**The Great Depression**

* **Great Depression**
* Lasted from October 29, 1929-start of WWII
* Entire decade of 1930s
* **High unemployment**
* Many bankrupt businesses
* High poverty
* Nearly every American was worse off than in 20’s
* **Economic Problems**
* 1. Key industries struggled- railroad, textiles, steel
* 2. Farmers were in trouble
* 3. Consumers in debt
* 4. Purchasing on credit/installment plan
* 5. Uneven distribution of wealth- rich got richer, poor got poorer
* **Agricultural Problems**
* Farmers took out loans during WWI to produce more; Bought more land and more equipment
* When war ended, prices fell.
* Farmers produced even more, prices fell further
* Farmers couldn’t pay loans and lost farms.
* Many rural banks closed.
* Congress tried to pass price-support bill but Coolidge vetoed it.
* **Consumer Debt**
* Americans bought on installment plans
* Too much debt caused people to reduce spending on other purchases
* Rich got richer, poor got poorer
* 70% of families earned less than $2500 a year
* **1928 Election**
* Herbert Hoover- Republican- Secretary of Commerce
* Alfred Smith- Democrat- Governor of New York
* Hoover won because Americans had been happy with Republicans
* Hoover- ““We in America are nearer to the final triumph over poverty than ever before.”
* **Stock Market**
* Stock market- a system for buying and selling shares in a corporation
* Prices rose during the 20’s causing many to invest in stocks
* 1929- 4 million Americans owned stock
* **Problems in Stock Market**
* Speculation- buying stocks to turn a quick profit
* Buying on margin- borrowing money to buy stocks
  + - Example: To purchase $10,000 in stock an investor could pay $1,000 and borrow the rest. If the stock went to $11,000, he could pay back the loan and have $1,000 profit; If prices fell, he couldn’t repay the loan.
* **Stock Bubble Bursts**
* Rising market last only as long as investors put money in.
* Market started to slow and investors began selling.
* Prices fell and investors panicked.
* Black Tuesday- October 29, 1929- Shareholders dumped shares, bottom fell out of market, prices fell even further
* Investors lost about $30 billion.
* **Bank Failures**
* Banks had loaned money to stock speculators.
* When market crashed, speculators defaulted (could not repay)
* Banks were forced to close; When banks closed, customers lost savings.
* Bank run- people tried to withdraw all their savings at one time, which caused more banks to fail.
* **Hawley-Smoot Tariff**
* 1930- highest tariff in history
* Passed to protect American manufacturers
* Prevented other countries from earning money to purchase American goods
* Other countries retaliated with tariffs against US
* **Depression in Cities**
* Lost jobs, evicted from homes
* Shantytowns **(**Hoovervilles**)**- towns of shacks, boxes, whatever people could find
* Soup kitchens and bread lines provided help.
* Minorities faced more discrimination because fewer jobs were available.
* **Hoovervilles**
* Depression in Rural Areas
* 400,000 farmers lost their land
* Turned to tenant farming (sharecropping)
* **Drought in 1932**
* Heavy plowing had removed prairie grasses. Over planting had exhausted the soil (no nutrients)
* Winds carried soil hundreds of miles
* Dust Bowl- area of Kansas, Oklahoma, Dakotas hit hardest by drought and windstorms
* Okies
* Migrants from Oklahoma and other states who left their land to move to California
* **Psychological Effects of Depression**
* Suicide rate rose
* People made sacrifices
* Thriftiness and savings
* Community bonds strengthened as people helped each other
* **Hoover’s Response**
* Did not believe in direct relief- cash or food provided to the poor
* Encouraged businesses, churches, and charities to do more
* Said government was not responsible for helping
* Called together business leaders, bankers, and labor leaders to find a solution. It didn’t help.
* **Direct Intervention**
* Reconstruction Finance Corporation (1932)- authorized up to $2 billion in loans to banks and other large businesses
* Money would “trickle-down” to average citizen
* Was passed too late to stop business failures
* Federal Home Loan Bank Act (1932)- lowered mortgage rates and allowed farmers to refinance
* **Bonus Army**
* WWI veterans and families who marched on Washington to demand a bonus they had been promised
* 10-20,000 people
* Built a shantytown on the Washington Mall
* Hoover sent 1,000 soldiers under Douglas MacArthur to disband the group, used tear gas
* Americans were outraged.
* **1932 Election**
* Hoover- Republican, blamed for depression
* Franklin D. Roosevelt- Democrat- Governor of NY
* FDR won. Democrats won control of Congress.
* Believed govt. should develop programs to fight depression and provide direct help
* **New Deal**
  + 20th Amendment
    - Moved inauguration day to January 20th
  + Passed in 1933 but did not affect FDR election.
  + Intended to shorten “lame duck” terms

**The New Deal**

* **FDR programs to provide alleviate problems of Depression**
  + Three R’s:
* **R**elief for the needy
* Economic **R**ecovery
* Financial **R**eform
* **Hundred Days**
  + March 9- June 16
  + Congress passed more than 15 major laws
  + Expanded government’s role in economy
  + Bank holiday- March 5- FDR closed all banks to stop withdrawals
* Ordered Treasury Dept. to inspect all banks.
* Restored confidence in nation’s banks
* **Fireside Chats**
  + FDR used radio to speak to the country
  + Explained his New Deal programs in simple terms; Explained banking system, tried to instill confidence
* **Glass-Steagall Act**
  + 1933- Established Federal Deposit Insurance Corporation (FDIC)
* Insured deposits up to $5000
  + 1934- Securities and Exchange Commission (SEC)
* Created to regulate stock market
* Prevent fraud
* **Relief for the People**
  + Agricultural Adjustment Act- (AAA)- paid farmers to produce fewer crops
* Farmers plowed under crops and slaughtered pigs
* Intended to raise prices
  + Tennessee Valley Authority (TVA)- built dams along TN River-
* Flood control, electric power, provided jobs
* **Relief Programs**
  + Civilian Conservation Corps (CCC)- put young men to work building parks, roads, planting trees
  + National Industrial Recovery Act- provided money to states to build roads, schools, and other public buildings
  + National Housing Act- 1934- Created Federal Housing Administration (FHA) to provide loans to homebuyers
* **Economics of New Deal**
  + Deficit spending- spending more than government brings in revenue
* FDR said it was necessary during economic crisis
  + John Maynard Keynes- economist- believed deficit spending would get nation out of depression by putting money in the hands of consumers
* **Supreme Court**
  + Struck down several new deal programs that gave federal govt too much power over states
  + Court-packing- Roosevelt proposed a bill that would allow him to appoint 6 new justices
* **Critics of New Deal**
  + New Deal gave govt. too much power
* Interfered with free economy
  + Huey Long- Sen. from Louisiana- said New Deal help enough
* “Share our Wealth” program take money from rich and give to poor
* **Second New Deal**
  + Economy improved but unemployment was still high.
  + 1936 Election- FDR won in landslide
* Roosevelt Coalition- groups that supported FDR
* White Southerners, African- Americans, Union members, City dwellers
* **Works Progress Administration**
  + WPA- spent $11 billion to provide 8 million jobs
* Built or repaired roads, public buildings, hired artists and writers
* **Labor Relations**
  + National Labor Relations Board- created by the Wagner Act
* Prohibited unfair labor practices like threatening workers, firing members of unions
  + 1938- Congress set 44 hour work week and minimum wage of 25 cents an hour
* **Social Security**
  + Most important piece of New Deal legislation
  + Social Security Act- 1935
* Three parts:
* Old-age insurance for 65 and older
* Unemployment compensation
* Aid for disabled and minors who lost a parent
* **Effects of New Deal (Women**)
  + Frances Perkins- first female cabinet member- Secretary of Labor
  + FDR also appointed women as federal judges
  + Many New Deal programs still discriminated against women (lower wages)
* **Effects on African-Americans**
  + FDR appointed African-Americans to key positions
  + Mary McLeod Bethune- part of “Black Cabinet” that advised FDR on racial issues
  + FDR did not actively support civil rights because he did not want to lose southern voters
  + Did not support antilynching law or end to poll tax
* **New Deal Coalition**
  + Supporters of FDR, Helped him win 4 terms
  + Labor unions- grew to over 10 million because of Wagner Act
  + African Americans, Southern Whites
* **Culture of 1930s**
  + Movie industry grew to over 15,000 theaters
* A way to escape for a few hours
* *Gone with the Wind*-1939
* *Snow White and the Seven Dwarfs*- 1937
  + Radio- news, soap operas, dramas, fireside chats
* 90% of households owned a radio by 1940
* Movies and Radio
* **Arts**
  + Federal Art Project- part of WPA
* Paid artists to produce public art, teach art, paint murals on public buildings
  + Federal Writers Project- Richard Wright *Native Son*
* Zora Neale Hurston *Their Eyes Were Watching God*
* John Steinbeck- *The Grapes of Wrath*
* **Effects of New Deal**
  + Positives:
    - Gave many people jobs.
    - Helped many people survive the Great Depression
    - Helped farmers make more money
    - Helped bring people in the country into modern society
* **Effects of New Deal**
  + Negatives:
    - National debt grew
    - Taxes were increased
    - Some people became dependent on the government for checks and welfare
    - The New Deal did NOT end the Great Depression.