

AP United States History

Economy Toward the Depression

- Herbert Hoover — 1928
 - Coolidge did not seek a re-election
 - A business millionaire, believed voluntary cooperation between business and government would abolish poverty + cause economic growth
 - Very anti-government involved in fighting poverty
- Stock Market Crash of 1929
 - Known as black Tuesday, market fell that October and kept falling until 1933, leading to depression
- Causes of Depression
 - Stock Market: brokers were allowed to buy on margin
 - Brokers purchased stocks based on future earnings, hoping the stock would pay back
 - Bank runs: People realize that money that doesn't exist doesn't exist
 - Democrats in Congress pass a high tariff (Hawley-Smoot) to protect US industry (highest in US History)
- Cycle of Depression (Economic that is)
 - Too much credit (people couldn't pay back loans)
 - Tremendous overproduction of goods which people could not afford to buy
 - Uneven distribution of income, especially farmers, who were already suffering
 - This led to underconsumption
- The Dust Bowl
 - Farmers who abandon their fields coupled with overproduction lead to loose topsoil: Dust storms are commonplace throughout central USA
- Hoover's Response
 - Voluntary non-coercive cooperation between big business and government
 - No government help for the poor, gives tax breaks in return for private sector investment
 - Mostly advocated for a return to laissez faire politics