

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.



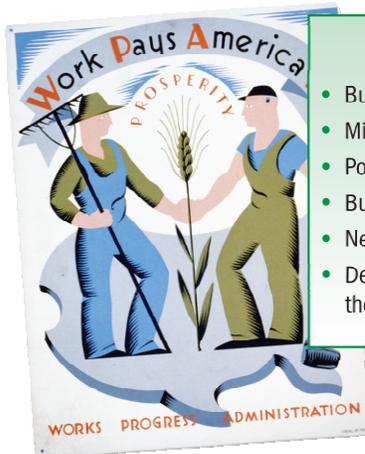
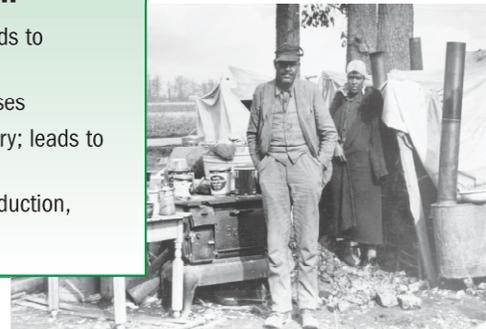
Stock Market Helps Trigger Depression

- 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

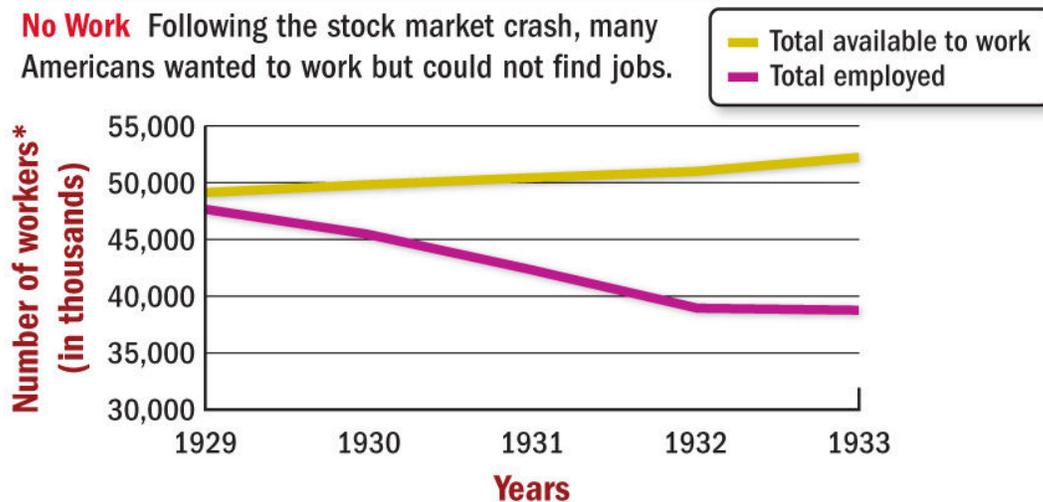
- Businesses lay off workers, close plants
- Millions lose jobs
- Poverty is widespread
- Businesses and banks close
- New Deal legislation enacted
- Despite periods of economic upturn, the Depression remains



The New Deal			
First New Deal Program	Initials	Begun	Purpose
Civilian Conservation Corps	CCC	1933	Provided jobs for young men to plant trees and build bridges
Tennessee Valley Authority	TVA	1933	Built dams to provide cheap electric power to seven Southern states; set up schools and health centers
Federal Emergency Relief Administration	FERA	1933	Gave relief to unemployed and needy
Agricultural Adjustment Administration	AAA	1933	Paid farmers not to grow certain crops
National Recovery Administration	NRA	1933	Helped set standards for production, prices, and wages
Public Works Administration	PWA	1933	Built ports, schools, and aircraft carriers
Federal Deposit Insurance Corporation	FDIC	1933	Insured savings accounts in banks approved by the government
Second New Deal Program			
Rural Electrification Administration	REA	1935	Loaned money to extend electricity to rural areas
Works Progress Administration	WPA	1935	Employed men and women to build hospitals, schools, parks, and airports; employed artists, writers, and musicians
Social Security Act	SSA	1935	Set up a system of pensions for the elderly, unemployed, and people with disabilities
Farm Security Administration	FSA	1937	Lent money to sharecroppers; set up camps for migrant workers
Fair Labor Standards Act	FLSA	1938	Established minimum wages and maximum hours for all businesses engaged in interstate commerce

By the Numbers Looking for Jobs

No Work Following the stock market crash, many Americans wanted to work but could not find jobs.



*14 years and older

Source: Statistical Abstract of the United States

Primary Source Surviving the Depression



Hard Times During the Depression, the feelings of helplessness grew as the number of jobs dwindled and debts mounted. For many, surviving became a daily struggle.

Some people had little or no money to buy groceries. Some stores offered credit. In small farm towns, customers sometimes traded goods for groceries.

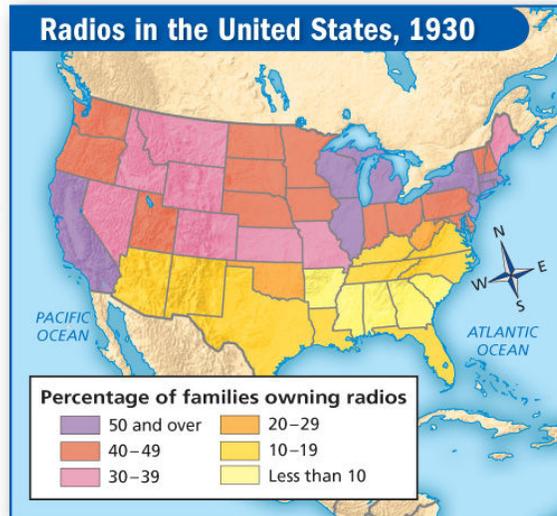
◀ Clerk and customer in small grocery store

Average Prices, 1932-1934

Sirloin steak (per pound)	29¢
Chicken (per pound)	22¢
Bread (20-ounce loaf)	5¢
Potatoes (per pound)	2¢
Bananas (per pound)	7¢
Milk (per quart)	10¢
Cheese (per pound)	29¢
Tomatoes (16-ounce can)	9¢
Oranges (per dozen)	27¢
Cornflakes (8 ounces)	8¢

If You Were There America Tunes In

The Radio In the 1930s, you and your family and friends gathered around the radio for entertainment. In 1931, 2 out of every 5 families had a radio in their living rooms. By 1938, the number climbed to 4 out of 5 families. You could listen to musical shows, dramas, and comedies.



Source: U.S. Census Bureau

Primary Source **New Deal Programs**

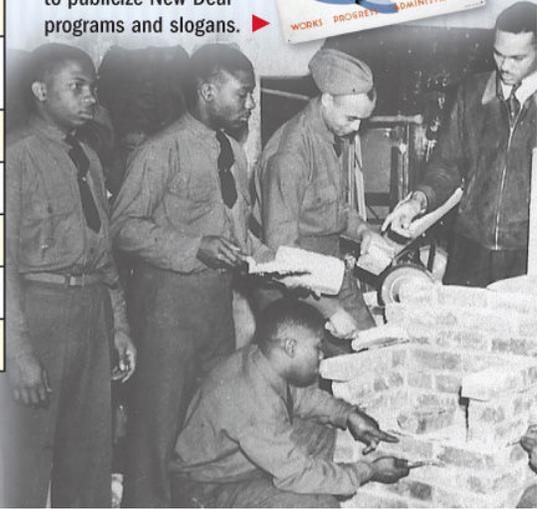
Relief and New Jobs In about 100 days, President Roosevelt and Congress gave hope to the nation with a number of programs designed to pull Americans out of the Depression and set the country on a path to prosperity.

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The CCC Beginning in March 1933, the CCC offered men ages 18 to 25 the opportunity to work. ▶



New Deal Poster
Artists created posters to publicize New Deal programs and slogans. ▶

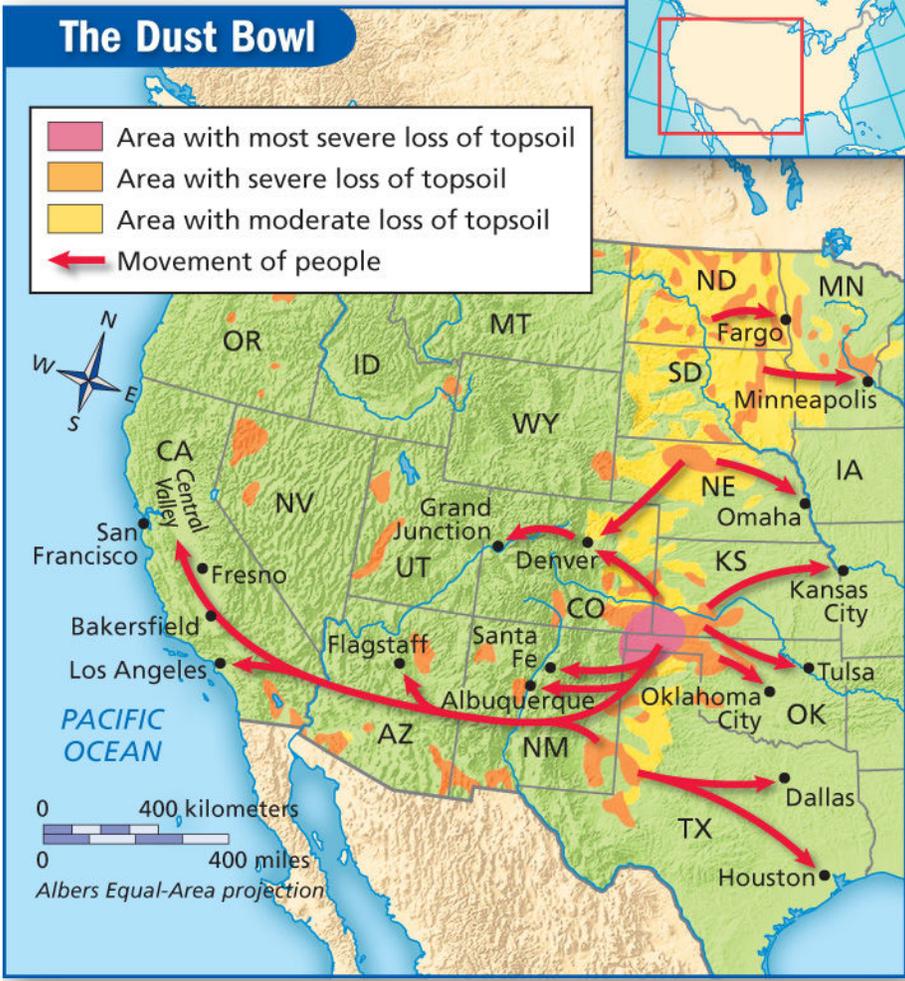


Tennessee Valley Authority



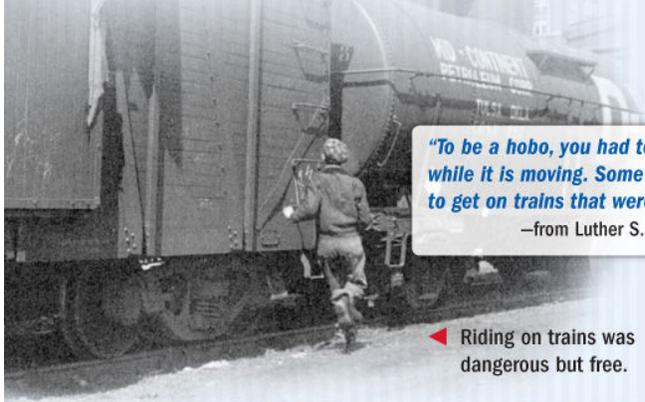
The Dust Bowl

- Area with most severe loss of topsoil
- Area with severe loss of topsoil
- Area with moderate loss of topsoil
- Movement of people



Primary Source Teenage Hoboes

Riding the Rails During the Depression, at least 250,000 teenagers left home to ride the rails. They crisscrossed the country by hopping freight trains. Many went west to California or south to warmer states in search of jobs, a better life, or just plain adventure. The life of a hobo was often lonely and dangerous. In 1932 alone, nearly 6,000 hoboes were killed or injured when they attempted to jump on or off a train.



"To be a hobo, you had to know how to get on a train while it is moving. Some hoboes got killed by trying to get on trains that were moving too fast."

—from Luther S. Head, National Heritage Museum

◀ Riding on trains was dangerous but free.

Symbol	Meaning
☐	You can camp here
⊖	Leave quickly
⊗	Good place for food and money
⌘ ⌘⌘	Danger, police
☠	This water is dangerous to drink

▲ Hoboes developed their own symbols to communicate with other hoboes on the road.

By the Numbers WPA Projects

The projects completed by WPA workers were lasting and varied.

Total	Projects
651,087	Miles of highways, roads built
124,031	Bridges repaired
125,110	Public buildings erected
8,192	Public parks created
853	Airports built or improved
2,565	Murals painted
17,744	Sculptures created



Source: *The Depression and New Deal*