

## Chapter 11 Notes

### The Depression & the New Deal

#### Section 1: The Great Depression

#### What were the factors that brought about the Great Depression?

##### The Stock Market

The stock market crash of 1929 signaled an end to the prosperity of the 1920s.

- A **stock exchange** is an organized system for buying and selling shares in corporations.
- The rising prices of stock in the late 1920s encouraged many Americans to buy shares on margin, paying only a fraction of the stock price while borrowing the rest from brokers.
- Fearing that the boom market would end, investors began selling stock in late September.
- Prices **declined** sharply, and panicked traders sold 13 million shares on October 24, also known as “**Black Thursday**.”

##### The Great Depression

The Great Depression, a worldwide economic slump, brought hardship to many Americans during the 1930s.

- The **Great Depression**—a severe economic crisis that started in the late 1920s—was not caused by the stock market crash alone.
  - Farm income dropped throughout the 1920s.
  - The automotive and construction industries experienced lagging sales and laid off workers.
  - The gap in wealth between rich and poor fueled the Depression.
  - In the 1920s, the economy was greatly fueled by money borrowed from banks.
  - Many small banks suffered when farmers **defaulted** on their loans.
  - Some large banks **collapsed** after suffering huge losses from the stock market crash.
- With increased tariffs and fewer loans from American banks, foreign countries purchased fewer American products.
- During the Depression, millions of Americans lost their jobs or received reduced wages.
- Many families lived in shelters built from old boxes and formed communities known as **Hoovervilles**.

##### Hoover and the Crisis

Herbert Hoover gradually involved the federal government in the economic crisis.

- Initially, President Hoover and Congress took no legislative action to help with the Depression and called on charities, churches, and volunteers to provide **relief** for those in need.
- In 1931, Hoover authorized federal spending on **public works** to create new jobs.
- In the summer of 1932, veterans of World War I known as the **Bonus Army** marched to Washington, D.C., to demand early payment of bonuses that were to be paid to them in 1945.
- President Hoover called in the army after scuffles broke out and two veterans were killed.

## Section 2: Roosevelt's New Deal

### How did Franklin Roosevelt's leadership bring about change in the U.S. economy?

#### Franklin D. Roosevelt

Franklin D. Roosevelt promised a "new deal" to get America out of the Great Depression.

- **Franklin D. Roosevelt**, a wealthy Democrat from New York and distant cousin to President Theodore Roosevelt, ran against President Hoover in the election of 1932.
  - He married **Eleanor Roosevelt**, who actively worked alongside Franklin in his political life, in 1905.
  - Despite being struck with polio, leaving his legs paralyzed, Roosevelt refused to give in and remained in politics.
  - Roosevelt was elected governor of New York in 1928 and 1930, earning a reputation as a reformer.

#### FDR Takes Charge

Roosevelt quickly launched programs to improve the American economy.

- As president, Roosevelt's primary tasks were to put people to work and help the nation's failed banks.
- Roosevelt's proposals for new economic programs were quickly approved by Congress during a period that came to be called the **Hundred Days**.

#### The New Deal Takes Shape

Roosevelt's New Deal affected many areas of American life, including banking, the stock market, industry, agriculture, and welfare.

- The new laws passed by Congress during the Hundred Days and after came to be known as the **New Deal**.
  - **Work relief** programs gave government jobs to needy people through the Civilian Conservation Corps.

- The poor received aid through the Federal Emergency Relief Administration.
- The Agricultural Adjustment Act raised farm prices and controlled production.
- The **Tennessee Valley Authority** aimed to control flooding and **promote** conservation while **generating** electricity for rural areas in the South.
- The National Industrial Recovery Act was created to boost the economy and help business regulate itself.
- The Federal Deposit Insurance Corporation was created to insure bank deposits.
- The Securities and Exchange Commission regulated the sale of stocks and bonds.
- The New Deal did not cure the nation's ills; however, the flurry of activity did restore some confidence to Americans.

### Section 3: Life During the Depression

**How did the Great Depression affect the economic and social traditions of Americans, especially minorities?**

#### Hard Times in America

The Depression was a difficult time because many Americans faced unemployment and the loss of land and other property.

- During the Depression, many women went to work even though they earned less than men.
- **Frances Perkins** was the first woman to serve in a cabinet position.
- Eleanor Roosevelt vigorously campaigned for women and families in need.
- "Black blizzards" were dust storms in the Southern Great Plains brought on by the combination of severe drought and farmers clearing millions of acres of sod for wheat farming.
- The area that included western Kansas and Oklahoma, northern Texas, and eastern Colorado and New Mexico became known as the **Dust Bowl**.
- Thousands of Dust Bowl farmers went bankrupt and **migrated** to California and became **migrant workers**.

#### The Plight of Minorities

The Great Depression placed the hardest burden on minority groups. It also led to the growth of radical political movements.

- During the Depression, more than half of the African Americans in the South were unemployed, and many migrated to Northern cities in search of opportunity.

- President Roosevelt had a group of advisors known as the Black Cabinet that included **Ralph Bunche** and **Mary McLeod Bethune**.
- The **Indian Reorganization Act** of 1934 restored traditional tribal government and provided money for land purchases to enlarge some reservations.
- During the Depression, the government encouraged Mexican immigrants to return to Mexico. Those that stayed faced a great deal of discrimination.
- Radical groups that **advocated** extreme and immediate change gained ground during the Depression.
  - Communism attracted some Americans with promises to end economic and racial injustice.
  - **Fascists** advocated government by dictatorship. During the **Spanish Civil War** more than 3,000 Americans went to Spain to fight the fascists.

### Entertainment and the Arts

The 1930s was a golden age of entertainment, literature, music, and art.

- Two trends in entertainment and the arts emerged from the Depression.
  - Escapism—light or romantic entertainment—helped people to forget about their problems.
  - Social criticism depicted the injustice and suffering in Depression America.
- Radio programs and movies were enormously popular during the 1930s.
- Many writers, photographers, and painters portrayed the grim realities of Depression life.

### Section 4: Effects of the New Deal

**Why did some people support Roosevelt's New Deal and some oppose it?**

#### Critics of the New Deal

During the mid-1930s, Roosevelt's New Deal programs faced growing opposition.

- Business leaders felt threatened by the government's expansion of power and wanted government to leave them alone and play a less active role in the economy.
- Others felt the government was not doing enough and developed **schemes** to help the average American.
  - Father Charles Coughlin used a weekly radio program to flaunt his extreme views.
  - Francis Townsend called for a monthly **pension** for older, retired people.
  - Senator Huey Long called for heavy taxation of the rich.

## The Second New Deal

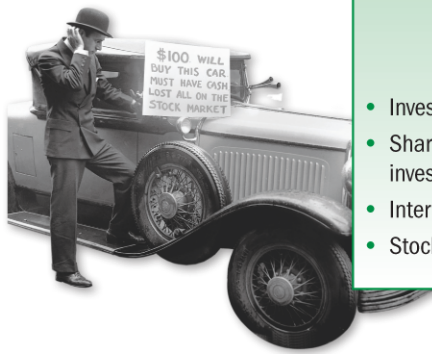
Roosevelt's Second New Deal introduced new programs to help jobless workers, the elderly, and labor unions.

- In 1935 President Roosevelt launched a new set of programs and reforms, often called the **Second New Deal**.
  - To help generate new jobs, Congress created the Works Progress Administration.
  - The **Social Security Act** established a tax on workers to provide monthly pensions for retired people. The act launched the American **welfare** system.
  - A tax on employers funded **unemployment insurance** payments to people who lost their jobs.
- **John L. Lewis** and the Congress of Industrial Organizations set out to organize unions that included skilled and unskilled workers.
- The **Fair Labor Standards Act** banned child labor and set a minimum wage.

## The Supreme Court

Roosevelt's Second New Deal was challenged by the Supreme Court.

- In 1935, the Supreme Court began to declare New Deal legislation unconstitutional.
- After being reelected in 1936, Roosevelt asked Congress to increase the number of justices on the Supreme Court from 9 to 15 so he could fill the six new positions with justices who would uphold his New Deal.
- When the Supreme Court ruled in favor of the Wagner Act and the Social Security Act, the issue was dropped.



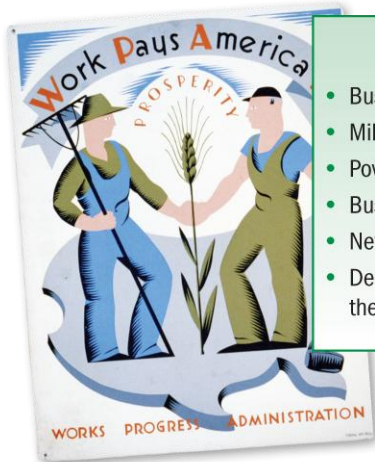
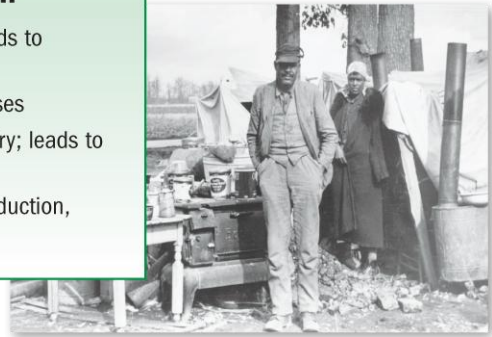
## Stock Market Helps Trigger Depression

- Investors buy stocks on margin
- Sharp drop in market prices leaves investors in debt
- International market falters
- Stock market crashes; financial panic



## Causes of the Great Depression

- Uneven distribution of income leads to low demand for goods
- Overuse of credit to make purchases
- Supply exceeds demand in industry; leads to large inventories of unsold goods
- Farmers suffer from too much production, low prices, and large debts



## Effects

- Businesses lay off workers, close plants
- Millions lose jobs
- Poverty is widespread
- Businesses and banks close
- New Deal legislation enacted
- Despite periods of economic upturn, the Depression remains

