

**Notes on the Great Depression**

**Causes of the Great Depression:**

- Economic growth declined
- Stock purchases were made on margin
- Corporations and individuals were overextended
- Stock market crash led to low demand
- Crisis on the farms
- International depression as U.S. weakness → lack of money for Europe to borrow → less U.S. goods sold in Europe and decreased demand in the U.S.

**Herbert Hoover's response to the Depression (1928-1932)**

- Thought the economic crisis was temporary
- He believed the government could not pass laws or programs to end a depression
- Hoover asked business not to cut wages and keep producing goods
- He asked charities to take care of the needy
- Charities, churches, volunteers, the state, and local governments all tried to help the needy with soup kitchens and bread lines.
- Jan. 1932, Hoover passed the Reconstruction Finance Corporation (RFC) to lend money to businesses while also providing some needed funding for state and local government relief efforts. The directors of the RTC were reluctant to make risky loans and much of the funds went unused.
- The **Bonus Army** march on Washington, by 20,000 WWI veterans looking to have their \$1000 bonus, due in 1945, paid early would be Hoover's final downfall. Hoover called in the Army when about 2000 veterans refused to leave their camps after Congress turned down their request for early payment. Hoover sent in the Army led by General Douglas McArthur and many veterans were injured and some killed including children.

**The Election of 1932 brings change as new President Franklin Delano Roosevelt took office.**

- Roosevelt a Democrat won the election by a landslide winning all but six states and became the first Democratic president since Woodrow Wilson
- **FDR** as Roosevelt was often called campaigned on his promise of a **New Deal**
- Two days after taking office Roosevelt looked to restore confidence in the banking system and ordered all banks closed for four days
- He then got Congress to pass the **Emergency Banking Relief Act** set up a system where banks would be reviewed as to their financial strength, be reorganized, and reopen. If a bank was too weak financially, it was closed.
- At the end of his first week in office, Roosevelt took to the airwaves and assured Americans that the newly reopened banks would be safe to put their money in what was his first **fireside chat**. These fireside chats helped Roosevelt gain the

trust and support of the American public; this gave the public a sense that the president was trying to help, and cared.

**The *New Deal* laws are passed during the first *Hundred Days* of Roosevelt's Presidency.**

Indicate whether the program was intended to provide **relief**, **recovery**, or **reform**

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

**Understanding Definitions:**

**Relief:** Roosevelt gave high priority to helping the unemployed by providing work relief programs, giving needy people government jobs.  
 Programs: CCC, FERA, AAA

**Recovery:** Roosevelt looked to the National Recovery Act to help the economy recover by helping businesses regulate themselves. It encouraged businesses to:

- Set a minimum wage
- Abolish child labor
- Set up pricing codes to govern business practices in every industry.

Programs: TVA, NIRA, PWA

**Reform:** Roosevelt looked to prevent future financial crises by passing government regulations regarding banks and the stock market.

Programs: FDIC (banks), SEC (stock market)

### Results of the New Deal

- Did not solve all the nations problems
- Helped restore confidence in the American public as the darkest days of the depression passed by the end of 1933.

### The Dust Bowl

- To make matters worse for farmers, the Southern Great Plains suffered an environmental disaster during the 1930s called the Dust Bowl; located in the states of Oklahoma, northern Texas, eastern Colorado, western Kansas, and New Mexico.
  - The Dust Bowl was caused by new technology that farmers did not realized would have unintended consequences.
    - Tractors and plows cleared millions of acres of grasslands and replaced them with wheat
    - The roots of the grass had held the soil in place
    - A severe drought struck in 1931 that killed crops and left dried soil
    - Strong prairie winds blew the soil away and each storm blew away more soil
    - One storm in 1934 carried away 300 million tons of soil with some being deposited as far away as New York and up to 300 miles out at sea on ships.
    - More farmers went bankrupt
    - 400,000 farmers migrated to California as migrant farm workers

### Opponents of the New Deal

- Many business leaders opposed the New Deal as too much government spending that was destroying the free market system
- Conservatives formed the Liberty League to oppose the New Deal. The league did not have wide support but it convinced Roosevelt business was against him.
- Liberals were also angry at the New Deal claiming it did not go far enough in helping the needy.
- **Father Charles Coughlin**, a Detroit priest who reached millions through his weekly radio program, attacked Roosevelt for being to supportive of big business. Coughlin was also anti-Semitic attacking bankers, Jews, Communists, and labor unions. These extreme views eventually lost Coughlin support from people.
- The opponent of greatest concern to Roosevelt was Senator Huey (Kingfish) Long of Louisiana. Longs major complaint against the President was that he did not take steps to redistribute wealth in the U.S. By 1934, he developed his “Share Our Wealth Plan” that called for taxing the rich heavily, then using the money to give every American a Home and



\$2500 a year. Long would have been a powerful candidate in the 1936 election but he was assassinated in 1935.

### The Second New Deal

- By the mid-1930's, the economy was better but the Depression was far from over. Roosevelt decided to take bolder steps in a Second New Deal
- Roosevelt got Congress to pass the **Revenue Act** that raised taxes on the rich to pay for social programs.
- In April 1935, Roosevelt got Congress to pass the **Works Progress Administration** (Recovery) to give people jobs building airports, public buildings, bridges and roads. The WPA also employed writers, artists and musicians. WPA artists decorated public buildings while writers and photographers documented life throughout America.
- In August 1935, Congress passed the **Social Security Act** that created a tax on workers and employers to provide a monthly pension for retired people.
  - In addition, Social Security helped people with disabilities, the elderly poor, and children of parents who could not support them.

### The Labor Movement

- Union influence and activities increased during the Depression.
- Unions like the AFL for skilled workers and the newly formed CIO (Congress of Industrial Organizations formed in 1935) increased membership and influence.
- Unions received support in the New Deal in 1935 when Congress passed the **National Labor Relations Act also known as the Wagner Act**
  - The Wagner Act guaranteed workers the right to form unions, to collectively bargain with employers and established the **National Labor Relations Board** to enforce the new law.
- In 1938, Congress passed the Fair Labor Standards Act that banned child labor and set a minimum wage of 40 cents an hour.

### The Supreme Court

- Opponents of the New Deal challenged the laws in the courts claiming they were unconstitutional.
- In May 1935, the Supreme Court ruled the NIRA was unconstitutional and in 1936, it ruled the AAA was also unconstitutional.
- Cases were pending against the Wagner Act and the Social Security Act as well as the Tennessee Valley Authority.
- In 1936, Roosevelt won reelection in a landslide and felt he had enough support to take on the Supreme Court and challenge some of the principles of checks and balances laid out in the constitution.



- He asked Congress to pass a law adding six new justices to the Supreme Court.
- The proposal aroused bitter opposition and drew criticism that it removed the **checks and balances** provisions from the constitution.
- The issue died when the court ruled the Wagner Act and Social Security Act constitutional yet the **court-packing plan** cost Roosevelt support and split the Democratic Party.

### **The Roosevelt Recession and the end of the New Deal**

- Despite the Second New Deal, the country, in 1937, again experienced a new economic downturn.
- The Roosevelt Recession lasted until 1938 when Roosevelt again resorted to government spending to help the economy.
- By the end of the 1930's, America's attention was shifted to events overseas again as events in Europe and Asia signaled dangerous times ahead for America.
- It would be an international conflict that would shift American Industry into high gear and finally end the Great Depression as Europe exploded and WWII in Europe began in the late 1930s.