Unit 6 Glossary (The Great Depression)

**1929/Black Tuesday**- The Great Depression began in 1929. President Herbert Hoover’s efforts to slow the speculation in paper profits through the Federal Reserve Board had little effect. In October, U.S. and foreign investors began selling shares at a panic pace. The stock market fluctuated considerably during the Fall of 1929. Erratic sales on “Black Thursday,” October 24, caused investors concern and on October 29, “Black Tuesday,” 16,410,030 shares were sold on the stock exchange. By late 1929, investors lost $40 billion in paper values, an amount greater than total U.S. expenditures for World War I. The collapse of the stock market preceded a world-wide economic depression. All industrialized nations suffered. By the end of 1930, more than 4 million workers were jobless in the United States and by 1932, 12 million were unemployed.

**Bonus Army**- Congress had agreed to pay WWI veterans a bonus stipend that could be collected in 1945. As the depression worsened, more and more veterans demanded their bonus early. When Congress refused to pay, more than 20,000 veterans formed the “Bonus Army” and marched on Washington, D.C., in the summer of 1932. They set up a giant, filthy Hooverville in front of the Capitol, determined not to leave until they had been paid. President Hoover reacted by ordering General Douglas MacArthur to use force to remove the veterans from the Capitol grounds. Federal troops used tear gas and fire to destroy the makeshift camp in what the press dubbed the “Battle of Anacostia Flats.”

**Boulder Dam**- A concrete [arch-gravity dam](http://en.wikipedia.org/wiki/Arch-gravity_dam) in the [Black Canyon](http://en.wikipedia.org/wiki/Black_Canyon_of_the_Colorado) of the [Colorado River](http://en.wikipedia.org/wiki/Colorado_River_%28U.S.%29), on the border between the US states of [Arizona](http://en.wikipedia.org/wiki/Arizona) and [Nevada](http://en.wikipedia.org/wiki/Nevada). It was constructed between 1931 and 1936 during the [Great Depression](http://en.wikipedia.org/wiki/Great_Depression) and was dedicated on September 30, 1935, by President [Franklin D. Roosevelt](http://en.wikipedia.org/wiki/Franklin_D._Roosevelt). Its construction was the result of a massive effort involving thousands of workers, and cost over one hundred lives. In 1947, the [dam](http://en.wikipedia.org/wiki/Dam) was controversially named after [President](http://en.wikipedia.org/wiki/President_of_the_United_States) [Herbert Hoover](http://en.wikipedia.org/wiki/Herbert_Hoover).

**Breadlines**- A line of people waiting to receive food given by a charitable organization or public agency. (See Soup Kitchens.)

**Buying on Margin**- Refers to the initial or down payment made to the broker for the asset being purchased. The purchase of an asset by paying the margin and borrowing the balance from a bank or broker. The collateral for the funds being borrowed is the marginable securities in the investor's account. Before buying on margin, an investor needs to open a margin account with the broker. In the U.S., the amount of margin that must be paid for a security is regulated by the Federal Reserve Board.

**Credit**- A contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest.

## Direct Relief- Herbert Hoover supported a loan to states for direct relief (expansion of public works), but refused money to the unemployed.

**Dow Jones Industrial Average**- A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The DJIA was invented by Charles Dow back in 1896. The Dow Jones Industrial Average fell steadily over a ten-day period, finally crashing on October 29, 1929. On this so-called Black Tuesday, investors panicked and dumped an unprecedented 16 million shares.

**Dust Bowl**- Farmers, especially those in Colorado, Oklahoma, New Mexico, Kansas, and the Texas panhandle, were hit hard by the depression. Years of farming wheat without alternating crops (which was necessary to replenish soil nutrients) had turned many fields into a thick layer of barren dust. In addition, depressed crop prices, a result of overproduction, forced many farmers off their land. Unable to grow anything, thousands of families left the Dust Bowl region in search of work on the west coast. The plight of these Dust Bowl migrants was made famous in John Steinbeck’s 1939 novel *The Grapes of Wrath*.

**The Grapes of Wrath**- *The Grapes of* *Wrath* is a novel by John Steinbeck portraying the plight of migrant agricultural workers in California during the Great Depression.

**Great Depression**- In the United States, a period of severe economic hardship called the Great Depression began in 1929 and continued until World War II. The Stock Market Crash of October 1929 contributed to the start of the depression but many other factors affected economics in the 1930s. Wealth was not distributed equally among the population. Too many people had too little money and they could not keep enough money in circulation to keep the economy running. High tariffs limited foreign trade and investment and prevented European countries from repaying the debts they owed the United States following World War I. Banks were not secure and the money in them was not insured if banks failed. Americans bought too much on credit and the demand could not keep up with the supply of goods in an era of overproduction. The depression extended beyond the boundaries of the United States affecting European countries and others which relied on trade with the United States.

**Hawley-Smoot Tariff**- Hoover made a serious miscalculation by signing into law the 1930 Hawley-Smoot Tariff, which drove the average tariff rate on imported goods up to almost 60 percent. Although the move was meant to protect American businesses, it was so punitive that it prompted retaliation from foreign nations, which in turn stopped buying American goods. This retaliation devastated American producers, who needed *any* sales—foreign or domestic—desperately. As a result, U.S. trade with Europe and other foreign nations tailed off dramatically, hurting the economy even more.

**Herbert Hoover**- (1874-1964) Despite the booming U.S. economy of the late 1920s, Calvin Coolidge decided not to run for president again in 1928. In his place, Republicans nominated the president’s handpicked successor, popular World War I humanitarian administrator Herbert Hoover, to continue America’s prosperity. Democrats chose New York Governor Alfred E. Smith on an anti-Prohibition platform. Hoover won with ease, with 444 electoral votes to Smith’s 87 and with a margin of more than 6 million popular votes. Yet, he failed to provide federal relief after The Crash of 1929 and adhered firmly to laissez-faire economic policy. He was defeated by Franklin D. Roosevelt in 1932.

**Price Support**- Government assistance in maintaining the levels of market prices regardless of supply or demand.

**Franklin D. Roosevelt**- (1882-1945) Born in New York to a wealthy family, Franklin Roosevelt entered politics in 1910 as a Democratic candidate to the U.S. Senate. He was a member of Woodrow Wilson’s administration and was unsuccessful in a bid for the vice-presidency in 1920. In 1921 he contracted polio but struggled to overcome the physical limitations and maintain a public, political career. In 1932 he opposed Republican incumbent President Herbert Hoover and soundly defeated him. He began the New Deal in the first 100 days after his inauguration. His reforms, proposed to counteract the effects of the Great Depression, affected four areas: finance, industry, agriculture and relief (welfare). He strengthened government work programs. His executive orders and sponsorship of legislation in the national interest supported the weak economy and remained viable years after his death. Yet, critics worried that his growing executive authority might undermine the checks and balances of the three branches of government. This concern derived from Roosevelt’s attempts to pack the Supreme Court with his own appointees. Congress eventually passed a court reform bill but it did not support Roosevelt’s ideas. Conservatives in Congress reacted by passing few New Deal reforms after 1937.

By 1939, Roosevelt transferred his efforts from the New Deal to a new diplomacy to counter the aggression of Adolf Hitler, Benito Mussolini, and Tojo Hideki. American support for Roosevelt was high, and he dominated the political scene for four terms, the most of any U.S. president. The 22nd Amendment, adopted in 1951, often termed the anti-Franklin Roosevelt amendment, limited presidents to two terms.

**Shanty Town**- The economic panic caused by the 1929 crash rapidly developed into a depression the likes of which Americans had never experienced. Millions lost their jobs and homes, and many went hungry as factories fired workers in the cities to cut production and expenses. Shantytowns derisively dubbed “Hoovervilles” sprang up seemingly overnight in cities throughout America, filled with populations of the homeless and unemployed.

**Stock Market**- The market in which shares are issued and traded either through exchanges or over-the-counter markets. Also known as the equity market, it is one of the most vital areas of a market economy as it provides companies with access to capital and investors with a slice of ownership in the company and the potential of gains based on the company's future performance.

**Soup Kitchens**- Meal center or food kitchen is a place where [food](http://en.wikipedia.org/wiki/Food) is offered to the hungry for [free](http://en.wikipedia.org/wiki/Gratis) or at a below market [price](http://en.wikipedia.org/wiki/Price). Frequently located in lower-income neighborhoods, they are often staffed by [volunteer](http://en.wikipedia.org/wiki/Volunteer) organizations, such as [church](http://en.wikipedia.org/wiki/Church_body) or community groups. Soup kitchens sometimes obtain food from a [food bank](http://en.wikipedia.org/wiki/Food_bank) for free or at a low price, because they are considered a [charity](http://en.wikipedia.org/wiki/Charitable_organization), which makes it easier for them to feed the many people who require their services. (See Breadlines.)

**Speculations**- Speculative stocks often have a high probability of declining in value and a low probability of experiencing above-average gains. Investors in these types of stock may be overly optimistic about the probability of earning above average gains, or the lure of the above average gains may be enticing enough for them to make a purchase. Penny stocks are an example of a speculative stock.