The Depression Era & New Deal

Unit 8: Prosperity and Depression, pt. 3

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* Great Depression by the Numbers

1. After the stock market crash, economic flaws helped the nation sink into the **Great Depression,** the worst economic downturn in history.
2. The stock market collapse strained the resources of banks and many failed, thus creating greater anxiety.
3. In 1929 banks had little cash on hand and were vulnerable to “runs,” or a string of nervous depositors withdrawing money.
4. A run could quickly drain a bank of all its cash and force its closure.
5. In the months after October 1929, bank runs struck nationwide and hundreds of banks failed, including the enormous Bank of the United States.
6. Bank closures wiped out billions in savings by 1933.

* Farm Failures

1. The hard times farmers faced got worse during the Great Depression, when widespread joblessness and poverty cut down on the demand for food as many Americans simply went hungry.
2. By 1933, with farmers unable to sell food they produced, farm prices had sunk to 50 percent of their already low 1929 levels.
3. Lower prices meant lower income for farmers, and many borrowed money from banks to pay for land and equipment.
4. As incomes dropped, farmers couldn’t pay back their loans, and in the first five years of the 1930s, hundreds of thousands of farms went bankrupt or suffered foreclosure.

* Unemployment

1. **The year following the crash of October 1929 saw a sharp drop in economic activity and a steep rise in unemployment.**
2. **Such negative trends are not uncommon in times of economic downturn, but the extent and duration of these trends made the Great Depression different.**
3. **By 1933 the gross national product dropped over 40 percent from its pre-crash levels.**
4. **Unemployment reached a staggering 25 percent, and among some groups the numbers were even higher:**

* **In the African American neighborhood of Harlem, for example, unemployment reached 50 percent in 1932.**
* The Human Impact of the Great Depression

1. **The true measure of the Great Depression’s disaster lies in how it affected the American people.**
2. **Hoovervilles**
   * Thousand applied for a handful of jobs, and job loss resulted in poverty for most Americans.
   * To survive, people begged door to door, relied on soup kitchens and bread lines. Some went hungry.
   * Some homeless lived in shantytowns, or **Hoovervilles**, named after President Hoover
3. **Hoboes**

* **Hoboes** were mostly men, but included teens and women.
* Boarding trains was illegal, and railroads hired guards to chase hoboes away.
* Finding food was a constant challenge.
* Hoboes developed a system of sign language to warn of possible dangers or opportunities.
* Devastation in the Dust Bowl

1. Nature delivered another cruel blow. In 1931 rain stopped falling across much of the Great Plains region.
2. This **drought**, or period of below average rainfall, lasted for several years, and millions of people had fled the area by the time it lifted.
3. Agricultural practices in the 1930s left the area vulnerable to droughts.
4. Land once covered with protective grasses was now bare, with no vegetation to hold the soil in place.
5. When wind storms came, they stripped the rich topsoil and blew it hundreds of miles. The dust sometimes flew as far as the Atlantic Coast.
6. Dust mounds choked crops and buried farm equipment, and dust blew into windows and under doors.
7. The storms came year after year, and the hardest hit areas of Oklahoma, Kansas, Colorado, New Mexico, and Texas eventually became known as the **Dust Bowl**.

* Fleeing the Plains

1. The droughts and dust storms left many in the Dust Bowl with no way to make a living, and some simply picked up and moved:

* **Migrants**

1. By the end of the 1930s, 2.5 million people had left the Great Plains states.
2. Many headed along Route 66 to California, then settled in camps and sought work on farms.
3. The migrants were called **Okies**, after the state of Oklahoma, but migrants came from many states.
4. Many migrants met hardship and discrimination

* **American Imagination**

1. The plight of the migrants captured the imagination of some of America’s greatest writers and artists.
2. Author John Steinbeck wrote about the lives of the migrants in his novels and short stories.
3. The US government commissioned song-writers, painters, and photographers to capture the lives of the migrants as a WPA project
4. For much of the decade, the Depression defied most government efforts to defeat it, and Americans had to fend for themselves.

* Hoover’s Philosophy

1. Herbert Hoover came to the presidency with a core set of beliefs he had formed over a long career in business and government service.
2. He had served in the Harding and Coolidge administrations and shared many of their ideas about government’s role in business, favoring as little government intervention as possible.
3. Hoover believed unnecessary government threatened prosperity and the spirit of the American people.
4. A key part of this spirit was something he called “rugged individualism.”

* The “Associative State”—**According to Hoover, individualism did not rule out cooperation.**

1. **The Associative State**

* Hoover thought businesses should form voluntary associations to make the economy more fair and efficient.
* Skilled government specialists would then cooperate with the associations.
* Hoover called this the “**associative state**.”
* As Coolidge’s secretary of commerce, and as President, Hoover put his beliefs into action, calling together meetings of business leaders and experts to discuss ways of achieving national goals.

1. **The Hoover Dam**

* The building of the **Hoover Dam** demonstrated Hoover’s beliefs in business and government.
* The dam harnessed the Colorado River to provide electricity and a safe, reliable water supply to parts of seven states.
* The federal government provided the funding for the project, which was approved in the 1920s and built in the 1930s.
* A group of six independent companies joined together to design and construct it.
* Hoover’s Response to the Great Depression—Hoover’s core beliefs—that government should not provide direct aid, but find ways to help people help themselves—shaped his presidency.

1. **Ideas and Beliefs**

* Before the market crash, Hoover tried to help farmers by strengthening farm cooperatives.
* C**ooperative**: an organization owned and controlled by its members, who work together for a common goal
* Hoover continued to believe in voluntary action—urged business and government leaders not to lay off workers—cooperation would help the economic crisis pass

1. **Direct Action**

* Businesses cut jobs and wages, and state and local governments cut programs and laid off workers.
* Hoover established the **Reconstruction Finance Corporation** in 1932—provided $2 billion in direct government aid to banks and institutions.
* Later that year he asked Congress to pass the Federal Home Loan Bank, a program to encourage home building
* The Smoot-Hawley Tariff Act

1. **The Act**
   * One of Hoover’s major efforts to address the economic crisis was the 1930 **Smoot-Hawley Tariff Act**.
   * Tariffs are taxes on imported goods that raise their cost, making it more likely that American purchasers buy cheaper American goods.
2. **The Effects**

* The Smoot-Hawley Tariff Act was a disaster.
* Originally designed to help farmers, it was expanded to include a large number of manufactured goods.
* The high tariff rates were unprecedented.
* When European nations responded with tariffs on American goods, international trade fell dramatically.
* By 1934 trade was down two thirds from its 1929 level.
* The Nation Responds to Hoover

1. **Questions of Credibility**

* Hoover eventually pushed for some direct relief, but his optimistic claims about the economy undermined his credibility with voters.
* Early on, when millions lost their jobs, he said the nation’s basic economic foundation was sound.
* Just a few months after the crash he announced “I am convinced we have passed the worst,” and he spoke glowingly about the relief efforts.
* Millions of Americans did not share Hoover’s viewpoint.

1. **Questions of Compassion**

* Many Americans came to question Hoover’s compassion.
* As economic conditions grew worse, his unwillingness to consider giving direct relief to the people became hard for most Americans to understand.
* When Hoover finally broke his stated beliefs and pushed for programs like the Reconstruction Finance Corporation, people wondered why he was willing to give billions of dollars to banks and businesses but not to individuals.
* The Voters React

1. **To balance the budget, Hoover pushed for /signed a large tax increase in 1932.**
2. **Highly unpopular—voters wanted more government spending to aid the poor.**
3. **1930 Congressional election—early sign that the public was fed up with him.**
4. **Democrats won a majority of seats in the House and made gains in the Senate.**
5. **General MacArthur’s handling of the Bonus Army hurt Hoover:**

* **WWI Veterans marched on Washington to demand early payment of pensions**
* **Hoover refused to be bullied**
* **Army was called in to break up the encampments—MacArthur treated the veterans roughly**
* **Hoover took the blame for MacArthur’s heavy-handedness**

1. **By the 1932 presidential election, it seemed certain Hoover would lose the race.**
2. **The Great Depression showed few signs of ending, and Hoover’s ability to influence people and events was nearly gone.**

* The Election of 1932

1. Americans blamed President Hoover for the country’s economic woes.
2. **Franklin Delano Roosevelt** won the Democratic Party’s nomination.

* He was related to Theodore Roosevelt.
* He survived polio.
* He was governor of New York.

1. Roosevelt promised relief for the poor and more public works programs to provide jobs. He attacked Hoover and the Republicans for their response to the Great Depression.
2. Roosevelt won a landslide victory—winning more than 57 percent of the popular vote.

* The Roosevelts
  1. Franklin Delano Roosevelt had a winning personality and believed that it was the government’s job to take direct action to help its people.
  2. Eleanor Roosevelt was a powerful political force in her own right, and she helped to change to role of the First Lady
  3. Franklin and Eleanor’s marriage played a central role in Franklin Roosevelt’s political success
* Franklin Roosevelt as President

1. **Banking Crisis**

* Temporarily closed all the nation’s banks to stop panic and large-scale withdrawals
* Passed the Emergency Banking Act
* Glass-Steagall Act created the FDIC

1. **Hundred Days**

* Critical period of government activity
* Roosevelt pushed Congress to put most of his **New Deal** into practice.
* The New Deal promised relief, recovery and reforms.

1. **Beyond the Hundred Days**

* FDR and Congress passed important legislation after the Hundred Days
* Created the Civil Works Administration
* Passed the Indian Reorganization Act
* The New Deal

1. **The New Deal was a series of programs designed to …**

* **Save and regulate banks**
* **Keep as many business open and productive as possible**
* **Modernized America with new technology, roads, energy, and parks**
* **Employ and/or retrain as many workers as possible**
* **Prop up the farm economy and help agriculture become more efficient, less damaging to the environment, and more productive**
* **Provide the basic needs for Americans who could not fend for themselves—relief**

1. **Based on some of the same principles as Hoover’s “Associative State”**

* **Sense of volunteerism**
* **Patriotic duty to fellow Americans**
* **Profit without greed**
* **Cooperative efforts of private and public agencies**

1. **FDR was a better “salesman”**

* **Personality was outgoing and friendly—appealed to people**
* **Benefitted from not being in office when the crisis hit**
* **Helped by his wife**
* **Received better during his 1st term than his second**

The New Deal Programs

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| **AAA** | Agricultural Adjustment Administration. Founded in 1933 to advise and assist farmers, and to regulate farm production. |
| **CCC** | Civilian Conservation Corps. Founded in 1933 to provide jobs for the unemployed. |
| **CCC** | Commodity Credit Corporation. Founded in 1933 to support the Department of Agriculture. |
| **FCA** | Farm Credit Administration. Founded in 1933 to provide a credit system for farmers by making long-term and short-term credit available. |
| **FCC** | Federal Communications Commission. Founded in 1934 to regulate radio, telephone, and telegraph systems. |
| **FCIC** | Federal Crop Insurance Corporation. Founded in 1938 to provide insurance protection against unavoidable loss of certain crops. |
| **FDIC** | Federal Deposit Insurance Corporation. Founded in 1933 to insure bank deposits. |
| **FERA** | Federal Emergency Relief Administration. Founded in 1933 to cooperate with the states in relieving hardships caused by unemployment and drought. |
| **FHA** | Federal Housing Administration. Founded in 1934 to insure private lending companies against loss on home-mortgage loans and on loans for improving small properties. |
| **FSA** | Farm Security Administration. Founded in 1937 to help farmers buy needed equipment. |
| **HOLC** | Home Owners Loan Corporation. Founded in 1933 to grant long-term mortgage loans at low cost to homeowners in financial difficulties. |
| **NLRB** | National Labor Relations Board. Founded in 1935 to administer the National Labor Relations Act. |
| **NRA** | National Recovery Administration. Founded in 1933 to carry out plans made by the National Industrial Recovery Act to fight the depression. |
| **NYA** | National Youth Administration. Founded in 1935 to provide job training for unemployed youths and part-time work for needy students. |
| **PWA** | Public Works Administration. Founded in 1933 to increase employment and purchasing power through the construction of useful public works, such as bridges, in the various states. |
| **REA** | Rural Electrification Administration. Founded in 1935 to aid farmers in the electrification of their homes. |
| **SEC** | Securities and Exchange Commission. Founded in 1934 to protect the public from investing in unsafe securities and to regulate stock market practices. |
| **SSB** | Social Security Board. Founded in 1935 to secure a sound social security system. |
| **TVA** | Tennessee Valley Authority. Founded in 1933 to help develop the resources of the Tennessee Valley. |
| **USHA** | United States Housing Authority. Founded in 1937 to aid in the development of adequate housing throughout the nation. |
| **WPA** | Works Progress Administration. Founded in 1935 to provide work for needy persons on public works projects. Renamed Work Projects Administration in 1939. |

* Leading Critics of the New Deal

1. **Huey P. Long** (senator from Louisiana)

* Believed Roosevelt’s policies were too friendly to banks and businessmen (started the Share Our Wealth Society)

1. **Father Charles Coughlin** (the “radio priest”)

* Believed Roosevelt was not doing enough to curb the power of bankers and financial leaders

1. **Dr. Francis Townsend**

* Criticized the New Deal for not doing enough for older Americans (wanted pensions for people over 60)

1. **The American Liberty League**

* Believed that the New Deal went too far and was anti-business

1. **Opposition from the courts**

* Critics of the New Deal feared that it gave the president too much power over other branches of government.

1. *Schechter Poultry Corporation* v. *United States*
2. *United States* v. *Butler*

* The Court-Packing Plan

1. **Roosevelt’s Plan**

* Gave the president power to appoint many new judges and expand the Supreme Court by up to six judges
* Roosevelt argued that changes were needed to make the courts more efficient.
* Most observers saw plan as effort to “pack” the court with friendly justices.

1. **The Result**

* Plan did not pass; however, the Supreme Court made some rulings that favored New Deal legislation.

1. Supreme Court upheld a minimum wage law in Washington state.
2. Court ruled in favor of a key element of the Wagner Act.
3. Court declared Social Security plan to be constitutional.

* Economic Downturn of 1937

1. **The Nation’s Economy**
   * 1937 witnessed an economic downturn that began with a sharp drop in the stock market. By the end of the year, about 2 million Americans had lost their jobs.
   * Roosevelt had hoped to cut back on government spending, for he feared the growing federal budget **deficit**.
   * As unemployment rose during 1937 and 1938, the government spent large sums of money to help the unemployed
2. **Economic Theory**

* British economist **John Maynard Keynes** argued that deficit spending could provide jobs and stimulate the economy.
* The economy did begin to rebound in the summer of 1938
* The Impact of the New Deal

1. **Relief**

* Millions of Americans enjoyed some form of help.
* Direct relief or jobs that provided a steady paycheck
* Programs such as Social Security and unemployment insurance became a fixture of government.

1. **Recovery**

* Not as successful at economic recovery
* Unemployment remained high.
* Some critics argued that Roosevelt needed the support of big business.
* Other critics said that the New Deal didn’t spend enough money

1. **Reform**

* More successful and long-lasting
* FDIC restored public confidence in the nation’s banks.
* SEC restored public confidence in stock markets.
* New Deal left thousands of roadways, bridges, dams, public buildings, and works of art
* Limits of the New Deal

1. Relief programs gave aid to millions of people, but they were not meant to be a permanent solution to joblessness. Also, they did not provide jobs to everyone who needed one.
2. The level of government assistance varied by state. For example, a family needing assistance in Massachusetts might receive $60 per month, while a family in Arkansas might get $8
3. New Deal programs permitted discrimination against African Americans, Hispanic Americans, women, and others

* The End of the New Deal

1. **Weakening Support**

* Setbacks such as the court-packing fight and the 1937 economic downturn gave power to anti-New Deal senators.
* Opposition in Congress made passing New Deal legislation more difficult. Only one piece passed in 1938: the Fair Labor Standards Act (which set up a **minimum wage**).

1. **1938 Elections**

* Roosevelt tried to influence voters in the South during the congressional elections of 1938; however his candidates lost.
* The Republicans made gains in the both houses.
* Roosevelt lacked the congressional support he needed to pass New Deal laws.

1. **After the New Deal**

* The New Deal ended in 1938.
* Americans turned their attention to the start of WWII.