

**The Great Depression Begins****Section 3**

# Hoover Struggles with the Depression

**Terms and Names**

**Herbert Hoover** 31st president

**Boulder Dam** Dam on the Colorado River built during the Depression to create jobs

**Federal Home Loan Bank Act** Law passed in 1931 to reduce mortgage rates to save farmers from foreclosure

**Reconstruction Finance Corporation** Agency established in 1932 to provide emergency relief to large businesses, insurance companies, and banks

**Bonus Army** Unemployed World War I veterans who marched to Washington to demand their war bonuses

**Before You Read**

In the last section, you read about how the Depression affected common people. In this section, you will learn how President Hoover tried to stop the Depression.

**As You Read**

Use a web diagram to take notes on President Hoover's response to the Great Depression.

**HOOVER TRIES TO REASSURE THE NATION (Pages 478–481)****How could the nation recover?**

Economic slowdowns occur regularly. Over time, economies go through cycles. There are times of economic growth and prosperity. They are followed by slumps when the economy slows down. In the 1930s, many experts believed that it was best not to interfere with these economic cycles. They argued that slumps would end on their own and good times would return.

At first, President **Herbert Hoover** believed that the Great Depression was just another slowdown that would end on its own. His advisors thought that it was best to do nothing. The economy would

heal itself. Hoover believed the government should take some action. But he also believed that government should not take too much power or give direct aid to poor people.

Hoover believed government should help different groups work together to improve the economy. For example, Hoover thought government should help managers and workers find solutions to their problems. But he did not think government should decide on the solution.

Hoover also believed in “rugged individualism”—the idea that people should succeed through their own efforts. He believed people should take care of themselves and each other, and that the government should encourage private

**Section 3, continued**

groups to help the needy. He thought that charities—not government—should give food and shelter to people who were poor or out of work. Hoover felt that government could guide these private relief efforts. None of these steps made a difference. The economy shrank and unemployment continued to go up.

One project that did help was the **Boulder Dam**, a huge dam on the Colorado River. Still, economic difficulties increased, the country turned against Hoover. In the 1930 elections, the Democrats gained more seats in Congress. Farmers burned crops and dumped milk rather than sell it for less than it cost them to produce it. People called the shantytowns that sprang up “Hooverilles.” Despite public criticism, Hoover stuck to his principles.

Hoover met with bankers, businessmen, and labor leaders. He urged them to work together to help improve the economy. He asked employers not to fire workers or to lower their pay. He asked labor leaders not to ask for higher pay or to strike.

1. What did Hoover think government should do in bad economic times?

---



---

### **HOOVER TAKES ACTION; PASSING THE BONUS ARMY**

(Pages 481–483)

#### **What did Hoover do?**

Hoover did not offer direct aid to the poor. But he did worry about the suffering of the people. He took steps to use the government to improve the economy.

Hoover used the Boulder Dam project as a model of how the federal government

could encourage cooperation between private groups. He tried to help farmers with the Federal Farm Board, and banks by creating the National Credit Corporation. Another program tried to raise the prices farmers received for their crops. Hoover also urged bankers to join a credit organization. It gave loans to banks that were in danger of failing.

By 1931, the economy had not improved. Congress passed the **Federal Home Loan Bank Act**. This law lowered mortgage rates. Congress hoped that low mortgage rates would help farmers change the terms of their mortgages. This would help protect their farms from foreclosure.

Hoover also created the **Reconstruction Finance Corporation**. The RFC provided money for projects to create jobs.

Hoover became less popular with the public. His popularity fell even more in 1932 when World War I veterans came to the capital. These veterans had been promised bonuses to make up for their poor wartime pay. Congress was about to vote on a bill to give the veterans their bonuses immediately.

Thousands of veterans and their families came to Washington. This so-called **Bonus Army** set up tents to live in near the Capitol building. Hoover first sent the veterans food. But after the bonus was voted down in Congress, Hoover told the veterans to leave. About 2,000 stayed. Hoover ordered the army to remove them. The sight of U.S. Army troops using tear gas on citizens outraged many people.

2. What actions did Hoover take to improve the economy?

---



---

**Section 3, *continued***

---

As you read about President Hoover's response to the Great Depression, write notes in the appropriate boxes to answer the questions.

<b>Philosophy</b>
1. What was Hoover's philosophy of government?

<b>Response and Economic Results</b>
2. What was Hoover's initial reaction to the stock market crash of 1929?
3. a. What was the nation's economic situation in 1930?  b. How did voters in 1930 respond to this situation?
4. a. What did Hoover do about the economic situation?  b. How did the economy respond to his efforts?
5. a. How did Hoover deal with the economic problem posed by the Bonus Army?  b. How did his efforts affect his own political situation?