**My Deal: What Should Be Done**

**About the Great Depression**

**Response Group**

**Overview**

In this **Response Group** activity students assume the roles of economists charged with advising Congress to learn about and respond to four key economic problems faced by the United States during the Great Depression. Working in groups of three, students assume the roles of economists and discuss four economic problems: overproduction of goods, unequal distribution of wealth, high unemployment, and massive poverty. For each problem, groups read a briefing and determine which of three options is the best way to respond. Presenters from each group then share their answers with the class. Finally, the teacher holds a class discussion on the economic philosophies of the 1930s. Afterward, students read information about the conservative policies of the Hoover administration and the American public’s response.

**Procedures at a Glance**

Before class, place your students in heterogeneous groups of three. Tell students they will assume the roles of economists charged with advising Congress to learn about four key economic problems faced by the United States during the Great Depression. Pass out **Student Handout 4.1A**, and have students carefully read Economic Briefing A. Allow groups time to discuss Critical-Thinking Question A, review the list of possible responses and record their answers. Ask Presenters to share their answers with the class. Repeat this process for each of the remaining problems. Then, pass out **Student Handout 4.1B** and hold a class discussion on the economic philosophies of the 1930s. Afterward, have students read **Student Handout 4.1C**, and review the conservative policies of the Hoover administration and the American public’s response.

**Procedures in Detail**

1. This activity exposes students to four key economic problems faced by the United States during the Great Depression and conservative, liberal, and radical economic philosophies of the 1930s. By assuming the roles of economists charged with advising Congress on various economic problems, students will be better able to understand the solutions proposed by Presidents Hoover and Roosevelt.
2. Before class, place students in heterogeneous groups of three. Prepare an overhead transparency that shows students how to set up their desks so students in each group can easily talk among themselves. Project the transparency, and ask students to move into their correct positions.

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| **Idea for Student Response:** To preview this activity, have students write one paragraph on the left side of their notebooks in response to the following prompt: *In your opinion, what is the biggest problem facing our country today? If it were in your power, what would you* *do to* *help solve that problem?* Have several students share their answers. Then, have students categorize their solutions as conservative, liberal, or radical and explain why they categorized them as they did. |

1. Tell students they will assume the roles of economists at a university think tank charged with advising Congress in 1932 to learn about and respond to four key economic problems faced by the United States during the Great Depression. Pass out **Student Handout 4.1A**: Economic Briefings, and have students carefully read the information on Economic Briefing A: Overproduction of Goods. Answer any questions students have about the problem.
2. Once students have a general understanding of the economic problem, have them read Critical-Thinking Question A. Encourage them to use the information on **Student** **Handout 4.1A** to discuss the three options listed. (**Note**: To make sure students discuss all of the options listed, you may want to assign and have each group defend a different option.) Remind students that they must justify the response they choose. Give groups adequate time—about three to five minutes—to discuss the question, circle their choice, and record their justifications on **Student Handout 4.1A**.
3. Appoint a Presenter for each group. Ask Presenters to share their answers with the class. Encourage them to point out details in the information on **Student Handout 4.1A** that helps explain their response. Repeat this process for the remaining three economic problems. Rotate the role of Presenter for each problem.

**Wrap Up**

1. After groups have discussed all four problems, tell students that in 1932 most Americans followed one of three economic philosophies: conservative, liberal, or radical. Explain that all the “A” solutions on **Student Handout 4.1A** are conservative, all the “B” solutions, liberal; and all the “C” solutions, radical. Pass out **Student Handout** **4.1B**: Conservative, Liberal, and Radical Solutions to the Great Depression, and review the solutions proposed by Americans who followed each philosophy.
2. Once you have reviewed conservative, liberal, and radical solutions to the Great Depression, have students examine the solutions they chose for each of the four problems, and hold a class discussion centering on these questions:
* **How do the solutions you selected compare to those that were proposed in 1932?**
* **Are your solutions mostly conservative, liberal, or radical?**
* **Why do you think most Americans gravitated toward a liberal response in 1932?**
* **Do you think radical solutions had a strong appeal at the time? Why or why not?**
* **Conservative solutions were largely rejected in 1932. Why do you think that was?**
1. Finally, pass out **Student Handout 4.1C**: President Hoover and the Failure of Conservativism to Ease the Great Depression. Have students read the handout, which summarizes the conservative policies of the Hoover administration and the American public’s response during the Great Depression, and review the information with the class.

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| **Student Handout** | **4.1A** |

**Economic Briefing A: Overproduction of Goods**

The economy is producing more goods than can be purchased and consumed. The consequences of this economic trend are evident in this evidence gathered by think-tank researchers:

* Because of lagging sales, automobile production has been reduced from 411,000 cars a month in 1929 to just 89,000 a month in 1932. The average American no longer makes enough money to buy a new car.
* 1 billion barrels of oil were produced in 1929. This year oil refineries will produce only 800,000 barrels.
* Farm production outpaced demand to such a high degree that the price of wheat dropped from $1.37 to 61¢ a bushel in 1930. Prices are presently so low that wheat farmers are now losing $1.50 on every acre they plant. Some farmers are destroying agricultural goods to try to raise prices by reducing supply.
* Contracts for building new homes and apartments are down 80 percent since 1929. At the same time, several million Americans have become homeless because they cannot afford housing.

**Critical-Thinking Question A**: You are an economist at a university think tank who has been asked by Congress to propose solutions to the economic difficulties Americans face in 1932. Which of the following solutions do you think would best solve the problem of overproduction of goods? Why?

1. The federal government should allow farmers and businesses to fail. The business cycle always has ups and downs. Eventually, the economy will right itself without government interference.
2. The federal government should create a planning agency, overseen by the government but with the input of business leaders, to better plan production goals. Farmers should be paid by the government to take crops out of production until farm prices are stabilized.
3. The federal government should oversee and plan all business and agricultural production to more closely match supply with demand.

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| **Student Handout** | **4.1A** |

**Economic Briefing B: Unequal Distribution of Wealth**

One reason consumers lack purchasing power is the unequal distribution of wealth. Indicators of the concentration of wealth are apparent in this evidence gathered by think-tank researchers:

* 1 percent of the population has 59 percent of the national wealth. 33 percent of the national wealth is held by 12 percent of the population. 87 percent of the people own just 8 percent of the national wealth.
* 92 percent of all American families have incomes of $2,500 or less. 36,000 families share $9.8 billion a year; $2.5 million per family or a thousand times as much as the other 92 percent.
* The wealthy tend to spend money on luxury items rather than basic necessities. The general lack of wealth in the population accounts for the low sales of automobiles, vacuum cleaners, refrigerators, and other durable consumer goods.
* The huge oversupply of workers has encouraged employers to cut wages. Workers’ wages have dropped by 40 percent since 1929. Women working in Brooklyn’s clothing industry are paid $2.39 for a 50-hour week. Union miners in Pennsylvania, West Virginia, and Kentucky make $10.88 a week.
* One man, Samuel Insull of Chicago, sits on the board of directors for 150 different companies with a combined 50,000 employees and 3,250,000 customers. On New Year’s Day in 1932 the value of the securities for these companies was $3 billion. Insull is protected day and night by 36 bodyguards.

**Critical-Thinking Question B**: You are an economist at a university think tank who has been asked by Congress to propose solutions to the economic difficulties Americans face in 1932. Which of the following solutions do you think would best solve the problem of the unequal distribution of wealth? Why?

1. The federal government should do nothing about this so-called “problem.” The accumulation of wealth is a product of hard work and provides an incentive for those at the bottom of the economic ladder to work harder in tough times.
2. The federal government should pass legislation leading to higher taxes on corporations and the wealthy. The money from these taxes can be used for services to help the needy.
3. The federal government should seize the income and property of the wealthy and redistribute it so that all Americans share equally.

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| **Student Handout** | **4.1A** |

**Economic Briefing C: High Unemployment**

The unemployment rate has been growing since 1929 when the stock market crashed. The unemployment rate has now reached extraordinary levels. The nature of the problem is apparent in this evidence gathered by think-tank researchers.

* In 1920 only 49 businesses per 10,000 failed. In 1932 the business failure rate reached 155 per 10,000.
* Corporate profits have dropped from $10 billion three years ago to just $1 billion in 1932.
* As corporate profits have fallen and businesses failed, companies have laid off workers. Today the unemployment rate stands at an all-time high of 23.5 percent; nearly one of every four workers is unemployed.
* 13 million people are out of work. Millions of others have had their hours severely cut.
* In Lowell, Massachusetts, once the center of the American textile industry, the unemployment rate is 90 percent. In Akron, Ohio, the unemployment rate is 60 percent; in Cleveland, Ohio, 50 percent; in Toledo, Ohio, 80 percent. There are 1 million workers without jobs in New York City. Every week another 100,000 workers across the country lose their jobs.
* One Arkansas man walked 900 miles looking for work.
* A Manhattan employment agency advertised for 300 jobs; 5,000 people applied.

**Critical-Thinking Question C**: You are an economist at a university think tank who has been asked by Congress to propose solutions to the economic difficulties Americans face in 1932. Which of the following solutions do you think would best solve the problem of high unemployment? Why?

1. The federal government should encourage business growth so that thriving businesses can provide jobs for the unemployed. Measures should be undertaken to provide loans and tax relief to struggling businesses, and high tariffs should be passed to protect American businesses from foreign competition.
2. The federal government should disregard the costs and immediately begin the construction of major public works projects—including the construction of dams, roads, bridges, and schools—to provide jobs for the unemployed.
3. The federal government should take control of all businesses and industry and provide a job to every American.

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| **Student Handout** | **4.1A** |

**Economic Briefing D: Massive Poverty**

Americans throughout the nation are suffering from economic hardship and the lack of basic necessities. The difficulties they face are apparent in this evidence gathered by think-tank researchers:

* Over 60 percent of Americans are now categorized as poor by the federal government.
* Nine million savings accounts have been wiped out since 1930. With thousands of banks failing and closing their doors, hard-working, honest people have lost their financial safety nets.
* 273,000 families have been evicted from their homes in 1932.
* There are two million homeless people migrating around the country. They include farmers forced off their land because of the severe drought and low prices for agricultural goods, men unable to find jobs in industries, and women with young children in search of food and shelter.
* New York social workers report that one fourth of all schoolchildren are malnourished. In the mining counties of West Virginia, Illinois, Kentucky, and Pennsylvania, the proportion of malnourished children may be as high as 90 percent.
* A Kentucky miner says that some people in his state have been surviving on wild greens such as violet tops, wild onions, and forget-me-not wild lettuce.

**Critical-Thinking Question D**: You are an economist at a university think tank who has been asked by Congress to propose solutions to the economic difficulties Americans face in 1932. Which of the following solutions do you think would best solve the problem of massive poverty? Why?

1. The federal government should provide tax breaks to business owners and the wealthy. Wealthy business owners can then invest more in their businesses, which will allow them to grow and to provide jobs for those without income. The federal government should not provide direct relief to the poor, since this will only encourage dependency on federal programs and cause people to stop looking for work. Poverty relief should be left to private charities, states, and local governments.
2. The federal government should immediately begin a program of direct relief to the poor. The program should include monthly payments to those without sufficient income, free food, and public housing for those who are homeless.
3. The federal government should confiscate income and property from the wealthy and redistribute it to the needy.

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| **Student Handout** | **4.1B** |

**Conservative, Liberal, and Radical Solutions**

**to the Great Depression**

*Say that civilization is a tree which, as it grows, continually produced rot and dead wood. The radical says: “Cut it down.” The conservative says: “Don’t touch it.” The liberal compromises: “Let’s prune, so that we lose neither the old trunk nor the new branches.” This campaign is waged to each the country to march upon its appointed course…avoiding alike the revolution of radicalism and the revolution of conservatism.*

Franklin D. Roosevelt, 1932

**Conservative Solutions**

* Provide tax relief, loans, and encouragement to businesses. Business prosperity and the accumulation of wealth at the top will “trickle down” to those in need by creating more jobs.
* Discourage federal aid to the poor. Instead, encourage private charities and local state governments to organize and provide poverty relief.
* Balance the budget to maintain financial stability.
* Ask for voluntary cooperation from businesses to stabilize wages and hours in an average workday.
* Increase the federal government’s commitment to public works. Blame economic problems on the natural business cycle, and buoy public confidence through optimistic public statements.
* Increase tariffs to protect American businesses from foreign competition.

**Liberal Solutions**

* Increase taxes on the income of the wealthy and corporations.
* Provide direct federal relief to the poor.
* Make a massive federal commitment to public works to provide jobs and encourage economic growth. Government spending will get the economy moving again.
* Create a federal planning agency that includes industrial leaders to better plan economic activity.
* Provide aid to farmers in the form of loans and payments to take crops out of production until prices for agricultural goods stabilize.

**Radical Solutions**

* Seize the income and property of the wealthy and redistribute it so that all Americans share equally.
* Have the government, rather than private business owners, control all business enterprises.
* Guarantee employment to all workers through government control of industries.
* Reorganize the farming industry into cooperatives to eliminate the disastrous effects of competition and market forces.

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| **Student Handout** | **4.1C** |

**President Hoover and the Failure of Conservatism**

**to Ease the Great Depression**

By 1932 the U.S. economy had hit rock bottom, and evidence of the worst economic downturn in the nation’s history was everywhere. Two million homeless people wandered across the country in search of food, a job, or a helping hand. People waited in bread lines that wrapped around city blocks, children went to school distracted by empty bellies, and unemployed workers congregated at locked factory gates. Black clouds of dust smothered the Midwest, as drought destroyed crops and left farmers destitute.

Americans were uncertain and divided over how to deal with the economic crisis. Some wanted drastic action and radical reform. 25,000 people gathered in Union Square in New York City to listen to communist speakers. Communists advocated overturning the capitalist system, giving workers control over the means of production, eliminating extreme wealth, and leveling American society. In Washington, D.C., several thousand men, women, and children greeted congresspeople upon their return to session in 1932 with shouts of “Tax the rich! Feed the hungry!” Armed dairymen in Iowa, angered by ruinous milk prices, blocked the roads leading into Sioux City with logs and spiked telephone poles and dumped milk on the ground in an attempt to raise prices.

In the White House, President Herbert Hoover worked 16- to 18-hour days trying to solve the economic problems that plagued the country. Hoover was a conservative Republican, and his solutions mostly reflected his conservative philosophy. For example, he staunchly refused to consider direct federal relief to the poor. A self-made millionaire, Hoover believed in “rugged individualism,” the notion that individuals could make a good life for themselves—even in hard times—through perseverance and hard work. He argued that federal aid to the needy would alter the character of the poor and create a population of listless people living on welfare. According to Hoover, the answer to poverty was increased business prosperity and the jobs that came with it, rather than government interference in the economy.

Hoping to achieve business prosperity, Hoover took several actions but met with limited success. First, he invited business leaders to the White House in an attempt to gain their voluntary cooperation in stabilizing wages and maintaining jobs. While many business leaders pledged cooperation during these meetings, they often forgot such agreements when they faced tough business decisions in their corporate offices. Hoover also advocated for tax relief to businesses, and established the Reconstruction Finance Corporation (RFC) to provide loans to businesses in distress. While the RFC did support some failing businesses, Hoover’s measures did not take into account one of the major underlying causes of the Depression: underconsumption. Due to widespread poverty, Americans were unable to buy more goods, even if businesses were able to produce them. Also, high tariffs abroad—in part created by trade policies signed into law by Hoover—meant that fewer American goods could be sold to other nations.

Hoover was strongly committed to maintaining a balanced budget, and was unwilling to spend too much federal money without further income. Therefore, his administration encouraged private charities and state and local governments to supply relief to the poor. However, by 1932 such agencies were overwhelmed, and did not have enough money to provide all the services that Americans needed. The president did expand government spending on public works in an attempt to alleviate unemployment. However, budget restrictions meant too few jobs were created to meet the national need.

Finally, Hoover tried to buoy public confidence with encouraging public statements and actions. Prior to Hoover’s administration, severe economic downturns were called “panics.” Hoover renamed the 1930s economic collapse a “depression” in an attempt to reduce public worry. As the Depression continued to deepen, Hoover persisted in telling the nation that the economic problems were a product of the “natural business cycle” and that prosperity would soon return.

To many desperate Americans, Hoover often appeared cold and uncaring. As conditions worsened, they began to blame him for causing the Depression. Homeless settlements with dwellings made of discarded plywood and corrugated metal were dubbed “Hoovervilles,” and empty pockets pulled inside out were called “Hoover flags” to reflect the public’s view that Hoover was unable to turn the economy around. However, in addition to Hoover, many economists and astute businessmen were surprised by the severity of the Depression. To his credit, some of Hoover’s solutions—like increased spending on public works—were expanded with success in the years after Hoover was voted out of office.

Americans’ discontent was reflected in the election of 1932, in which Herbert Hoover and his conservative policies were swept out of the White House. His successor, Franklin D. Roosevelt, offered the country a liberal alternative to both Hoover’s conservative policies and the radical approaches of socialism and communism. In the election of 1932, Roosevelt boldly offered a “New Deal” to Americans tired of the old one. While the details of the New Deal were unclear during the campaign, it was apparent that Roosevelt believed in a stronger role for the federal government, direct relief for the poor, and a greater commitment to the creation of jobs through public works. His promise of “bold and persistent action” appealed to millions of Americans in dire need of help. Roosevelt was elected by a landslide victory, winning 57 percent of votes to Hoover’s 40 percent, with 472 electoral votes for Roosevelt and only 59 for Hoover. The new president brought a promise of great change to the struggling country.