Lesson 3  Hoover’s Response to the Depression

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

Reading HELPDESK

Content Vocabulary

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

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

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

Academic Vocabulary

series a number of events that come one after another

community people with common characteristics living in the same area
The Great Depression Begins, 1929-1932

TAKING NOTES: Categorizing

ACTIVITY Use the following graphic organizer to list programs Hoover started to help people during the Depression. Also list the results of the programs.

IT MATTERS BECAUSE...
President Hoover tried to fix the economy by giving loans to banks and large businesses. He also started public works projects. At first he was against giving direct aid to poor families. Later he reluctantly decided to support it. 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?

In the early days of the Great Depression, President Herbert Hoover believed the economy would quickly improve. As the hard times became even harder, people began to criticize him. Hoover hoped to downplay people’s fears. He did not want more bank runs and layoffs to happen. He asked consumers and business leaders to be reasonable and not to let fear guide their actions. But he did not make people feel confident that the economy would improve, and it continued to become worse.

Hoover believed that American “rugged individualism,” or Americans’ ability to rely on themselves, would keep the economy moving. He did not think the government should act directly to help people. After World War I, many countries in Europe had adopted a form of socialism. Hoover believed socialism kept European economies from improving as much as they could. In 1922 he had written a book called American Individualism in which he explained why he thought the American system of individualism was the best social, political, spiritual, and economic system. Thus, it was hard for him to support more government control.

Though Hoover publicly said the economy was not in trouble, privately he was worried. He organized a series of talks, bringing together heads of banks, railroads, and other big businesses. He also included labor leaders and government officials. He wanted the leaders to work together to find solutions to the country’s problems.

Industry leaders promised to keep factories open and to stop lowering salaries.
By 1931, however, they had broken their promises. Hoover increased funding for public works, or building projects paid for by the government, but they did not create enough new jobs. Millions of people were still out of work. To create enough new jobs, the government would have to spend a lot of money. Hoover did not want to do that.

Someone had to pay for public works projects. If the government raised taxes, consumers would have less money to spend. That would hurt business. If the government kept taxes low and ran a budget deficit—spending more than it collected—it would have to borrow money. That would make less money available for loans. As it became closer to the 1930 elections, most Americans blamed the bad economy on the Republicans. The Republicans lost 49 seats and their majority in the House of Representatives. They kept their Senate majority by one vote.

**Trying to Rescue the Banks**

To get the economy growing, Hoover wanted to increase the money supply to banks. This would help them make loans to corporations and other companies. The companies, in turn, could make more products and rehire workers. The president asked the Federal Reserve Board to make more money available, but the Board refused. To ease the shortage of money, Hoover set up the National Credit Corporation (NCC) in October 1931. The NCC set aside money for banks that were having money problems. The money helped the banks keep lending money in their communities. This program did not, however, meet the nation’s needs.

In 1932 Hoover asked Congress to set up the Reconstruction Finance Corporation (RFC). Its purpose was to make loans to businesses. By early 1932, the RFC had lent about $238 million to banks, railroads, and building-and-loan associations. However, the RFC was very cautious, and it did not increase lending enough. The economy kept getting worse.

**Direct Help for Citizens**

Hoover was very much against the federal government providing relief—money given directly to poor families. He believed that only state and local governments should give relief. Any other needs, he felt, should be filled by private charity. By the spring of 1932, however, state and local governments were running out of money. Private charities did not have enough money either. Too many people needed help.

Support for federal relief increased. That July, Congress passed the Emergency Relief and Construction Act. Hoover reluctantly signed the bill. The new act called for $1.5 billion for public works and for $300 million in emergency loans to the states for direct relief. For the first time in U.S. history, the federal government was giving money for direct relief. By this time, however, the new program could not undo the damage that had been done.

**PROGRESS CHECK**

**Identifying** What two major strategies did President Hoover use to promote economic recovery?
The Great Depression Begins, 1929-1932

In an Angry Mood

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

In the months after the stock market crash, most Americans patiently accepted bad news about the economy. By 1931, however, many people were becoming more and more unhappy.

Hunger Marches and Protests by Farmers

In January 1931, about 500 people living in Oklahoma City broke into a grocery store and stole food. The following month, hundreds of jobless people smashed the windows of a Minneapolis grocery store. They took 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 gathered. Police herded marchers into an area that they could not easily leave. Then the police refused to give the marchers food and water. Some members of Congress insisted that the marchers had the right to petition, or make requests of, their government. With that, the marchers made their way to Capitol Hill.

The hungry poor were not the only people who began to speak out about conditions during the Depression. During World War I, demand for U.S. farm products was high. Many farmers had taken out large loans on their land to pay for seed, equipment, and food for their farm animals. After the war, prices sank so low that farmers began losing money. Creditors, or people who made loans, 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. They wanted to reduce the supply of farm products. The farmers hoped that would raise the prices of the goods that remained. In Nebraska, farmers burned corn to heat their homes. Georgia dairy farmers blocked highways and stopped milk trucks. They dumped the milk into ditches.

The Bonus Marchers

After World War I, Congress had approved a $1,000 bonus for each veteran. The money was to be given out in 1945. In 1929 Texas congressman Wright Patman introduced a bill that would allow the bonuses to be paid earlier. In May 1932, several hundred veterans from Oregon began marching to Washington, D.C. They wanted to convince Congress to pass the bill. As the veterans moved eastward, other veterans joined them. Finally, they numbered about 1,000. Wearing ragged military uniforms, they walked along the highways or rode the rails, singing old war songs. Newspapers called the marchers the “Bonus Army.”

After the veterans arrived in Washington, they camped in Hoovervilles. More veterans joined them. About 15,000 veterans gathered altogether. President Hoover agreed that they had the right to petition, but he refused to meet with them. When the Senate voted down the bonus bill, veterans outside the Capitol complained. Many returned home, but a number of them remained. Some lived in the camps. Others moved into empty buildings downtown.

In late July, Hoover ordered the police to make the veterans leave the buildings. An officer became anxious and fired into a crowd, killing two veterans. After the
shooting, the secretary of war asked to send in army troops. Hoover told General Douglas MacArthur to make people leave the buildings but not the camps. However, MacArthur did not listen to Hoover. He sent soldiers and tanks to clear the camps. Soon, unarmed veterans were running away, with about 700 soldiers running after them. The soldiers burned shacks and threw tear gas at veterans who did not leave quickly enough. Newspaper and radio reporters covered the story. Their descriptions of soldiers fighting against veterans hurt Hoover’s reputation. They also hurt his 1932 campaign for the presidency.

Hoover was not able to solve the country’s economic problems. Yet he did more than any president before him to expand the role that the federal government played in the economy. The Reconstruction Finance Corporation was the first federal agency created to make the economy more active during peacetime. The fight against the Bonus Army marchers and the Depression, however, hurt Hoover’s public image.

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?

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