

# The Many Causes of the Great Depression

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Unemployed men line up outside a Depression soup kitchen in Chicago, Illinois, in 1931. National Archives and Records Administration

Herbert Hoover was the 31st president of the United States. He served just one term in office and it will always be remembered. His presidency was defined by the stock market crash of 1929 and the beginnings of the Great Depression.

The Great Depression lasted from 1929 to 1939. It started in the United States and was a problem for the whole world. People lost their jobs. Some could not keep their homes. Many did not have enough food to eat. Most could not afford to buy things that they wanted. Companies could not make goods and farmers had a hard time growing crops.

Economists and historians continue today to debate the causes of the Great Depression. There is little doubt that there is a link to World War I. The fighting had taken a toll on key countries. They included Britain, France and Germany. These countries were the core of the modern world. Bad memories of the conflict left countries feeling at odds with one another. They did not join together to deal with the frail global economy.

## **America turns inward**

The United States' role in World War I was minor and only toward the end of the conflict that lasted from July 28, 1914, to November 11, 1918. The country's participation went against its desire to not involve itself in Europe's affairs. This resulted in Americans turning their country even more inward during the 1920s. The United States disarmed its military forces and war machinery. The U.S. Senate refused to approve the Treaty of Versailles, which was a peace agreement between Germany and the Allied Powers (predominately Great Britain, France, Russia and Italy) to end World War I.

The Senate also rejected membership in the League of Nations, even though it had been promoted by former President Woodrow Wilson. The League was an international group formed to resolve disputes between countries. It was the precursor to the United Nations.

In 1922, Congress passed one of the highest taxes in history on those who sold foreign goods in the U.S., which hurt trading between countries.

Meanwhile, the federal government insisted throughout the 10 years after the war that the Europeans must repay all the loans given to them by the U.S. Treasury. This was a hardship for the countries recovering from war.

In 1924, America, for the first time in its history, imposed a strict limit on the number of immigrants who could annually enter the country. Millions of people were turned away.

Militarily, diplomatically, commercially, financially and morally, Americans seemed to be turning their backs on the outside world.

## **Stocks fall, businesses fail**

The banking system was unstable and the federal government was weak as the Great Depression began to unfold.

In October of 1929, stock prices plunged. Thousands of banks failed. Tens of thousands of businesses collapsed. Millions of people became unemployed. This terrible event is known as the Great Crash.

By 1932, about 13 million Americans were out of work. This equaled 1 out of every 4 workers in the country. Many people believed they were witnessing the end of the American way of life.

Franklin D. Roosevelt, commonly known as FDR, was elected president in 1932. He promised "a new deal for the American people." FDR believed that Americans' lives could be made more secure. His results transformed the country. FDR held office for more than a dozen years. He was elected president three times. This record was unmatched by previous presidents and forbidden for all future presidents when the 22nd Amendment to the Constitution was passed in 1951.

## The New Deal

FDR, like Hoover before him, never did find a remedy for the Great Depression. But the New Deal invented government groups to strengthen the shaky banks, stock markets, and labor. Unemployment pay and retirement money to protect laid-off workers and the elderly were enacted. Achieving secure, stable lives for Americans was the main goal of the New Deal's many programs.

The world the American people tried to shut out after World War I could not be kept at bay, however. Adolf Hitler of Germany came to power within weeks of FDR taking office in 1933.

The entire history of Roosevelt's presidency unfolded under the shadow of Hitler's dictatorship and the rising threat of Nazism. The story of the Great Depression is not simply the story of the American people during some of the hardest times in its history. It is also part of a larger story of people in every part of the world who were swept up in the enormous hardships of the Great Depression and, ultimately, World War II.

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**Quiz**

- 1 According to the article, the American government was not interested in helping other countries after World War I.

Which selection from the article BEST supports this idea?

- (A) The fighting had taken a toll on key countries. They included Britain, France and Germany.
- (B) Bad memories of the conflict left countries feeling at odds with one another.
- (C) The United States' role in World War I was minor and only toward the end of the conflict that lasted from July 28, 1914, to November 11, 1918.
- (D) Meanwhile, the federal government insisted throughout the 10 years after the war that the Europeans must repay all the loans given to them by the U.S. Treasury.

- 2 Based on information in the article, which of these statements is TRUE?

- (A) The Treaty of Versailles caused the Great Depression.
- (B) The Senate voted against joining the League of Nations.
- (C) The U.S. has never limited the number of immigrants who can enter the country.
- (D) President Roosevelt's New Deal solved all of the problems of the Great Depression.

- 3 Read the sentence below from the section "Stocks fall, businesses fail."

*This record was unmatched by previous presidents and forbidden for all future presidents when the 22nd Amendment to the Constitution was passed in 1951.*

Which of the following words, if it replaced the word "unmatched" in the sentence, would CHANGE the meaning of the sentence?

- (A) unequaled
- (B) unsurpassed
- (C) uneven
- (D) unrivaled

- 4 Read the following sentences from the section "America turns inward."

*The League was an international group formed to resolve disputes between countries. It was the precursor to the United Nations.*

Which answer option has the same meaning as the second sentence above?

- (A) It was more important than the United Nations.
- (B) It came before the United Nations.
- (C) It made the United Nations impossible.
- (D) It was more successful than the United Nations.