiritual, and economic system in the world. Thus, it was difficult for Hoover to propose policies that had the government taking more control.

Despite his public statements that the economy was not in trouble, Hoover was worried. To devise strategies for improving the economy, he organized a **series** of conferences, bringing together the heads of banks, railroads, and other big businesses, as well as labor leaders and government officials.

Industry leaders pledged to keep factories open and to stop slashing wages. By 1931, however, they had broken those pledges. Hoover then increased the funding for **public works**, or government-financed building projects. The resulting construction jobs were intended to replace some of those lost in the private sector.

Can Hoover Fight the Depression?



▲ While the Democratic Party donkey marches outside singing old songs, Hoover tries to deal with economic problems caused by high tariffs, depression and drought.



▲ Herbert Hoover reassures a farmer his scarecrow labeled farm relief will help.

Analyzing VISUALS

1. **Analyzing** What does the cartoon on the right suggest about Hoover's plan to help farmers?
2. **Analyzing** How are Hoover and the Democrats portrayed in the cartoon on the left?

Public works projects did create some jobs but for only a small fraction of the millions who were unemployed. The government could create enough new jobs only by massively increasing government spending, which Hoover refused to do.

Someone had to pay for public works projects. If the government raised taxes to pay for them, consumers would have less money to spend, further hurting already struggling businesses. If the government kept taxes low and ran a budget deficit instead—spending more money than it collected in taxes—it would have to borrow the money. Borrowing would mean less money available for businesses to expand and for consumer loans. Hoover feared that deficit spending would actually delay an economic recovery.

As the 1930 congressional elections approached, most Americans felt threatened by rising unemployment. Citizens blamed the party in power for the ailing economy. The Republicans lost 49 seats and their majority in the House of Representatives; they held on to the Senate by a single vote.

Trying to Rescue the Banks

To get the economy growing again, Hoover focused on expanding the money supply. The government, he believed, had to help banks make loans to corporations, which could then expand production and rehire workers.

The president asked the Federal Reserve Board to put more currency into circulation, but the Board refused. In an attempt to ease the money shortage, Hoover set up the National Credit Corporation (NCC) in October 1931. The NCC created a pool of money that allowed troubled banks to continue lending money in their **communities**. This program, however, failed to meet the nation's needs.

In 1932 Hoover requested Congress to set up the **Reconstruction Finance Corporation** (RFC) to make loans to businesses. By early 1932 the RFC had lent about \$238 million to approximately 160 banks, 60 railroads, and 18 building-and-loan organizations. The RFC was overly cautious, however. It failed to increase its lending sufficiently to meet the need, and the economy continued its decline.

Direct Help for Citizens

From the start, Hoover strongly opposed the federal government's participation in **relief**—money given directly to impoverished families. He believed that only state and local governments should dole out relief. Any other needs should be met by private charity, not by the federal government. By the spring of 1932, however, state and local governments were running out of money, and private charities lacked the resources to handle the crisis.

That year, political support for a federal relief measure increased, and Congress passed the Emergency Relief and Construction Act in July. Reluctantly, Hoover signed the bill. The new act called for \$1.5 billion for public works and \$300 million in emergency loans to the states for direct relief. For the first time in United States history, the federal government was supplying direct relief funds, although governors of the states had to apply for the loans. By this time, however, the new program could not reverse the accelerating collapse.

Reading Check **Summarizing** Why did Hoover oppose a federal relief program?

In an Angry Mood

MAIN Idea Farmers, veterans, and others who were suffering grew frustrated and demanded the government do something to help.

HISTORY AND YOU Have you ever felt strongly enough about an issue to take part in a protest? Read what happened when veterans of World War I demonstrated in Washington, D.C., in 1932.

In the months after the Wall Street crash, most Americans were resigned to bad economic news. By 1931, however, many people were becoming increasingly discontent.

Hunger Marches and Protests by Farmers

In January 1931 about 500 residents of Oklahoma City looted a grocery store. Crowds began showing up at rallies and “hunger marches” organized by the American Communist Party. On December 5, 1932, in Washington, D.C., a group of about 1,200 hunger marchers chanted, “Feed the hungry, tax the rich.” Police herded them into a cul-de-sac

PRIMARY SOURCE

An Angry Nation



◀ Hunger marchers march through White Plains, New York, on their way to the nation's capital in 1932.



▲ Angry at low prices, dairy farmers dump milk in an attempt to drive up prices and draw attention to their problems.



◀ On July 29, 1932, armed guards use tear gas and clubs to move Bonus Army marchers.

Analyzing VISUALS

DBQ

- Analyzing Visuals** What do you observe about the Bonus Army's attempt to defend itself?
- Speculating** How do you think poor and hungry people would have responded to the photo at top right?

Section 3 REVIEW

and denied them food and water, until some members of Congress insisted on the marchers' right to petition their government. They were then permitted to march to Capitol Hill.

The hungry poor were not the only people who began to protest conditions during the Depression. During World War I's agricultural boom, many farmers had heavily mortgaged their land to pay for seed, feed, and equipment. After the war, prices sank so low that farmers began losing money. Creditors **foreclosed** on nearly one million farms between 1930 and 1934, taking ownership of the land and evicting the families. Some farmers began destroying their crops, desperately trying to raise prices by reducing the supply. In Nebraska, farmers burned corn to heat their homes. Georgia dairy farmers blocked highways and stopped milk trucks, dumping the milk into ditches.

The Bonus Marchers

After World War I, Congress had enacted a \$1,000 bonus for each veteran, to be distributed in 1945. In 1931 Texas congressman Wright Patman introduced a bill that would authorize early payment of these bonuses. In May 1932 several hundred Oregon veterans began marching to Washington to lobby for passage of the legislation. As they moved east, other veterans joined them until they numbered about 1,000. Wearing ragged military uniforms, they trudged along the highways or rode the rails, singing old war songs. The press termed the marchers the **"Bonus Army."**

Once in Washington, the marchers camped in Hoovervilles. More veterans joined them until the Bonus Army swelled to 15,000. President Hoover acknowledged the veterans' right to petition but refused to meet with them. When the Senate voted down the bonus bill, veterans outside the Capitol began to grumble. Many returned home, but some marchers stayed on. Some squatted in vacant buildings downtown.

In late July, Hoover ordered the buildings cleared. The police tried, but when an officer panicked and fired into a crowd, killing two veterans, the city government called in the army. General Douglas MacArthur ignored Hoover's orders to clear the buildings but to leave the camps alone. MacArthur sent in cavalry, infantry, and tanks to clear the camps.

Soon unarmed veterans were running away, pursued by 700 soldiers. The soldiers tear-gassed stragglers and burned the shacks. National press coverage of troops assaulting veterans further harmed Hoover's reputation and hounded the president throughout the 1932 campaign.

Although Hoover failed to resolve the economic crisis, he did more than any prior president to expand the federal government's economic role. The Reconstruction Finance Corporation was the first federal agency created to stimulate the economy during peacetime. The rout of the Bonus Army marchers and the lingering Depression, however, tarnished Hoover's public image.

Reading Check **Evaluating** How did Americans react as the Depression continued?

Vocabulary

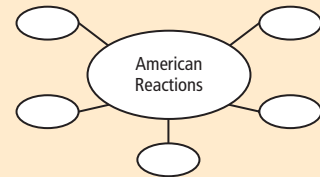
1. **Explain** the significance of: public works, Reconstruction Finance Corporation, relief, foreclose, Bonus Army.

Main Ideas

2. **Identifying** What two major strategies did President Hoover use to promote economic recovery?
3. **Explaining** What did World War I veterans do to try to get their service bonuses early?

Critical Thinking

4. **Big Ideas** How did President Hoover's philosophy of government guide his response to the Depression?
5. **Organizing** Use a graphic organizer similar to the one below to list American reactions to the Great Depression.



6. **Analyzing Visuals** Look at the photo of the Hunger Marchers on page 414. How would you compare their approach and style to protestors today?

Writing About History

7. **Persuasive Writing** Imagine that you are a World War I veteran in 1931. Write a persuasive letter to your congressperson explaining why you need your bonus now, not in 1945.

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Causes of the Depression

Long-Range Causes

- Uneven distribution of wealth ensures that many consumers do not have enough income to purchase the goods being produced.
- Interest rates are kept too low by the Federal Reserve, which encourages businesses to borrow money and to expand production beyond market demand.
- Overproduction by business eventually floods the market with goods that cannot be sold. Businesses begin laying off workers and shutting down production.

Immediate Causes

- People and businesses borrow money to invest in the stock market; speculation drives stock prices too high and when they collapse, many people lose all of their money, and many banks collapse when loans are not repaid.
- As companies lay off workers, demand for goods falls as workers lack the income to purchase goods being produced. This in turn causes even more layoffs and a cyclical effect sets in, driving up unemployment.
- In order to protect American companies from competition, Congress raises tariffs. When other countries respond in kind, foreign demand for American goods falls, further hurting American companies.



▲ A New York paper trumpets the stock crash. To raise cash to pay their stock debts, people began selling anything of value, including this car.



▲ Shantytowns appeared in many cities during the Depression as homelessness and unemployment rose.

Effects of the Depression

- Unemployment rises to record levels.
- Many people, unable to pay their debts, lose their homes and farms; the homeless create shantytowns, nicknamed Hoovervilles, on the edges of cities.
- Hunger marches, protests by farmers, and marches by veterans seeking their bonuses indicate growing anger among the population at economic conditions.
- The Republican Party rapidly loses political support, enabling the Democrats to take control of Congress.
- The federal government, for the first time, begins providing direct relief to citizens in need.
- Forms of entertainment, including movies, radio shows, and comic books, focus on distracting people from their daily lives.

STANDARDIZED TEST PRACTICE

TEST-TAKING TIP

If you are not sure of the answer, try to narrow the options. First, eliminate any choices that you know are clearly wrong. Then, if necessary, make a guess among the remaining choices.

Reviewing Vocabulary

Directions: Choose the word or words that best complete the sentence.

- In the late 1920s, many investors engaged in speculation, or purchasing stock
 - after considering a company's earnings and profits.
 - and quickly selling the stock for a profit.
 - by borrowing money from a stockbroker.
 - to invest long-term in the future of the company.
- The Democratic Party's first Roman Catholic candidate for president was
 - Alfred E. Smith.
 - Franklin Delano Roosevelt.
 - Herbert Hoover.
 - Calvin Coolidge.
- A _____ most often traveled by hopping a railroad car.
 - photographer
 - journalist
 - novelist
 - hobo
- President Hoover opposed _____, or giving money directly to needy families.
 - foreclosure
 - relief
 - public works
 - unionization

Reviewing Main Ideas

Directions: Choose the best answers to the following questions.

Section 1 (pp. 400–405)

- One of the major problems with the stock market in the late 1920s was the number of people who bought stocks
 - on margin, with borrowed money.
 - in companies that they supported.
 - only after carefully studying a company's history.
 - without knowing their stockbroker's reputation.
- Which of the following was a root cause of the Great Depression?
 - prohibiting the sale of alcohol
 - giving women the right to vote
 - uneven distribution of income
 - the end of federal control of banks
- Herbert Hoover won the 1928 election in a landslide, in part because of
 - fears of another world war.
 - prosperity under Calvin Coolidge.
 - having been vice president.
 - his support for unions.

Section 2 (pp. 406–409)

- Drought and _____ brought about the conditions that caused the Dust Bowl.
 - overgrazing at large cattle farms
 - the near-extinction of the buffalo
 - famine
 - poor farming practices

Need Extra Help?

If You Missed Questions . . .	1	2	3	4	5	6	7	8
Go to Page . . .	401	400	406	414	400–401	404–405	400	407

GO ON 

Chapter 11

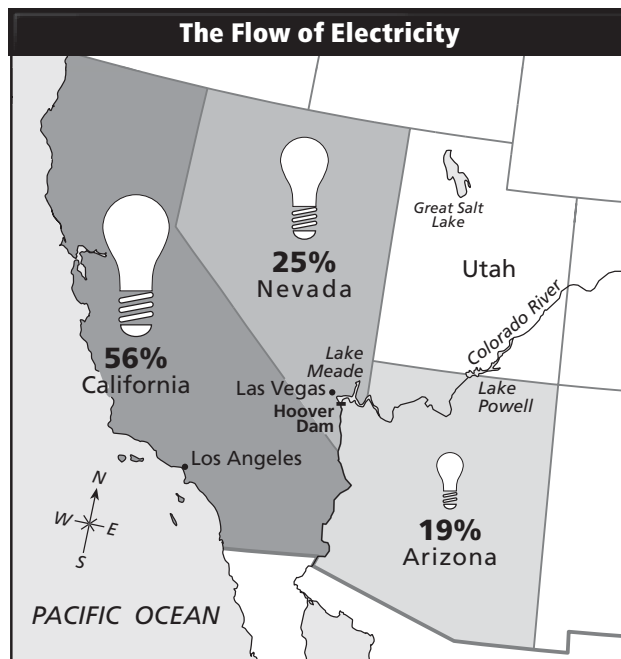
9. The people who lost their homes in the Great Depression sometimes lived
- A in shantytowns.
 - B in roadside motels.
 - C on the lawn of the U.S. Capitol.
 - D in public libraries opened to them.
10. Despite the poverty of the 1930s, more than 60 million people went to the movies weekly. Why were movies so popular?
- A The special effects used in movies then were amazing.
 - B People could not get over the fact that actors talked.
 - C Movies offered an escape from viewers' hard lives.
 - D Theaters were air conditioned and offered free popcorn.

Section 3 (pp. 412–415)

11. Hoover was slow to respond to the economic crisis because he opposed
- A all public works projects.
 - B deficit spending.
 - C investing in stocks.
 - D private charities.
12. How did American citizens respond to the Great Depression in the 1930 midterm election?
- A by reelecting Hoover
 - B by electing socialist candidates
 - C by staying away from the polls
 - D by electing Democrats
13. What was Hoover's response to the Bonus Army marchers who came to Washington, D.C.?
- A He ordered them to be paid their bonuses.
 - B He had the army remove them.
 - C He visited them and listened to them.
 - D He set up soup kitchens to feed them.

Critical Thinking

Base your answers to questions 14 and 15 on the map below and on your knowledge of Chapter 11.



Directions: Choose the best answers to the following questions.

14. The federal government began building Hoover Dam in 1931. What body of water was it designed to control?
- A the Pacific Ocean
 - B Lake Powell
 - C the Great Salt Lake
 - D the Colorado River
15. Which state benefited most from the hydroelectric power of Hoover Dam?
- A Utah
 - B California
 - C Nevada
 - D Arizona

Need Extra Help?

If You Missed Questions . . .	9	10	11	12	13	14	15
Go to Page . . .	406	408–409	412–414	413	415	R15	R15



16. Why did writers such as John Steinbeck use fiction to draw attention to the Great Depression?
- A Readers could be sympathetic to the characters' situations.
 - B Writing fiction meant the authors didn't have to do any research.
 - C Nonfiction sales had dropped during the 1920s.
 - D Publishers weren't interested in true accounts of national events.

Analyze the cartoon and answer the question that follows. Base your answer on the cartoon and on your knowledge of Chapter 11.



17. What does the cartoon reveal about the character?
- A The man was careless with his money.
 - B He saved his money so it would be there in hard times but lost it through no fault of his own.
 - C The man should have purchased stocks and bonds rather than put his money in the bank.
 - D The man should be more prepared by storing his money under his mattress.

Document-Based Questions

Directions: Analyze the document and answer the short-answer questions that follow the document.

Gordon Parks, who later became a famous photographer, was a young man when the stock market crashed in 1929:

"The newspapers were full of it, and I read everything I could get my hands on, gathering in the full meaning of such terms as Black Thursday, deflation and depression. I couldn't imagine such financial disaster touching my small world; it surely concerned only the rich. But by the first week of November I too knew differently; along with millions of others across the nation, I was without a job. All that next week I searched for any kind of work that would prevent my leaving school. Again it was, 'We're firing, not hiring.' 'Sorry, sonny, nothing doing here.' Finally, on the seventh of November I went to school and cleaned out my locker, knowing it was impossible to stay on. A piercing chill was in the air as I walked back to the rooming house. The hawk had come. I could already feel his wings shadowing me."

—from *A Choice of Weapons*

18. Why did Parks at first think he was safe from the effects of the stock market crash? What changed his mind?
19. Why do you think Parks used the image of a hawk to express his feelings about the Great Depression?

Extended Response

20. Write an essay that analyzes the following quote from John Steinbeck's novel *The Grapes of Wrath*. "If you're in trouble or hurt or need—go to poor people. They're the only ones that'll help." Based on your knowledge of the Great Depression, indicate whether you believe the quote to be true or false and why. Support your answer with relevant facts and details.

STOP

History  **ONLINE**

For additional test practice, use Self-Check Quizzes—Chapter 11 at glencoe.com.

Need Extra Help?

If You Missed Questions . . .	16	17	18	19	20
Go to Page . . .	409	R18	402–404	402–404	406–409