

◀ An affluent middle-class family, 1925

WITNESS HISTORY  AUDIO

Stock Market Prosperity

As the 1920s roared along, millions of Americans poured their savings into the soaring "bull" market. Excited investors bought and sold stocks based on "tips" from friends or brokers. Many investors amassed huge fortunes on the strength of rising stock prices. Families who had to scrimp and save at the beginning of the decade found themselves fabulously wealthy by its end. In 1929, a prominent magazine printed a poem that captured the essence of America's market fever:

"Oh, hush thee, my babe, granny's bought some more shares,
Daddy's gone out to play with the bulls and the bears,
Mother's buying on tips and she simply can't lose,
And baby shall have some expensive new shoes!"

— *The Saturday Evening Post*, 1929

▲ Stock ticker tape

Causes of the Depression

Why It Matters During the Roaring Twenties, many Americans enjoyed what seemed like an endless era of prosperity. Then, in October 1929, the mighty bull market crashed. As production fell and unemployment rose, the U.S. economy lurched into a period of dramatic decline. Years after the Great Depression began, many Americans came to see this contraction as a regular feature of the nation's business cycle. **Section Focus Question:** How did the prosperity of the 1920s give way to the Great Depression?

Prosperity Hides Troubles

In 1928, Republican leaders exuded confidence about both their party and their country. The Roaring Twenties had been a Republican decade. In 1920, Americans sent Warren G. Harding to the White House, and four years after that they sent Calvin Coolidge. Neither election had been close.

Once in office, both Presidents watched the country grow increasingly prosperous. As the decade passed, consumption went up, the gross national product went up, and the stock market went up. No matter what index an economist chose to consult, the conclusion was always the same: Times were good in America—and they were getting better. Republicans took credit for the bullish economy, and Americans heartily agreed.

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Optimism Sweeps Hoover to Victory When the Republicans met at their 1928 nominating convention, they chose **Herbert Hoover**—an accomplished public servant—to run for the White House. Born in Iowa, Hoover was orphaned as a child. But he overcame this personal tragedy and eventually graduated from Stanford University with a degree in geology. He became a mining engineer and worked all over the world. By 1914, after amassing a vast fortune, he retired from engineering and devoted himself to public service.

Herbert Hoover came to the attention of Americans during World War I, first as the brilliant coordinator of the Belgium relief program and then as head of the Food Administration. During the Harding and Coolidge administrations, Hoover served as Secretary of Commerce. His philosophy was simple but effective. He stressed the importance of competition, but he also believed in voluntary cooperation between labor and management. American greatness showed itself, Hoover maintained, when owners, workers, and government officials converged on common goals.

With a solid record of accomplishments behind him and seemingly endless prosperity in front of him, Hoover was a formidable presidential candidate in 1928. While his campaign ads noted how Republicans had “put the proverbial ‘chicken in every pot,’” Hoover spoke glowingly of ending poverty in America:

Primary Source

“By adherence to the principles of decentralized self-government, ordered liberty, equal opportunity, and freedom to the individual, our American experiment in human welfare has yielded a degree of well-being unparalleled in all the world. It has come nearer to the abolition of poverty, to the abolition of fear of want, than humanity has ever reached before.”

—Herbert Hoover, campaign speech, 1928

Hoover’s contest with Democratic nominee Alfred E. Smith of New York was, in the end, no contest at all. Americans voted overwhelmingly for Hoover, prosperity, and the continuation of Republican government. When the new President took office in March 1929, America was awash in a sea of confidence. Few imagined that an economic disaster lay just seven months in the future.

But even as Hoover delivered his victory speeches, economic troubles were beginning to worry some Americans. The prosperity of the 1920s was not as deep or as sturdy as Hoover claimed. Throughout the U.S. economy, there were troubling signs.

Problems Plague the Agricultural Sector American farmers faced difficult times during the 1920s. Farmers made up one fourth of the American workforce during the decade. To meet the unprecedented crop demands created by World War I, they had increased harvest yields and bought more land to put under the plow. They also bought costly tractors and other mechanized farm equipment. Farmers contracted huge debts doing this, and the additional mortgage payments followed them into the 1920s.

After the war, the demand for American crops fell sharply. Despite this drop, postwar production remained high because of increasingly mechanized farm equipment and more intensive farming methods. Farms were getting bigger and yielding bumper crops at harvest. However, farmers were failing to sell off their huge crop surpluses and to pay the debts they owed banks and other institutions.

The result was a rural depression that affected millions of Americans. Hard-pressed to pay their debts, forced to sell in a glutted and competitive world market, and confronted by several natural disasters, farmers did not share in the boom times of the 1920s. They did not have the cash to buy the new consumer goods produced by

Vocabulary Builder

converge—(kuhn VERJ) *v.* to move or be directed toward the same purpose or result

Farmers Struggle to Get By

Farmers who could not meet their debts faced bank foreclosures on their land, equipment, and livestock. Here, a horse is paraded in front of prospective buyers at a Missouri farm sale.

