Historical Primer: The Great Depression

1. The economic expansion and rising availability of credit during the 1920s set the stage for the economic crisis of the Great Depression.

The 1920s were a time of economic expansion in the U.S., as construction and manufacturing boomed. Consumer goods, such as cars, radios, and refrigerators accounted for much of the new manufacturing, and the availability of consumer credit expanded to enable Americans to buy these new goods. The greater availability of bank loans and credit also enabled more people to invest in the stock market than ever before. But the prosperity of the 1920s was uneven; as the rich got much richer, the average worker's income rose more slowly and farm income was erratic. This overextension of credit and unequal distribution of wealth contributed to the collapse of the economy triggered by the stock market crash in October 1929.

2. The economic impact of the stock market crash caused widespread and unprecedented suffering among Americans.

Unemployment rose from 3% in 1929 to 23% in 1932, and millions of people could only find part-time work. Average real wages fell 16% in just 2 years. Nine million people lost their savings accounts when thousands of small banks and other financial institutions failed during the first three years of the Great Depression. Many people, employed and unemployed, fell behind on their rent or mortgage payments and lost their homes. The newly homeless often lived in poorly constructed groups of temporary dwellings that became known as "Hoovervilles," or they became transients.

3. Racial discrimination and segregation were common and, in many places, legal during the Great Depression.

During the 1920s and 1930s, segregation laws in most southern and many northern states required African Americans and whites to be educated in separate schools, travel on separate train cars, and be separated in all public spaces like movie theaters, restaurants, and swimming pools. While some African Americans had moved to northern cities during the Great Migration of the World War I era, most still lived in the rural South. In Texas, people of Mexican descent made up nearly 12% of the population in 1930 and, like African Americans, faced significant discrimination and were subject to many of the same segregation laws. During the early years of the Great Depression, state officials in Texas, Arizona, and California rounded up Mexican immigrants and sent them back to Mexico, seeking to reduce demand for local relief.

4. Railroads were an important method of transportation during the Great Depression.

Prior to the beginning of commercial air travel and the construction of the interstate highway system, railroads were the most common method of transportation in the U.S. In 1930, the U.S. had 250,000 miles of railroad tracks blanketing the country, moving freight and people over short and long distances. By 1932, a quarter of a million youths under age twenty-one (as well as many of their older counterparts) had left home in search of work or shelter, hitching rides or hopping freight trains in what one government agency called a "migration of despair."

5. It was difficult for family farmers to hold onto their land during the Great Depression.
At the start of the Depression, the number of farmers who owned the land they farmed was steadily shrinking. Between 1929 and 1933, a third of all American farmers lost their farms. Many farmers had taken on increasing levels of debt during the 1920s, and when farm prices dropped with the onset of the Great Depression, they could no longer pay back that debt and banks foreclosed on their land and equipment.