

## **The First Years of the Great Depression**

After War World I, Americans wanted **a good economy and freedom from war**. The Republicans wanted to support business interests to keep a strong economy. They also wanted to stay out of European affairs to avoid war.

Some **warning signs of the Great Depression**: many Americans did not have a very good standard of living. Some farmers were losing their farms, and costs for products were getting low. There was less international trade because of high tariffs.

### *The Crash*

A **stock market** sells small pieces of big companies to many different people.

People started to sell stock, because they knew that the economy was struggling. Stocks were starting to cost less, and more people were selling their shares. **The market crashed when almost every stock dropped greatly in price.**

### *The Effects of the Crash*

**When people lost money on the stock market, they stopped buying products, causing businesses to fail.** Businesses fired many of their workers, and **more than 12 million people lost their jobs.**

**About 50 million people in 1932 were in poverty.**

City and state governments could not collect enough taxes to pay workers such as teachers and policemen.

The Great Depression was different from the other American depressions because it was **more than 10 years long**. Also, **there were many goods, such as food and clothing, but many people could not afford to buy them.**

### *Government's Response to a Worsening Economy*

At first, many government officials thought that the depression would end soon.

**President Hoover did not think that the government should get involved with the economy.** He and his advisors also thought that **people would depend too much on the government if it helped them. They would stop trying to work for themselves.**

Hoover said that people, organizations, and city and state governments should **try to help the poor, but they did not have enough money to do this.**

## **The Bonus Army**

**Veterans gathered in Washington, D.C. in 1932** to demand the money that the government promised them. They were called the **Bonus Army**.

When Hoover refused to listen to the Veterans, they organized protests. Eventually, **Hoover ordered troops, led by General Douglas MacArthur, to make them leave.** They set fire to the veterans' campsites and used tear gas to force them out. Many veterans were hurt, and two were killed.

### **Some government help**

In **1932**, Hoover created **federal jobs, such as road and airport building.** He also set up the **Reconstruction Finance Corporation**, which aided city and state governments, banks, and railroads.

### **Raising money for the government help**

To earn money for the government, the Hoover administration **raised tariffs on imports, but foreign governments raised their tariffs as well,** so American companies had a hard time exporting products.

Hoover and Congress also tried to increase government funds by **raising income taxes.** This effort **further decreased Americans's money.**

### **People help themselves**

**People decided to trade goods and services to other citizens.** A doctor, for example, might give medical help in exchange for food.

### *The Election of 1932*

**People didn't trust big businesses because they caused many people to lose money and jobs.** People didn't trust the Republican party because **they thought that the Republican Party represented these large businesses.** Hoover was very unpopular.

### **Franklin Delanor Roosevelt**

Franklin Roosevelt was paralyzed by **polio.**

### **The election campaign**

**Both Hoover and Roosevelt thought that the government and businesses needed to work together to end the depression.** They both thought that the **government should not spend more money than it earned.** **Roosevelt thought that the government should provide a lot of help to the people.** It should make sure that there were jobs for people.

**Hoover: wanted less government involvement.** He thought people should be self-dependent.

## **Roosevelt and the New Deal**

The New Deal's three goals: **relief, recovery, reform.**

The New Deal was **the first time that the U.S. government took a central role in solving major economic problems.**

### **Relief**

Relief provided money for the unemployed and the poor, and helped get more money into the economy

### **Recovery**

Recovery created jobs, and helped agriculture and industry.

### **Reform**

Reform **prevented later economic problems** by **regulating the stock market, banks, and labor organization.**

### **Roosevelt's goals**

Some **business leaders** thought that Roosevelt was a socialist. They thought he was **taking power away from them.**

Some Labor union leaders didn't trust Roosevelt. **They thought that the unions, not the government, should find jobs for the workers.**

While some people compared Roosevelt to Hitler and Stalin, their ideas were different. **Roosevelt** wanted the American public to be in charge of the economy. He wanted political officials to compromise.

**Hitler and Stalin** wanted permanent control over economy and society. They were used to running violent governments.

## *New Deal Relief Efforts*

<b>CCC Civilian Conservation Corps</b>	<b>offered work to young people.</b> Men and women cleaned parks, rivers, etc. Some of their money was sent home.
<b>FERA  Federal Emergency Relief Administra- tion</b>	<b>offered federal funds to city and state governments to help their relief efforts.</b> People were hired to do maintenance work around the cities. The organization also donated over 900 million dollars for necessities such as food and clothing.
<b>PWA  Public Works Administra- tion</b>	<b>gave people jobs.</b> Congress allowed PWA to join with local governments and private companies to make buildings, roads, airports, and other public responsibilities.
<b>Civil Works Administra- tion</b>	put many people to work <b>repairing schools, working in parks, and completing other civil jobs.</b>
<b>Farm Credit Administra- tion</b>	gave farmers <b>long-term, low-interest loans.</b>
<b>HOLC  Home Owners Loan Corporation</b>	Gave <b>low-interest loans to families.</b> Because of the HOLC, <b>many people could keep their homes.</b>

*New Deal Recovery*

**Banks**

Banks had trouble because:

- 1) **businesses took out loans that they could not repay, and**
- 2) **people took their money out of the banks, thinking they would close.**

The **Emergency Banking Relief Bill** loaned money to banks that were not collapsing.

The **Emergency Banking Relief Bill**, the **banking holiday**, and the **fireside chat** helped people **trust banks again**. Many people put their money back in banks, and many banks reopened.

## **Farmers**

In the 1920's, farmers were **getting less money for their crops**, while they had to **pay more to run their farms**. Many farmers could not pay back their loans. By 1933, **farmers were threatening banks that were foreclosing on their farms**.

**The government tried to limit crop production so farmers could get more for their crops.**

The **parity payments** were meant to help farmers have middle-class incomes. They helped farmers who could not get a fair price for their goods.

The **Agricultural Adjustment Act** caused **crop prices to rise, and greatly increased farmers' incomes**.

## **Industry**

Under the **NIRA**, the industry owners **addressed prices for goods**. They decided how to divide the market. They also **discussed wage and minimum wage**.

The **NIRA** allowed **workers to form unions and to discuss salaries and working conditions with managers**.

## **Rural areas**

The New Deal **built dams in rural areas to prevent flooding, provide water, create electricity, and make fertilizer**.

## New Deal Reform Efforts

<b>Federal Deposit Insurance Corporation (FDIC)</b>	If a bank collapsed, the <b>FDIC would pay back the people who lost money.</b>
<b>Federal Trade Commission (FTC)</b>	Made stockbrokers <b>tell the truth to people buying and selling stock.</b>
<b>Securities and Exchange Commission (SEC)</b>	Said that <b>all stock must be registered, companies must report the amount of stock they sold.</b> The SEC also <b>made sure that stock prices were not manipulated unfairly.</b>

## Effects of the New Deal

Under the New Deal Legislation:

- 1) **unemployment dropped from 13 to 9 million in 1936.**
- 2) **wages paid to workers doubled.**

### **Pressure to do more**

The **Agricultural Adjustment Act** gave money to owners of big farms, not as much to small farm workers and owners.

**Pension = money paid to a person who has met set requirements.**

**Huey Long's organization** wanted incomes over \$1 million to be highly taxed. Long wanted **inheritances** over \$5 million to be greatly taxed, as well. **The taxes would help to make sure everyone had a home and an income of \$2500.**

Roosevelt's reporters worried that **if Long ran for President, he would win votes that would have gone to Roosevelt.**

**Huey Long was assassinated in 1935.**

### **Pressure to do less**

While some business people disagreed with Roosevelt, they didn't protest because **many people blamed them for the depression.**

**Businessmen objections of Roosevelt:**

- 1) **Taxes too high**
- 2) **Government spending too much**
- 3) **Roosevelt supported the union too much**

Many justices on the Supreme Court had been appointed by pro-business presidents. **Justices thought that government must not interfere with businesses.**

**The Supreme Court** said that many of the New Deal programs were **unconstitutional** (i.e., the National Industrial Recovery Act and the Agricultural Adjustment Act).

## **Roosevelt and the Second New Deal**

### Second New Deal Relief Efforts

**More New Deal Legislation was needed because the Supreme Court had ended some of the previous measures.** Roosevelt felt that America still needed help getting out of the depression.

<b>Works Progress Administration</b>	The government would start a <b>big public works effort.</b> (In earlier relief programs, private companies employed workers.)
<b>The Wagner Act</b>	<b>Said workers could choose to form a union.</b> Also, workers and managers had to <b>discuss salaries and working conditions.</b> Unions could <b>report unfair companies</b> to the National Labor Relations Board.
<b>Social Security Act</b>	<b>Gave monthly payments to retired and disabled workers, as well as their orphans and widows.</b> Workers and employers had to pay a small amount, which would go toward social security.

### The Election of 1936

The people who had suffered most from the Depression supported Roosevelt in the 1936 presidential election. **Small farmers, city dwellers, and union members followed Roosevelt, as did many Democratic southerners.**

### Roosevelt Falters

#### **Packing the court**

Roosevelt wanted to make sure that the Supreme Court did not declare the second New Deal programs unconstitutional. **He wanted to put more justices on the Supreme Court who thought as he did.**

**Both Republicans and Democrats thought that Roosevelt's plan to "pack the court" would give him too much power.**

Many justices retired from the Supreme Court, so **Roosevelt was able to appoint seven new justices. The court started to support New Deal laws.**

#### **Decreased spending**

A **deficit** is a debt that occurs when a group or a person **spends more than it earns.**

Roosevelt was afraid that the **increasing government debt** would **cause more problems with economy, so he cut back on New Deal spending.**

**As businesses had more trouble getting loans and government spending decreased, unemployment rose (3 million more people out of work).**

### More Second New Deal Relief Efforts

<b>National Housing Act</b>	The U.S. Housing Authority would <b>give cities money for low-income housing.</b>
<b>Fair Labor Standards Act</b>	1) set a minimum wage of 40 cents an hour 2) said that companies that dealt with interstate commerce could not make employees work longer than 40 hours a week. Workers and employers had to agree upon higher wages for overtime hours.
<b>2<sup>nd</sup> Agricultural Adjustment Act</b>	1) established a <b>parity</b> system for farmers 2) paid farmers to <b>limit the acres they farmed</b> 3) got rid of a special tax for companies that processed farm products.

### Second New Deal Recovery Acts

#### **Farmers**

**Erosion** made some farmers leave wheat fields unplanted. In the 1930's, there wasn't enough rain, and the unplanted fields became dust. They couldn't be farmed. This area was called "**the dust bowl.**"

The **2<sup>nd</sup> Agricultural Act** encouraged farmers to be **efficient.**

- 1) It paid farmers to **plant crops such as alfalfa, which conserved soil.**
- 2) It paid farmers to **rotate crops.**
- 3) It paid farmers to **use methods that prevented erosion.**
- 4) It said that **farmers could store crops in government warehouses if they couldn't get a good price for them. They could then take a loan from the government.** Once they sold the crops, they could pay back the loan.

### The End of the Second New Deal

After **1938**, there were no more new New Deal laws because:

- 1) **Roosevelt's popularity was lessening, legislators were stopping new bills.**
- 2) **Roosevelt wanted Congress's support because he knew that there might be a war in Europe. He didn't want to pressure Congress with New Deal bills.**

## **Differing Perspectives on the New Deal**

### *Union Member Perspective*

**The New Deal helped industries borrow money, and thus increased production. As industries produced more, more workers got jobs.**

The **AFL** established **different unions for workers of different skills**. The **CIO** united **all the workers of an industry or factory, even if they had different skill levels**.

A **sit down strike**: the workers stop their work and stay in the factory, so owners can't produce anything.

### *African-American Perspective*

**In general, African Americans did not benefit directly from the New Deal.**

1) Most programs in the rural South **aided land owners. Most African Americans did not have land.**

2) Much of the aid given to the South was **not distributed among the African Americans.**

3) Many African Americans held jobs as **janitors, farm workers, hospital aides, and restaurant and kitchen workers. Social Security did not apply to these jobs.**

**Most New Deal programs were segregated.** The **Civilian Conservation Corp.**, for example, segregated workers. Federal housing programs also separated African Americans from white people.

Many African Americans liked Roosevelt because he **invited African-American professionals to the White House, asked their opinions, and assigned them high-ranking positions in agencies.** Eleanor Roosevelt was an advocate for African-American rights.

### *Mexican -American Perspective*

**Migrants travel around different towns and states, mostly to harvest crops.**

**Mexican Americans did not get much help from the New Deal. Unions saw them as competition.** Many were deported, and many left for Mexico.

### *Native-American Perspective*

**Relief efforts that dealt with farming, industry, and social security did not really effect Native Americans, because they mostly lived on reservations.**

The **Indian Reservation Act** said that:

- 1) **tribes did not have to sell their land.**
- 2) tribes would **arrange their reservations into districts and elect tribal councils.**
- 3) the tribal councils **formed tribal companies that rented and leased property that belonged to the tribes.**
- 4) **tribes would have more input in what was taught in reservation schools.**

The **IRA** said that the federal government would encourage respect for tribal governments.

### *Non-Union Workers' Perspective*

For many non-union workers, the union relief was only enough to keep them from starving. Many non-union workers were not covered under the new minimum wage.

### *Wealthy*

Wealthy people benefitted as the economy got better. **Stocks and corporate profits rose.**

### *The Overall Effect of the New Deal*

Some people say that the New Deal was not more effective because **it did not create enough jobs. If more people could have purchased more products, the economy would have gotten stronger.**

- 1) With the New Deal, **the government started to take responsibility for the poor.**
- 2) With the New Deal, **the government had more control over economy.** It could control interest rates and loans, wages, work hours, and stock trading, among other things.
- 3) With the New Deal, **it was accepted that the government may have deficits in difficult times.**