

BBC Bitesize GCSE History – The USA in the 20th century

Episode 6 - The Wall Street Crash and the Great Depression

Announcer: BBC Sounds, music, radio, podcasts.

Katie: I'm Katie Charlwood.

Datshiane: And I'm Datshiane Navanayagam.

Katie: And this is Bitesize GCSE History.

Katie: So, Datshiane, if I said to you, "Wall Street lays an egg" would you have the tiniest glimmer of what it means?

Datshiane: Well, less a glimmer and more a ray of sunlight because it's one of the most famous headlines in American history from the Hollywood newspaper Variety. Laying an egg was American showbiz speak for failing badly. And failing badly is what happened when the American stock market crashed in 1929. And in this episode we're looking at the Wall Street Crash and the ensuing havoc it reeked.

Katie: So, keep your notebook or laptop to hand. You can stop and play back as much as you like.

Datshiane: Okay. So, the Wall Street Crash and the Great Depression. Let's consider the causes and then we'll move on to the consequences.

Katie: In the 1920s many ordinary Americans played the market buying and selling shares in new successful companies. So, by 1929, almost twenty million Americans owned shares. People sometimes borrowed from the banks to finance these investments.

Datshiane: Now the why. Why did everything go wrong in October 1929? Because it had been working throughout the decade hadn't it?

Katie: Well, yes. But there were stress points and weaknesses in the economy. Inequality of wealth, another theme of this series, was one. Not all Americans could afford the mass-produced consumer goods. Factories were making goods faster than they could sell them.

Datshiane: And profits began to fall.

Katie: Other countries were imposing tariffs on American imports. Remember the USA had been doing the same to encourage people to buy American.

Datshiane: The flip side though meant that American companies were struggling to sell abroad because their products cost more.

Katie: So, when factories couldn't sell all their consumer goods they cut jobs setting in motion a vicious cycle meaning even fewer people had money to buy and factories cut more jobs. Unemployment started to rise.

Datshiane: As demand fell for consumer goods, traditional industries like building ships and railways were stagnant or in decline. Farming was hit by over-production with tariffs on American grain with more job losses. Prohibition made things even worse since grain was no longer needed to distil whisky that was now banned.

Katie: And rising debt was a problem. Credit helped feed the boom, but people couldn't always pay back what they owed.

Datshiane: Another factor was the laissez-faire strategy of the Government under three Republican presidents. Banks were unregulated and reckless with loans.

Katie: So, they did not have the capital to cover a rush for cash.

Datshiane: And borrowers couldn't repay them as the value of their shares plummeted.

Katie: And there were also short-term factors that helped trigger the crash.

Datshiane: So, share prices rose after President Herbert Hoover was elected on his promise to increase tariffs on imports to encourage Americans to buy home-produced goods. This was considered sound economic policy by some. But other economists and manufactures like car magnate Henry Ford disagreed because of retaliatory measures from other countries. After the Senate blocked the increase, share prices fell.

Katie: Worrying about share value prompted people to sell in September 1929.

Datshiane: Soon it was sell, sell, sell.

Katie: And word spread about falling profits in leading companies.

Datshiane: More and more people started to panic sell shares creating a downward spiral in value.

Katie: Then, on 24th October thirteen million shares were sold on the New York Stock Exchange. Some investors called it Black Thursday, while others called it The Crash.

Datshiane: But, it didn't stop there. Five days later on Tuesday 29th October sixteen million shares were sold.

Katie: And the economy collapsed.

Datshiane: People rushed to draw their money out of failing banks before it was too late.

Katie: But it was for many. The boom had bust.

Datshiane: And just like that in the final months of the decade the roaring twenties came to an end with a bang.

Katie: Time to check in with our time travelling Bitesize GCSE History reporter Kitty at the New York Stock Exchange in 1929.

Kitty: Today is a day that will go down in history as Black Thursday. A staggering thirteen million shares have been sold on the New York Stock Exchange and the panic is palpable as investors scramble to salvage their fortunes. 'I'm not a crook. I'm just trying to keep my business alive!' exclaimed one desperate trader reflecting the fears gripping Wall Street. The situation has spiralled out of control and now that people are selling out of panic it's triggered a massive crash. Standing outside the exchange the cries of traders echo in the air. And the mood has shifted to despair in a matter of hours. The impact of this crash cannot be underestimated. Hundreds of banks will fail leaving hundreds of thousands of customers without their savings. This calamity is a stark reminder that the glittering facade of prosperity can crumble in an instant. As the Stock Market trembles, the nation braces for what lies ahead. This is Kitty reporting for Bitesize History. Back to the studio.

Datshiane: Thanks, Kitty. Let's consider the consequences of the Wall Street Crash on people's lives.

Katie: Some people tried to repay bank loans by selling off anything of value they owned. People who couldn't pay rent were out on the street. Many who couldn't pay their mortgage were evicted. Some ended up living in dwellings on waste ground made out of boxes, scrap metal and cloth. These makeshift settlements were called Hoovervilles, mockingly named after President Hoover.

Datshiane: We can use newspapers as another source. From the Santa Ana Register to the Milwaukee Leader headlines screamed, 'Billions lost as stocks crash.'

Katie: Urban and rural Americans were affected. Staff in banks that closed lost their jobs.

Datshiane: Unemployed workers travelled the country looking for work.

Katie: Farmers were hit. They had bought shares or had taken out bank loans to modernise their farms.

Datshiane: Bank closures left some with huge debts. Many went bankrupt and had their farms forfeited when they couldn't repay.

Katie: Only wealthy landowners went mostly unscathed.

Datshiane: America woke up to misery and hardship on a grand scale.

Katie: Letters asking for help are a good source to show how families struggled.

Datshiane: In one, a seventeen-year-old girl from Buffalo wrote to the President's wife saying she had to leave school because she didn't have any clothes to wear. The teenager goes on to say, 'My father is working and making a little money but we are barely living. I've looked for work every day but I don't seem to have any luck. I'm still wearing my summer coat and I have a very bad cold. All I'm asking for is a few dresses and a winter coat.'

Datshiane: President Hoover of the Republican Party thought America would recover through people's own efforts rather than government help.

Katie: He did help businesses and farms but only a few years after the Depression had taken its toll.

Datshiane: Violence and protest erupted.

Katie: Some farmers even saw off government officials with guns and pitch forks when they'd come to evict them.

Datshiane: Unemployed veterans staged a Bonus March in Washington DC to ask for their First World War bonuses early. The army chased them away in tanks.

Katie: And by the end of 1932, the country had a new President. Franklin Delano Roosevelt also known as FDR and a new approach with his New Deal policies.

Datshiane: In this section, press pause if you need to and take notes because there's lots of information coming up. FDR's New Deal was strongly interventionist unlike the Republican president's laissez-faire style of government.

Katie: In the first 100 days of the new FDR Presidency more action was taken to end the Depression than since its onset.

Datshiane: The new programme covered three key methods of responding to the impact of the Depression: relief, recovery and reform. These were designed to help farmers and rural communities, businesses and workers, unemployed people and the homeless.

Katie: New organisations, nicknamed the Alphabet Agencies as they were known by their initials, were set up to work with different sectors.

Datshiane: Credit was extended by the AAA Agency. Farmers were also paid to produce less to inflate prices and earn more.

Katie: The agencies gave loans to people still struggling to pay the mortgage on their homes.

Datshiane: They provided employment to millions in construction work like schools and airports and dams for electric power stations including in the poorest areas like the Tennessee River Valley.

Katie: Another two and a half million conservation jobs for youngsters were created by the CCC Agency. And there was a voluntary scheme to encourage employers to pay fair wages.

Datshiane: 500 million dollars went to help homeless people.

Katie: The ailing banking sector was reformed.

Datshiane: FDR closed banks temporarily and he had them inspected and regulated. Only the well-run ones were allowed to reopen. These banks could in turn lend to businesses to start getting the economy moving again.

Katie: The programme axed Prohibition meaning the Government could start collecting tax from alcohol sales again.

Datshiane: Not every part of the New Deal was welcomed though. Wealthy people resented paying higher taxes to fund it.

Katie: Some business owners rejected new codes for fair conditions between employers and workers leading to strikes.

Datshiane: And the Supreme Court ruled the AAA Agency illegal along with new codes of practice for employers and measures to inflate food prices artificially to boost farmer's income.

Katie: If you want more information on these alphabet agencies you can find out more on the Bitesize website. Many Republicans were appalled by FDR's interventionism.

Datshiane: Other critics proposed going further. Radical politicians like Huey Long and other philanthropists called for the sharing out of wealth or earlier retirement to provide jobs for the young.

Katie: But FDR was re elected for a second term. His Second New Deal provided financial assistance to the most vulnerable, like orphans.

Datshiane: And its Wagner Act allowed workers to join a trade union. There was also help for sharecroppers to buy farmland and more public work schemes to create jobs.

Katie: The New Deal made important achievements. But it did have shortcomings.

Datshiane: Gross National Product, an index of economic health, rose steadily.

Katie: The number of banks failing fell sharply.

Datshiane: There were millions of new jobs but at least one in ten was out of work in the 1930s. And millions still remained in poverty.

Katie: But, the Second World War boosted the economy.

Datshiane: The American Government spent some two hundred and fifty million dollars a day. And the effects filtered down to ordinary people and businesses. There was almost full employment and wages increased.

Katie: The New Deal legacies were seen in future government programmes.

Datshiane: The New Frontier Project followed by the Great Society policies pursued the goal of eliminating poverty and inequality.

Katie: Okay. So, we have three quick questions to refresh the memory for you now and five seconds to write the answers down.

Datshiane: What was the major cause of the Wall Street Crash?

Katie: Over-speculation in the stock market.

Datshiane: Now when did the Wall Street Crash occur?

Katie: That was between the 24th and 29th October 1929.

Datshiane: And finally, what was the New Deal?

Katie: They were President Roosevelt's series of programmes of relief, recovery and reforms to rescue the USA from the Great Depression. Wow. This episode has been a roller coaster.

Datshiane: Okay but let's sum up the developments in brief.

Katie: In October 1929, the American Stock Market crashed.

Datshiane: Longer term factors included over-production of consumer goods and an unregulated banking sector.

Katie: And short term problems like loss of confidence in major companies and panic selling sent shares into a tailspin.

Datshiane: Two key dates saw billions wiped off share prices. Banks failed taking people savings with them. Many Americans also lost their jobs and homes in the Great Depression.

Katie: President Hoover's solution was mainly laissez-faire.

Datshiane: But, his successor Franklin D Roosevelt offered a New Deal covering loans, more jobs and emergency help for the homeless. Not all his measures were successful and some were opposed. Remember, there's more information on the Bitesize website.

Katie: And we're going to rock 'n' roll through our next episode.

Datshiane: On popular culture through the decades.

Katie: Can't wait!