from Growing Up in the Great Depression

by Richard Wormser

This excerpt explains the stock market crash of 1929 and the Great Depression and describes their impacts on the nation. Think about how these historic events might have affected small southern towns such as Maycomb, Alabama.

In 1930 America went bust. A great economic depression settled over the country like a plague, afflicting the rich and the poor, men, women, and children, black and white, foreign- and native-born, workers and farmers. Millions of people lost their jobs, their businesses, their farms, their homes, their savings, and their self-respect.

Who did it affect?

It all seemed to happen suddenly. For ten years the country seemed to be on a spending spree. In 1920, 7.5 million automobiles had been purchased. By 1929 there were 26.5 million. The sales of goods rose from $4.9 billion in 1920 to $7.06 billion in 1929. Industry was booming. From 1925 to 1929, the number of factories increased from 183,877 to 206,663. More high school students were graduating than ever before (from 16 percent in 1920 to 28 percent in 1930).

With money came the pursuit of pleasure. The 1920s were a decade of fads: the crossword puzzle, golf, and a Chinese game called Mah-Jongg. Everybody seemed to be out for a good time. The dance crazes were the Charleston and the Black Bottom. People flocked to the theater to watch glamorous shows and show girls. And while it was illegal to buy or sell liquor (a constitutional

amendment had been passed in 1918 that banned alcoholic beverages), there was plenty of "booze" around. The gangsters and bootleggers made sure of that. Al Capone and "Bugs" Moran owned Chicago, Dutch Schultz and Arnold Rothstein ruled New York, the Purple Gang controlled Detroit, while Joe Kennedy, the father of the future president of the United States, was a major bootleg liquor dealer in Boston. Not only did bootleggers supply people with liquor, they supplied the places in which to drink it. They opened clubs and speakeasies where you could dance, drink, and often gamble without fear of arrest because the police had been paid off. It was no wonder preachers were warning that America was on the road to hell. They were far more accurate than most people gave them credit for.

The index of America's prosperity was Wall Street and the stock market. From the end of World War I in 1919 stock prices kept rising. In 1924, the average price of the twenty-five leading industrial stocks in America was $120 a share. By 1929, the same stocks were worth $542. Many people believed they had found a money machine that could not fail. Everybody knew somebody—or so they said—who had bought a stock at $10 one day and sold it for $20 the next. And the person who bought it for $20 sold it for $50—and so on down the line. It seemed as if prosperity would last forever. One of the famous millionaires of the day, Jacob Raskob, remarked, "Not only can one be rich, but one ought to be rich."

Despite the fact that millions were being made on the stock market, most Americans lacked money to invest. Out of the then 27.5 million families in America, 21.5 million of them earned under $3,000 a year, and, of those, 6 million families earned less than $1,000.

Yet advertising told them that they too had a role to play in the general prosperity. They were urged to buy the goods and services the society was producing.

Most people bought, but many couldn't afford to pay the full price all at once. Instead, they bought on credit. They bought cars on credit, clothes on credit, houses on credit, furniture on credit, radios on credit. And the more goods they bought, the more were manufactured for them to buy, and the higher the stock market rose.

But underneath the glitter, there were distinct rumblings of an economic earthquake, and many of the "big boys"—which was what the newspapers called the most influential business leaders—knew it. Publicly, they were making statements declaring the stock market to be solid and urging people to buy stocks and invest in America. Privately they were selling all the stocks they owned. The insiders knew that many businesses were having hard times. Despite the seeming prosperity, unemployment in certain industries was high, farm prices were low, and stocks were selling for much more than they were worth. Even Herbert Hoover, who was then president of the United States, knew it. But the stock market was riding on a speeding roller coaster and the president's men were afraid that if they tried to control it, the roller coaster would fly off the tracks and injure a lot of people. So they did nothing, hoping that everything would work itself out.

On October 24, 1929, the roller coaster finally crashed. Stock prices plummeted. The more desperate people were to get rid of their stocks, the lower prices fell. On that one day, the value of stocks fell fourteen billion dollars. Everybody wanted to sell, but nobody wanted to buy. There seemed to be no end to the slide. Prices for stocks and bonds dropped hour by hour. Thousands of small investors watched the stock market quotations appear on the ticker tape, the numbers lower each time they passed by. People crowded around radio rooms on ocean liners, in newspaper offices, and made long distance calls one after another to hear the news. On the floor of the

stock exchange, there was total confusion and then panic. Brokers physically battled one another to compete for the few buyers available. They pulled one another's hair, bit, punched, and shoved in order to make a sale—and at any price. A messenger boy who happened to be at the stock exchange by chance offered a bid of one dollar as a joke for shares in White Sewing Machine and wound up owning ten thousand shares of stock in the company.

The captains of industry and finance as well as President Hoover kept making public statements that the crash was temporary. But prices continued to fall. Within a year, the sale of railroad and utility bonds dropped from $10 billion to $1 billion. The average income per person dropped from $847 a year to $465. Millions of investors were financially ruined, losing everything they owned. They had bought stocks on margin, which meant that they actually paid for only a small part of the stock's value and owed the rest, assuming they could pay it off as the stock price rose. Now they were being called to put up the rest of the money. They exhausted their savings, sold their wives' jewelry, borrowed from friends and relatives, trying to raise cash to cover their losses. It was like throwing money down a bottomless well.

A few committed suicide. When the president of a cigar company saw the value of stock in his company drop from $113.50 to $4 a share in a single day, he rented a hotel room, climbed out on the ledge, and, despite the efforts of a waiter to drag him back inside, jumped to his death. Another man, having lost all his money and owing hundreds of thousands, shot himself. His dying words were, "Tell the boys I can't pay." Many who killed themselves did so because the crash exposed their illegal dealings. Bank presidents were caught using customers' money to play the market. Rumors of suicides became so exaggerated that when a

man was spotted working on a roof of a building, a crowd gathered to see if he would jump. In a few tragic cases, ruined men went home and killed their families before killing themselves. The economic lights had gone out and there was darkness throughout the land.

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What caused the Great Depression? Some said the wealth of the country was badly distributed: too many rich people and too many poor. The top 5 percent of the country owned 33 percent of all the real wealth. The 27,400 wealthiest families had as much money as the 12 million poorest families. The poor had no money to buy goods and services, so after a while there were too many products on the market and not enough people to buy them. The taxes on imports from other countries were so high that foreigners couldn't sell their goods here and make money to pay their debts to the United States. In addition, the foundations on which many businesses were built were shaky. Many companies' stock had risen to a lot more than the companies were really worth. At the first tremors, these firms went broke. It was like a snowball rolling downhill, getting bigger and rolling faster every second. When the companies went broke, so did the banks that had lent them money. Workers who lost their jobs couldn't pay their bills. The businesses that depended upon them also went under because they didn't have enough customers to survive. When the snowball finally came to a stop, there was one vast heap of ruined companies, ruined factories, ruined banks, and ruined human lives. A nurse in Tucson, Arizona, wrote:

> I retired one night safe and independent with $7852.00 in the bank and awoke the next morning with $12.00 in my purse. Like so many others, I lost all my savings in a bank failure.

And a man in Florida wrote the president:

> Is there no department to take care of the injustice done to me who bought stocks instead of a home? Mine was not paper money but hard earned dollars. I have worked hard and long and now I have not enough money to pay a necessary dentist's bill. I was born with a sense of justice and now it has been outraged.

In October 1931, two years after the collapse of the stock market, 9,378,000 workers were unemployed. In December, 10,814,000 were out of work. In January of 1932, unemployment grew to 11,500,000. In March, it rose to 12,000,000 and in June, 13,000,000. By December it was 13,587,000. In January 1933 it reached 14,597,000, and in March, when Franklin Delano Roosevelt was inaugurated as president of the United States, unemployment had reached 15,071,000. In some cities, 80 percent of the work force was without jobs. At the lowest point in the depression, 34 million men, women, and children were without income, 28 percent of the American people. Factories were working at 15 percent of capacity, if they were working at all. More than 6,000 banks went bankrupt, one-quarter of the nation's banks; 85,000 businesses had failed. The price of wheat dropped from $1.09 to 39 cents a bushel. Farmers in the Midwest burned their crops and poured milk onto the highways to protest the fact that the prices they would receive from selling the food was far less than the cost of raising and transporting it.

Hundreds of thousands of people were evicted from their homes and farms and lived in tents and shacks made of cardboard, tar paper, scrap wood, or metal. Fewer people got married and fewer children were born. By 1932, more than a million children were not receiving an education because there was no money to

pay teachers. Some schools were operating only three days a week and others closed ten months of the year. There was some relief for the needy from local governments and charities, but to be eligible, people had to sell their possessions, including their home, and cancel their life insurance. Some states would not allow people on relief to vote and some churches banned families on relief from attending services. There was talk of revolution in the air. Hitler had come to power in Germany, and there were those who admired him. Stalin was in power in the Soviet Union, and there were those who believed that he had the answer.

People turned their eyes and hopes to the government for help. The president, Herbert Hoover, was an able administrator, but he lacked compassion. He believed that the federal government shouldn't interfere in the crisis, that depressions were natural and normal under capitalism, and that things would soon get better. "The traditional business of the country is . . . on a sound and prosperous basis," he said. When a few thousand World War I veterans peacefully marched to Washington to pressure Congress to give them a bonus promised to them for 1945, Hoover used federal troops against them. The soldiers drove the veterans out with bayonets and tanks and burned their makeshift homes, even though the demonstrators were unarmed. When farmers and workers sought economic help from the government, Hoover denied it to them. He did, however, make money available to certain big businesses to keep them afloat. People were so angry with him that they called the colonies of makeshift houses built by the homeless "Hoovervilles" as an expression of their contempt for the president. By 1932 it had become clear that Herbert Hoover was no longer the American people's choice for the job.

The man the people turned to was Franklin Delano Roosevelt. One-time vice presidential candidate,

former governor of New York, crippled by polio and confined to a wheelchair, Roosevelt was a man of remarkable spirit and temperament. In spite of being a nephew of former president Theodore Roosevelt and born to a life of wealth and privilege, Roosevelt had an intuitive empathy with most of the American people. He inspired them and gave them hope. In turn, they loved and trusted him, and in their despair turned to him for salvation.

Elected by a landslide in 1932, Roosevelt set the tone of his administration in his inauguration speech in March of 1933. As the nation listened to him over the radio, he spoke the following words of inspiration:

> Let me first assert my firm belief that the only thing we have to fear is fear itself. Nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance.

But despite Roosevelt's speech and his policies, which would profoundly change the relationship between the federal government and the people, the depression lasted ten long, hard years.