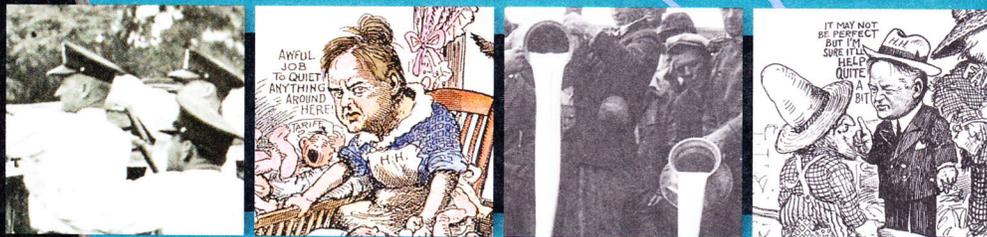


There's More Online!

- ✓ IMAGE Bonus Army
- ✓ IMAGE Milk Protest
- ✓ VIDEO Hoover's Response to the Depression
- ✓ INTERACTIVE SELF-CHECK QUIZ



LESSON 3

Hoover's Response to the Depression

ESSENTIAL QUESTIONS • What causes changes in the economy over time? • How do depressions affect societies?

Reading HELPDESK



Academic Vocabulary

- series
- community

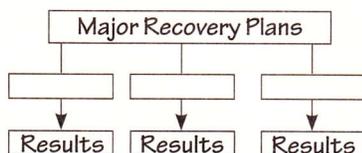
Content Vocabulary

- public works
- foreclose
- relief

TAKING NOTES:

Key Ideas and Details

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



IT MATTERS BECAUSE

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

GUIDING QUESTION How did President Hoover's governing philosophy influence his efforts to combat the Great Depression?

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 hoped to downplay the public's fears and to avoid more bank runs and layoffs. He urged 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.

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

Despite public statements that the economy was not in trouble, Hoover was worried. He organized a **series** of conferences, bringing together heads of banks, railroads, and other big businesses, as well as labor leaders and government officials to strategize about solutions.

Historians debate whether Hoover's intervention after the stock market crash was too much or insufficient, premature, or tardy. It has been argued that Hoover's actions were responsible for the length of the Depression. Would you agree or disagree? Review the steps Hoover took to promote recovery and evaluate their effects, noting whether they were too severe or weak, or too early or late.

series a number of events that come one after another

public works projects such as highways, parks, and libraries built with public funds for public use

community people with common characteristics living in the same area

relief aid in the form of money or supplies for those in need

Industry leaders pledged to keep factories open and to stop slashing wages, but by 1931, they had broken those pledges. Hoover increased funding for **public works**, or government-financed building projects. The resulting construction jobs employed a small fraction of the millions of unemployed. The only way the government could create enough new jobs was through massive spending, which Hoover refused to do.

Someone had to pay for public works projects. If the government raised taxes, consumers would have less money to spend, hurting business. If the government kept taxes low and ran a budget deficit—spending more than it collected—it would have to borrow money, making less available for loans. As the 1930 congressional elections approached, most Americans 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, Hoover wanted to increase the money supply to help banks make loans to corporations. They could then expand production and rehire workers. The president asked the Federal Reserve Board to put more currency into circulation, but the Board refused. 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 banks, railroads, and building-and-loan associations. Overly cautious, the RFC failed to increase its lending sufficiently. The economy continued its decline.

Direct Help for Citizens

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, with any other needs being met by private charity. 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.

Support for a federal relief measure increased, and Congress passed the Emergency Relief and Construction Act in July. Reluctantly, Hoover signed it.

CAN HOOVER FIGHT THE DEPRESSION?

POLITICAL CARTOONS



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.

Like any president during a crisis, Hoover's actions were debated in the press.

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

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 American history, the federal government was supplying direct relief funds. By this time, however, the new program could not reverse the damage that had been done.

✓ READING PROGRESS CHECK

Identifying What two major strategies did President Hoover use to promote economic recovery?

In an Angry Mood

GUIDING QUESTION Why did citizens try to change government policy during the Depression's early years? How did they change it?

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

Hunger Marches and Protests by Farmers

In January 1931, about 500 residents of Oklahoma City looted a grocery store. The following month, hundreds of unemployed citizens smashed the windows of a Minneapolis grocery store and helped themselves to meat, produce, and canned goods. 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 and denied them food and water. Some members of Congress insisted on the marchers’ right to petition their government. With that, the marchers made their way to Capitol Hill.

The hungry poor were not the only people who began to protest conditions during the Depression. During the agricultural boom that took place during World War I, many farmers had heavily mortgaged their land to pay for seed, equipment, and feed. After the war, prices sank so low that farmers began losing money. Creditors **foreclosed** on nearly one million farms between 1930 and 1934. They took ownership of the land and evicted 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.

foreclose to take possession of a property from a mortgagor because of defaults on payments

Farmers protest low dairy prices by destroying supply.

► CRITICAL THINKING

Analyzing Primary Sources How do you think poor and hungry people might have responded to this photo?



PHOTO: Bettmann/CORBIS

The Bonus Marchers

After World War I, Congress had enacted a \$1,000 bonus for each veteran, to be distributed in 1945. In 1929 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, D.C., to lobby for passage of the legislation. As they moved eastward, 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 veterans camped in Hoovervilles. More veterans joined them until the Bonus Army swelled to an estimated 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. In a statement, Hoover said, “Congress made provision for the return home of the so-called bonus marchers who have for many weeks been given every opportunity of free assembly, free speech and free petition to the Congress.” Many returned home, but some marchers stayed on. Some lived in the camps; others 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 secretary of war asked if he could send in army troops. 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 some 700 soldiers. The soldiers teargassed stragglers and burned the shacks. National press coverage of troops assaulting veterans further harmed Hoover’s reputation and hounded him 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 role in the economy. 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 PROGRESS CHECK

Identifying Between 1931 and 1932, what federal government programs and acts were created to promote economic recovery, and what was each intended to do?



Guards clash with Bonus Army marchers.

CRITICAL THINKING

Interpreting What do you observe about the Bonus Army’s attempt to defend itself?

PHOTO: New York Daily News/Getty Images

LESSON 3 REVIEW



Reviewing Vocabulary

- Evaluating** What was the purpose of the increased funding to public works?
- Summarizing** Why did creditors foreclose on so many farms during the Depression?

Using Your Notes

- Analyzing** Use the notes that you completed during the lesson to explain why the strategies that the Hoover administration used were successful or not successful.

Answering the Guiding Questions

- Assessing** How did President Hoover’s governing philosophy influence his efforts to combat the Great Depression?
- Describing** Why and how did citizens try to change government policy during the Depression’s early years?

Writing Activity

- ARGUMENT** Suppose that you are a World War I veteran in 1932. Write a persuasive letter to your congressman explaining why you need your bonus now, not in 1945.