
The Great Depression and New Deal

Unit 5

I. The Nation's Economy

Economic Troubles

Agriculture suffered the most with crop prices declining by at least 40%. Farmers increased production sending prices further downward.

By the late 1920s, Americans were buying less. Rising prices, stagnant wages, and overbuying on credit were to blame.

The Stock Market

1. The Stock Market had become the most visible symbol of a prosperous American economy.
2. By the late 1920s, too many Americans were buying stocks and bonds “on margin” (borrowing money to purchase stock) hoping for a quick profit.

The Stock Market

3. On October 29, 1929, aka Black Tuesday, the market took a plunge. People who had bought on margin were stuck with huge debts.
4. The Stock Market crash signaled the beginning of the Great Depression.

Causes of the Great Depression

1. Tariffs and War Debt Policies
2. Farm Sector Crisis
3. Financial Crisis and Easy Credit
4. Unequal Distribution of Income

II. Hardships During Depression

In the Cities

1. Some people built shacks out of scrap material. These areas were known as Hoovervilles.
2. Soup kitchens were offered for free by charitable organizations.

The Dust Bowl

1. A severe drought hit the Great Plains in the early 1930s.
2. In the previous decade, farmers plowed protective grasslands and exhausted the land through overproduction.
3. Kansas, Oklahoma, Texas, New Mexico, and Colorado were the hardest hit regions. Many farmers migrated to California and other Pacific Coast states.

III. Hoover Struggles with the Depression

Hoover's Philosophy

1. Hoover supported “rugged individualism” (belief that individuals can succeed on their own and gov't involvement should be limited). He opposed any form of federal welfare or direct relief.
2. Hoover's reaction to the Depression did little to help the nation's economy - too little, too late.

Hoover Takes Action

1. In 1932, about 15,000 WWI infantry men known as the Bonus Army arrived in Washington, D.C. to receive a \$500 bonus.
 - a. Ask Congress to approve the Patman Bill, which would allow them to collect their bonus immediately, instead of waiting until 1945.
 - b. Hoover considered the marchers to be communists and criminals, and he opposed the bill.

IV. A New Deal Fights Depression

1932 Election & FDR Launches New Deal

1. FDR's New Deal focused on relief for the needy, economic recovery, and financial reform. Banks were priority.
2. His philosophy was to get people help and work through deficit spending. It involved heavy involvement of the federal government.
3. FDR's administration launched a period of intense activity known as the Hundred Days, in which Congress passed 15 major pieces of New Deal legislation.

V. FDR's Second Term

The Second New Deal

1. The first priority was the farmers. FDR authorized more than \$1 billion to help tenant farmers become landowners.

The Second New Deal

5. Reforms to labor relations and economic security.
 - a. Fair Labor Standards Act set a maximum of 44 work hours per week and minimum wage at 25 cents per hour.
 - b. Social Security Act: old-age pension, unemployment compensation, and aid to families with dependent children and disabled.

VI. Culture in the 1930s

Media

1. By the late 1930s, 65% of Americans were attending the movies at least once per week.
2. Radio sales increased with almost 90% of American homes owning one.
3. FDR's "Fireside Chats" broadcasts kept Americans updated on the government's efforts to relieve the Depression.
4. The Federal Art Project, a branch of the WPA, paid artists a living wage to produce art.
5. Photographer Dorothea Lange gained fame from her photos during this era.
6. Singer Woody Guthrie traveled the country singing about the hardships of the Great Depression.

VII. Impact of the New Deal

Criticism and Praise

1. Conservatives felt FDR made government too large and too powerful.
2. Liberals countered that FDR socialized the economy because Americans needed help.

Legacies of the New Deal

1. FDIC - banking insurance
critical for strong economy
2. Deficit Spending - has
become a normal feature of
government
3. Social Security - the federal
government has assumed a
greater responsibility for the
social welfare of citizens
since 1935