The Great Depression
Causes of the Great Depression

• “Black Tuesday” October 29, 1929
  – The stock market crashes

• Changing Economy
  – Shift from industrial production (iron, steel, oil, coal) to mass manufacturing (autos, radios, and other goods)
  – Purchasing of goods on credit

• Buying on margin
  – Americans invested in stocks using credit
Buying on Margin

- According to the diagram, if you bought stock worth $1000, how much would you have actually had to pay for it and how much would you owe the broker?
- If the value of the stock increased to $1500, and you sold before the crash, how much profit would you make?
- If you sold the stock after the crash when it was worth $500, what would your financial obligation be?
Causes of Great Depression Con’t

• Overproduction in factories
  – Factories produced more goods than demanded by consumers

• Overproduction on Farms
  – Farmers planted wheat which was a crash crop, but depleted the soil of nutrients

• Bad banking practices
  – No federal regulations of banking industry
  – Banks put money in the stock market on margin
Causes of Great Depression Con’t

• Income inequality
  – Wealthiest 1% of Americans owned 1/3 of nations wealth
  – Poorest 20% of Americans owned 4% of nations wealth
  – Middle class non existent, most lived just above poverty line

• Old war debts
  – European nations could not pay off debts to the U.S.
President Hoover’s Response

• Felt depression was temporary
• Believed the federal government should not get involved in economic recovery
• Americans needed to work hard to pull out recession
• Established the *Reconstruction Finance Corporation* – provided government loans to banks, insurance companies, railroads and state governments (individuals not eligible)
• Felt “trickle down” economics would work
Unemployment Rate During the Great Depression

Source: Historical Statistics of The United States
Hoover Blamed for Depression

- **Hoovervilles** – shanty towns
- **Hoover blankets** – newspapers
- **Hoover flags** – empty pockets
Effects of the Great Depression on Urban Areas

• Americans lost their jobs, homes, and ended up on the streets.
• Homeless had no food and shelter
  – Shantytowns or Hoovervilles sprang up
  – Soup kitchens and bread lines established by charitable organizations and public agencies to feed the needy
• Early on no major government assistance programs existed
"Two or three blocks along Times Square, you'd see these men, silent, shuffling along in a line. Getting this handout of coffee and doughnuts, dealt out from great trucks. . . . I'd see that flat, opaque, expressionless look which spelled, for me, human disaster. Men . . . who had responsible positions. Who had lost their jobs, lost their homes, lost their families . . . They were destroyed men."

- quoted in *Hard Times*

McDougal Litell p. 679
Women during the Depression

- Women were often not allowed to work in order to reduce competition for jobs
- Responsibilities included canning food, sewing clothes, and managing household budgets
- Often on the verge of starvation from the sacrifices they made for their families

"I've lived in cities for many months, broke, without help, too timid to get in bread lines. I've known many women to live like this until they simply faint in the street. . . . A woman will shut herself up in a room until it is taken away from her, and eat a cracker a day and be as quiet as a mouse. . . . [She] will go for weeks verging on starvation, . . . going through the streets ashamed, sitting in libraries, parks, going for days without speaking to a living soul, shut up in the terror of her own misery."

—America in the Twenties
Children during the Depression

- Poor diets lead to serious health problems for children (rickets)
- Cities cut child welfare programs
- Closed schools and shortened school years as a result of reduced budgets
- Children needed to work to help families, often work chosen over education
  - “Wild Boys” teenage boys who chose to move across the country by hoping trains in search of work and adventure. AKA “Hoover tourists”

“If I leave my mother, it will mean one less mouth to feed.”
EUGENE WILLIAMS, AGE 13
Minorities and the Depression

- Unemployment rate higher amongst African Americans and Latinos
- Lowest paid workers
- Racial violence between unemployed white workers and African Americans over jobs
  - Increase in lynchings
- Whites demanded the deportation of Latinos
“Brother Can You Spare A Dime”

Listen to “Brother Can You Spare a Dime”
The Dust Bowl

- Area effected: Colorado, New Mexico, Kansas, Oklahoma, and Texas
- Overproduction of wheat depleted the soil and reduced prices
- Drought and high winds contribute to the disaster
- Many farmers lost or abandoned their farms and moved westward to California looking for work “Okies”
- George Steinbeck wrote about the plight of farmers in his novel *The Grapes of Wrath*
- 1929-1932 400,000 farms lost through foreclosure
Map of the Dust Bowl

The Dust Bowl, 1933–1936

Nebraska, 1935–1937
Over two years, federal workers help soil conservation by planting 360,000 trees and completing 62 dams, 517 ponds, and 500 acres of terracing.

Beaver, Okla., March 24, 1936
Grain-elevator operators estimate that 20% of wheat crop has been blown away by dust storms.

Tucumcari, N. Mex. March 30, 1936
Clouds of dust blown by 50-mph winds cause complete darkness.

Chicago, Nov. 1933
Crowds at Chicago Exposition world’s fair are caught in 50 mph gale of dust.

Boston, May 1934
Midwestern dust is found on airplanes landing in Boston; it collected on the planes at altitudes of up to 20,000 ft.

New York City, May 12, 1934
Dust lowers humidity from normal 57% to 34%. Dust is reported on ships 500 miles out to sea.

GEOGRAPHY SKILLBUILDER
1. Region Which states were in the region known as the Dust Bowl?
2. Movement Why might most of the migrants who left the Dust Bowl have traveled west?
Bonus Army

- World War I veterans had been promised a bonus to be paid in 1945
- They asked to have it paid early, congress refused
- 20,000 veterans marched on DC in 1932 setting up a “Hoverville” in front of the Capital
- Hoover ordered General Douglas McArthur to forcibly remove the Bonus Army
- **Battle of Anacostia Flats**
  - McArthur used tear gas and fire to destroy the camp and force people to leave
  - occurred many injured and several were killed including a child
Election of 1932

- American citizens lost faith in Hoover, felt he couldn’t solve the economic crisis

- *Franklin Delano Roosevelt* (FDR), governor of New York, wins the election in a landslide
  - Promised direct relief and assistance to the people
  - Gave the American people hope
FDR’s First New Deal

• Main goal was to provide relief, recovery, and reform for Americans (the 3 R’s)
• Changed the federal governments role in politics and society
• Applied the ideas of John Maynard Keynes’s economic theories
  – Deficit spending by the government to jump start economy
  – Social-welfare advocates, government intervention in the economy, redistribution of wealth, and aid for the neediest.
The First Hundred Days

• Banking relief and reform
  – March 6, 1933 FDR declared a 5-day national bank holiday to temporarily close all banks
  – Emergency Banking Relief Act – passed by Congress, it gave FDR the power to regulate banking transactions
  – Glass-Steagall Banking Reform Act
    • passed in 1933, it protected savings deposits
    • created the Federal Deposit Insurance Corporation (FDIC) which ensured individual savings up to $5000
    • Forbade banks from investing in the stock market and regulated lending policies
Fireside Chats

• FDR communicated with Americans through radio broadcasts that became known as Fireside Chats.
• FDR’s first “fireside chat” was given after he issued the banking holiday to explain why he closed the bank and what he hoped to accomplish.
• 50 million listeners redeposited their money in the new banks after the holiday.
• Chats gave the average American an connection with the president.
Regulating the Economy

- FDR took the US off the gold standard
- FDR order Americans to hand over their stockpiles of gold in exchange for paper money
- Federal Securities Act – required corporation to provide complete information on all stock offerings and made them liable for any misrepresentation.
- Securities Exchange Commission (SEC) – regulated trading on Wall Street and curb speculation, made insider trading illegal
Alphabet Agencies

- Federally funded agencies created by FDR and Congress to stimulate the economy, put Americans back to work, and aid those in need
- Most created in FDR’s First Hundred Days
Civilian Conservation Corp (CCC)

- hired unemployed young men to work on environmental conservation projects
  - Reforestation projects, national parks, public roads, etc.
- 3 million men worked for the CCC
- Paid $30 a month
  - $5 given to the worker, $25 sent home to the workers family
Agricultural Adjustment Administration (AAA)

• Created to aid farmers
• Set production quotas for farm goods
• Subsidized farmers to reduce production in order to allow prices of farm goods to rise (supply and demand)
  – Burned crops and slaughtered livestock, upset Americans who were starving
• Farm Credit Act – provided loans to farmers in danger of bankruptcy
Tennessee Valley Authority (TVA)

• Created by congress to modernize and reduce unemployment in the Tennessee River Valley, one of the poorest areas of the country prior to the Depression.
• Hired local workers to construct dams and hydroelectric power plants
• Brought cheap electricity to thousands
• Created affordable housing, manufactured cheap fertilizer, and drained thousands of acres for farming.
National Industrial Recovery Act (NIRA)

• **National Recovery Administration (NRA)** – stimulated industrial production and improved competition by drafting corporate codes of conduct and limiting production of consumer goods to increase prices.

• **Public Works Administration (PWA)** – constructed roads, bridges, and buildings. FDR believed improving public infrastructure would put more money in the economy.
Opposition to the New Deal

• “Creeping Socialism”, some believed it threatened American capitalism.
  – Big business opposed New Deal
• Some felt it had not done enough to help people or stabilize the economy.
• Supreme Court found parts of the New Deal unconstitutional
  – NIRA gave legislative power to the president
  – AAA struck down, agriculture a local issue, not national
Court Packing Bill

• FDR opposed the Supreme Courts decision
• 1937 FDR proposed that congress enact a court-reform bill to increase the number of justices on the Supreme Court and remove justices over the age of 70
  – Doesn’t get it, but doesn’t need it
• Gets the opportunity to appoint justices that change the court
  – Hugo S. Black, favors New Deal programs and changes the balances in the Supreme Court
  – 1937-1941 gets the opportunity to appoint 7 justices
End of the New Deal

• Supreme Court began declaring some of FDR’s New Deal legislation unconstitutional
  – *Schecter v. United States* – declared the NIRA violated the Constitution because it gave too much power to the president and attempted to control intrastate trade.
  – *Butler v. United States* – declared the AAA unconstitutional because it tried to exert too much federal control over agricultural production
Father Charles Coughlin

- Catholic priest who opposed the New Deal in his weekly radio broadcasts
- 40 million American listened to broadcasts
- Blamed the Depression on crooked Wall Street financiers and Jews
Huey P. “Kingfish” Long

- Louisiana senator who condemned the New Deal
- Believed income inequality caused the Depression
- Promoted his “Share Our Wealth” and “Every Man a King” program
  - Heavy taxes on the rich so every family could earn at least $5000 a year
- So popular he ran for president, but was assassinated in 1935.
Second New Deal

• FDR’s response to the critiques, a second bundle of legislation to aid Americans
• Focused mainly on farmers and workers
• Eleanor Roosevelt (FDR’s wife) reminded her husband continually about the suffering in America
  – Focused on African Americans and women’s rights
• Increased government spending to stimulate the economy
• Aimed more at long term reform
Works Progress Administration (WPA)

• Similar to the PWA, it put 10 million Americans to work constructing public buildings, roads, and bridges.
• Congress spent $10 billion in a decade on the WPA.
• Aided artists and writers as well
Additional Aid to Farmers

- **Soil Conservation and Domestic Allotment Act** – the government paid (subsidized) farmers for cutting production of soil-depleting crops (such as wheat) and rewarded them for using soil conservation methods while farming.

- **Farm Securities Administration (FSA)** – loaned money to tenant farmers to become landowners and established camps for migrant workers
  
  – **Dorothea Lange** – one of the photographers hired by the FSA to document the plight of the migrant workers in rural America.
Dorothea Lange’s Work
Labor Reforms of Second New Deal

• **Wagner Act** – protected the rights of workers to organize and strike (labor unions)

• **The Fair Labor Standard Act** – established a national minimum wage and a forty-hour work week and outlawed child labor.
Social Security Act

• Created a federal retirement pension (retirement) system for many workers, it was funded through a tax taken from all American’s paychecks.
• Created unemployment insurance to temporarily aid those that were out of work
• made funds available to the blind and physically disabled
1936 Election

• FDR’s reforms lead to his reelection in a landslide victory (523 – 8)
• Democrats also won a majority in both houses of Congress
• Majority of farmers, urban workers, women and African Americans voted as Democrats for the first time in American history
• Birth of the current Democratic party and traditional supporters
Roosevelt Recession

- 1937 Roosevelt begins to scale back deficit spending at the urging of conservatives in Congress
- Reduced the size of the WPA
- Stock market crashed again (not as bad as in 1929)
- Economy worsened
Roosevelt Recession

![Graph showing unemployment rates from 1929 to 1939. The graph indicates a rise in unemployment from 3.2% in 1929 to 24.9% in 1933, followed by a significant decrease to 17.9% in 1939.](Image)

Source: Historical Statistics of The United States
Hatch Act

• Forbade most civil servants from participating in political campaigns.
• Forbade public office holders from using federal dollars to fund their reelection campaigns.
• Made it illegal for Americans who received federal assistance to donate money to politicians.
Credits

- http://photoswest.org/cgi-bin/imager?00185206+Rh-206
- http://history.sandiego.edu/gen/20th/fc/01.html
- http://newdeal.feri.org/images/ab75.gif
- http://www.hueylong.com/
- http://memory.loc.gov/pnp/cph/3b40000/3b48000/3b48700/3b48737r.jpg