

Then: The Great Depression

by Sophia Tutorial



WHAT'S COVERED

In this lesson, you will learn about one of the most important and influential events/times in American history -- the Great Depression. It was so important because of the influence it had on society and the government. The Great Depression shaped the generation that went through it and helped to create a new relationship between the government and the economy. Specifically, this lesson will cover:

1. The Great Depression
2. The Impact of the Great Depression
 - a. Adapting to Survive
 - b. The Country Adapts



BEFORE YOU START

How did Americans face the challenges of the Great Depression?

1. The Great Depression

The most significant economic downturn in American history was the Great Depression, which began with the collapse of the stock market in 1929 and continued through the 1930s.

The 1920s were a time of exceptional growth. New forms of manufacturing accelerated production of goods like the automobile, and new agricultural technology allowed farmers to grow and harvest more crops than ever before. Improvements in transportation made it possible to ship products and food across the country and around the world. Although the economy appeared to be booming, however, Americans were experiencing what is known as an **economic bubble**.

In 1929, the U.S. stock market crashed, causing people who had invested in stocks to lose their savings. Farmers also faced problems: increased farm production meant that there was more food available than people were able to buy, particularly after the Depression began. Many farmers had taken out loans to pay for new machinery, and some were not able to sell enough of their crops to cover their debt, leading them to lose their farms. Not only that, but a terrible drought began in 1933, and formerly fertile farmland in the center of the United States turned arid in a phenomenon known as the Dust Bowl (University of Cambridge, 2014).

Banks also played a role in the Great Depression. In the early decades of the 20th century, most banks were not the large corporations that we see today—many only had one branch, and they managed a much smaller

amount of money. As people defaulted on their loans after the stock market crash, some banks were forced to close. When news of closures spread, people made “runs” on their banks, hoping to withdraw their savings in cash while they could. Without the cash reserves to meet the withdrawals, more banks closed and people lost their savings, amplifying the downturn.



The crowd at New York's American Union Bank during a bank run early in the Great Depression



TERM TO KNOW

Economic Bubble

A period of rapid economic expansion fueled by an overvaluing of stocks or other assets due to unrealistic expectations of growth.

2. The Impact of the Great Depression

After the 1929 stock market crash, unemployment soared and personal income dropped. People had very little money to spend, so even more companies went out of business. Trade across the entire world slowed as more and more people were unemployed. By 1933, some estimates put the U.S. **unemployment rate** at almost 25 percent (Margo, 1993).



TERM TO KNOW

Unemployment Rate

The percentage of working-age adults in a society who are willing and able to work but unable to find jobs.

2a. Adapting to Survive

As people's lives changed drastically in the early days of the Great Depression, many found ways to adapt to unexpected circumstances. Some moved to new parts of the country in search of work; others figured out ways to make do with less as they struggled to feed, house, and clothe their families. People used agility and problem solving to stretch what little resources they had.



Agility: Skill Reflect

History gives us countless lessons in agility. You will find that time and time again in history, people face hardships, challenges, and heartbreak. But history is also full of stories of agility, as people adjust to new circumstances, learning how to survive and even thrive in a changing world.

When have you had to use your agility skill to overcome an obstacle? How will you use what you've learned about agility in history in your personal and professional life?

Many household adaptations in families were undertaken by women. These included a variety of strategies to make ends meet:

- growing vegetable gardens in yards and neighborhoods
- cooking meals with scraps or leftover food
- repairing and reusing items rather than throwing them away
- taking on subtenants (or becoming a subtenant) to help with housing costs

Many Americans have grown up hearing stories about the ingenuity of their grandparents or great-grandparents during difficult times. Historians often collect these stories, recording interviews with people about events they experienced. These sources are called **oral histories**. Although memories are often affected by the passage of time, oral histories are still a valuable tool for understanding the past. Let's read an excerpt from the oral history of Douglas Fraser, who was in his early teens when the Great Depression began (Fraser, 1992).

Primary Source Excerpt

Type: Oral History

Author: Douglas Fraser

Year: 1992

I recall, it's a story I tell, where I used to go is a place, Tasty Bread, about half a mile away from the house. I used to walk there and get free day-old bread. They used to slice the wrapper so you couldn't resell it. I think you got it for two cents. We grew a few onions in the yard. My Ma would mix up the onion and the bread.... I can recall that after the Depression was over I said to my Ma, I said, "Well, why don't you make some of that stuffing and onions and fry it the way you used to. That was

good.” And she did and it was lousy, but it shows you that when you’re a little hungry nearly anything tastes good.

Oral histories provide a valuable window into the experience of living during the Great Depression. Take a moment to read the excerpt again, then consider the question below.



THINK ABOUT IT

Question: Which of these household adaptations is illustrated in Douglas Fraser’s oral history?

- A. Growing vegetables and cooking meals with scraps
- B. Taking in boarders or subtenants to lower the cost of housing
- C. Repairing and reusing items rather than throwing them away

Answer: A. When Douglas Fraser’s mother combined stale bread with the onions they grew in their yard, she was adapting to their circumstances in order to feed herself and her family.



TERM TO KNOW

Oral Histories

Recorded interviews with people recollecting past events.

2b. The Country Adapts

Under President Franklin D. Roosevelt, the U.S. government responded to the Great Depression with a series of large-scale interventions. These programs together are known as the New Deal. The New Deal included large public-works projects building infrastructure like dams, bridges, and roads, which put unemployed Americans to work. It also included new laws meant to heal the economy, including federal subsidies to farmers, the Emergency Banking Act, and Social Security.

With this large-scale government intervention, federal spending rose from 3 percent of the gross domestic product (GDP) in 1929 to just over 10 percent by 1941 (Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget, n.d.). As the 1940s began, the onset of World War II created an urgent need for workers in manufacturing and soldiers in the military. This development helped lead the United States out of the worst economic crisis of the 20th century.

The New Deal was modeled on an economic theory developed by John Maynard Keynes and has come to be known as **Keynesian economics**. The general theory of Keynesian economics is that when the economy slows down, it is the responsibility of the government to revitalize it. Once the economy is growing again, the government can step back and let the economy grow on its own.



TERM TO KNOW

Keynesian Economics

The idea that the government should stimulate the economy when it slows down.



SUMMARY

In this lesson, you learned that **the Great Depression** was the most significant economic downturn in U.S. history, which resulted from a confluence of events that burst the economic bubble created during the 1920s. The **impact of the Great Depression** was widespread and devastating for many

Americans, who had to **adapt to survive** through agility and problem-solving. You also learned how **the country adapted**, through the New Deal program and an embrace of Keynesian economics.

Best of luck in your learning!

Source: Strategic Education, Inc. 2020. Learn from the Past, Prepare for the Future.

REFERENCES

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ATTRIBUTIONS

- [The crowd at New York's American Union Bank during a bank run early in the Great Depression](#) | Author: FPG / Getty | License: Rights-managed



TERMS TO KNOW

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