

1930s – The Great Depression and The New Deal

A Collapsing Economy

- Problems with the U.S. started started in the late 1920s.
- Major industries were declining, but stock prices were still rising. This led to risky investments.
- Margin buying let people buy stocks by paying a small portion of the total cost and owing the rest.
- On October 23, 1929, stock prices started Falling rapidly.
- Margin buyers were forced to sell their stock to pay off their loans, and the heavy selling caused prices to drop more.
- The stock market crashed on October 29, 1929. This is known as "Black Tuesday."
- Many investors lost all of their money.

The Great Depression Begins

- The Great Depression was a major economic and social disaster that affected the entire country.
- The Great Depression lasted 12 years and was triggered by the Stock Market Crash.
- One cause of the Depression was overproduction. Factories produced more goods than people could afford to buy.
- A banking crisis was another cause. Rural banks lost money because Farms were failing. Urban banks lost huge sums in the stock market crash.
- Thousands of banks closed, and depositors lost their money.
- People had less money, so factories cut Jobs and closed.
- Companies declared bankruptcy (financial failure – couldn't pay their bills).
- The Depression spread worldwide. European countries failed to repay their loans.

The Human Cost

- From 1929 to 1933, the unemployment rate went from 3 to 25 percent.
- The number of people without Jobs was about 13 million.
- With little or no money, many people lacked adequate Food, shelter, and clothing.
- The Great Depression was a time of widespread poverty and misery.

Hoover Responds

- At first, President Hoover's advisers recommended doing nothing. They believed the Depression was temporary.
- He encouraged businesses, local governments and charities to help those in need by setting up soup kitchens.
- In 1932 he created the Reconstruction Finance Corporation, to provide money to local governments and key industries.
- The Depression continued and Hoover was blamed.
- The Bonus Army incident damaged Hoover's popularity.
- WWI veterans marched on Washington to demand early receipt of a \$1000 bonus (extra payment) promised for their military service.
- When some veterans refused to leave, government forces Fired on them, which outraged the country.

Franklin D. Roosevelt

- Roosevelt was elected President in 1932. He was disabled from polio. He is the only president to be elected to 4 terms. His program was called the New Deal.

The 3 goals of the New Deal were:

- Relief for the Jobless
- Economic recovery
- Economic reform to prevent Future depressions

He began Fire side Chats, which were 30 national radio broadcasts to explain his measures and Reassure the public.

Relief for the Jobless

Federal Emergency Relief Administration (FERA)

- Provided financial help for the unemployed. Job programs offered employment.

Civilian Conservation Corps (CCC)

- Hired jobless men (18-25) to work in national parks, forests, and wilderness areas.

Works Progress Administration (WPA)

- Hired people to build or repair schools, post offices, roads, bridges, and airports.

Economic Recovery

National Recovery Administration (NRA)

- Aimed to keep prices stable while increasing employment.

Public Works Administration (PWA)

- Hired people for major public works projects, (Lincoln Tunnel, Grand Coulee Dam)

Tennessee Valley Authority (TVA)

- Built dams along Tennessee River to provide jobs and electricity in a poverty stricken region.

Reforms to Prevent another Depression

Truth in Securities Act

- Required companies to report honestly about their stock

Federal Deposit Insurance Corporation (FDIC)

- Protected bank depositors by guaranteeing individual deposits up to \$2,500.

Federal Power Commission (FPC)

- Helped control the gas and oil industry

Obstacles to the New Deal

The Supreme Court struck down several of the New Deal Programs. Roosevelt decided to "pack" the court by proposing to add 6 additional judges. (Raising the number from 9 to 15)

Congress defeated the plan, but during his terms as President he did appoint nine new justices.

FDR and Labor Reform

Francis Perkins was appointed Secretary of Labor. She became the 1st woman Cabinet Member. She supported reforms that gave workers more rights.

The Wagner Act guaranteed the right to organize unions and banned unfair Firing of union members. Also, it allowed Collective Bargaining, or the right of unions to speak for all workers in labor negotiations.

The Fair Labor Standards Act guaranteed a minimum wage and maximum hours for the work week.

Social Security Act

Congress also passed the Social Security Act.

This was a 3 part government program.

1. It provided pensions for older people
2. Provided unemployment insurance
3. Provided support payments for dependent children and people with disabilities.

Eleanor Roosevelt

The President's wife went to places the President couldn't. She toured the nation, talked to the unemployed, visited coal mines and then reported her findings to the President. She also wrote a newspaper column and had her own radio program.

The Dust Bowl

The Dust Bowl was located in the Southwestern Plains. It was brought about by a severe drought that began in 1930. Crops Failed, and with no plants to hold the topsoil, it blew away in giant dust storms called "black blizzards." This environmental disaster lasted for 5 years and turned 100 million acres into wasteland. Oklahoma was hit especially hard. Thousands abandoned their farms and moved to California to find work.

Scorecard on the New Deal

Arguments against the New Deal

- The size of the federal government increased along with its role in solving social problems
- Powerful federal government threatened individual freedom and free enterprise.
- Increase in the national debt through deficit spending (government spends more money than it receives in taxes)
- The New Deal programs did not fulfill their goal of full economic recovery.

Arguments in favor of the New Deal

- Employed millions and improved working conditions on the job.
- Ended the banking crisis and reformed the stock market.
- Built dams and bridges
- Preserved 12 million acres of parkland
- Provided electricity to rural areas
- Restored Americans' Faith in government
- Many believed New Deal programs saved democracy in the U.S., when other countries in the world turned to dictatorships during this time.

Workers

- Workers' wages were rising.
- Some companies offered benefits, such as pensions and paid vacations.
- Unemployment was high.
- unskilled workers who worked on an assembly line were taking the jobs of skilled workers for less pay.

The Election of 1928

- The Republican Party held the presidency throughout the 1920s.
- The Republican candidate was Herbert Hoover.
- The Democratic candidate was Alfred E. Smith, the 1st Catholic to run for president.
- Religion and the economy became the major issues in the election.
- Hoover won the election.