

BBC Bitesize

NARRATOR: After World War One, America is enjoying a period of prosperity.

But wealth is not spread evenly, and society is deeply divided by discrimination based on race, gender, and immigration status.

Republican Herbert Hoover becomes president in 1928, by appealing to those who have gained the most during the economic boom, by promising continued economic growth.

Those with extra money in their pockets are willing to spend it, buying luxury items like washing machines and cars.

Mail order catalogues make shopping more accessible for more people. Including immigrants and African Americans, who want to avoid the segregation and poor treatment they endure in shops.

Meanwhile, more and more Americans are investing their money by buying small slices of companies known as shares through the stock market, hoping that the company grows, giving them an increased share of its profits.

Speculators do the same thing, but on a larger scale. They borrow from banks and invest that money in the stock market, hoping to turn a quick profit.

In response to rising demand, factories are overproducing goods, making them faster than they can sell them.

At the same time, high taxes placed on US goods entering foreign countries mean US companies struggle to sell their products internationally.

Some investors begin to question the strength of the economy and sell their shares. As word of the sell-off spreads, stock prices tumble and shares sell for less than they were bought, leaving investors unable to repay their loans.

Thursday the 24th of October 1929 or 'Black Thursday' sees, what was then, the largest sell-off of shares in American history leading to the Stock Market Crash, better known as the Wall Street Crash.

This prompts banks to ask businesses to repay their loans in full. Unable to do so, many businesses become bankrupt and fold, costing people their jobs.

All helping to trigger 'The Great Depression'.

Unable to collect the loans, banks don't have enough cash to pay people who want to withdraw their money, spreading panic as people fear losing their life savings. Many banks are forced to close.

Making matters worse, the already struggling agricultural sector is hit hard too, as food exports decline, and drought and wind erosion destroy farmland.

Three years after the crash, nearly 25% of the workforce is unemployed, and average wages have fallen.

People look to their leaders for help, but the Republican government led by Hoover continues to take a hands-off or 'laissez faire' approach.

The action they do take is too little, too late. And in 1930, when Hoover attempts to help US companies by increasing import taxes on international goods, it backfires. Other countries do the same to US goods, which leads to even less international trade.

For the majority of Americans, life during the depression is very difficult. Large numbers of people are homeless and unemployed.

People are angry and have had enough of 'laissez-faire'.
Protests are on the rise.