NOTES ON THE TWENTIES AND THE GREAT DEPRESSION:

“We in America today are nearer to the final triumph over poverty than ever before in the history of any land. We shall soon be in sight of the day when poverty will be banished from this nation”

Herbert Hoover, 1928

After WW I, American businessmen reached many of the goals they had been seeking for fifty years. They crushed organized labor, perfected the machinery of industrial production, and made the federal government an ally in the pursuit of corporate profit and economic growth.

Oligopolistic arrangements helped corporations tame excess competition in many industries, and the growth of mass consumption created new and rapidly growing markets. The mass media played a role in the transformation of the society by helping to create not only new consumer demands but also a mass culture at odds with many American traditions.

Rising agricultural production worldwide forced many rural people to move to cities, where a new system of mortgage financing made it possible for many Americans to buy new homes for the first time. For those fortunate enough to be employed in dynamic economic sectors, living standards improved during the 1920s, particularly as consumer credit brought cars, refrigerators, washing machines, and vacuum cleaners within reach.

The rapid growth of mass production, mass consumption and mass culture planted the seeds of a new social order that was to flower after WW II. But during the 1920s, the economy had a fatal weakness: industry’s productive capacity far outstripped the American people’s ability to consume. The problem was easiest to see in agriculture and mining, where hundreds of thousands of farms and mines had to be abandoned for lack of markets. Even in the heart of the mass-production, mass-consumption economy, workers’ wage increases trailed far behind corporate profits.

Until the stock market crashed in 1929, most Americans were oblivious to these structural faults. But in the bleak years that followed, many Americans questioned whether the promises of the new era would ever realized as long as business so totally dominated the government and the economy.

THE DUST BOWL OF THE 1930s: The depression was a greater economic catastrophe than any that Americans had experienced before. National income dropped from $88 billion in 1929 to $40 billion in 1933. Between 1929 and 1932, 5,000 banks failed, and 85,000 businesses went under. In 1933, the unemployment rate hit 25%.

Nature combined with human practice to make the situation even worse in an area about 150,000 square miles in southwestern Kansas, southeastern Colorado, northeastern New Mexico, and the Oklahoma and Texas panhandles. This region of low annual rainfall was devastated by drought between 1933 and 1939. Until WW I, stock raising dominated the agricultural activity of the region, but as the was drove up grain prices, farmers were encouraged to plow up millions of acres of grassland in order to plant winter wheat. During the drought much of the region’s topsoil, no longer anchored by the complex root system of the grasses, was picked up and carried away by wind. The resulting dust storms were so severe that roads
and fences were covered, houses and barns were buried, and clouds from the storms were visible hundreds of miles away.

In 1933, in an effort to help farmers and stimulate the economy, the New Deal administration of FDR, passed the first Agricultural Adjustment Act, establishing a system of government price supports for agricultural commodities tied to reduction in crop production. The AAA paid landowners to hold crops off the market, but it failed to take into account the tenants of the often absentee landowners. Seizing the unforeseen opportunity, many landowners took government payments, purchased farm machinery, and got rid of their tenants. One man with a tractor could farm the land much more cheaply than several tenant families using horses or mules. The tenants were “tractored out”—forced off the land to join the widening stream of migrants looking for work. Pummeled by the drought, the dust and evictions, some 400,000 people left their homes in Oklahoma, Texas, Arkansas and Missouri and headed west.

**A Portrait of Depression**

---By the late 1920s, the markets for many of the new products that stimulated the economy after the Great War were saturated.
---As excess capacity, competition and rising wages lowered the rate of profit in goods production, investors grew reluctant to put more money into industries that would yield only diminishing returns. Many turned instead to short-term, highly speculative investments, hoping to reap quick windfall profits.
---The stock market was the main focus of speculative mania. Investors bought stock on margin, i.e. there gave their brokers only 10% of the cost of the stock they bought. With optimism shattered, the value of stocks fell from $87 billion in 1929 to just $18 billion for the same stocks in 1933.
---The stock market crash shattered public confidence.
---Individuals reduced their purchases----investors curtailed their investments.
---The major weakness was underconsumption. The primary culprit was the extremely uneven distribution of income and wealth, resulting from low wages (weak labor) and “soak the poor” tax policies.
---The stock market crash affected relatively few people because few workers owned any stock but in a few weeks the process of stagnation spread.
---Between October and December, the number of unemployed workers jumped from fewer than 500,000 to over 4 million---------by the spring of 1933, 15 million were out of work---------nearly one in three wage earners-----millions more were under-employed.
---Average real wages fell 16% in two years.
---GNP—the sum of all the goods and services produced in the country—fell 29% between 1929 and 1933.
---Construction was down 78%---- manufacturing 54%----steel operated at 12% capacity.
---So many men sold apples that the Bureau of the Census classified apple-sellers as employed.
---The depression devastated agriculture----hundreds of thousands declared bankruptcy. When they stopped paying off their loans, hundreds of rural banks failed---this spread to the cities----by 1931, 5,000 banks had closed their doors, wiping out 9 million savings accounts.