

THE GREAT DEPRESSION

ECONOMIC DOWNTURN

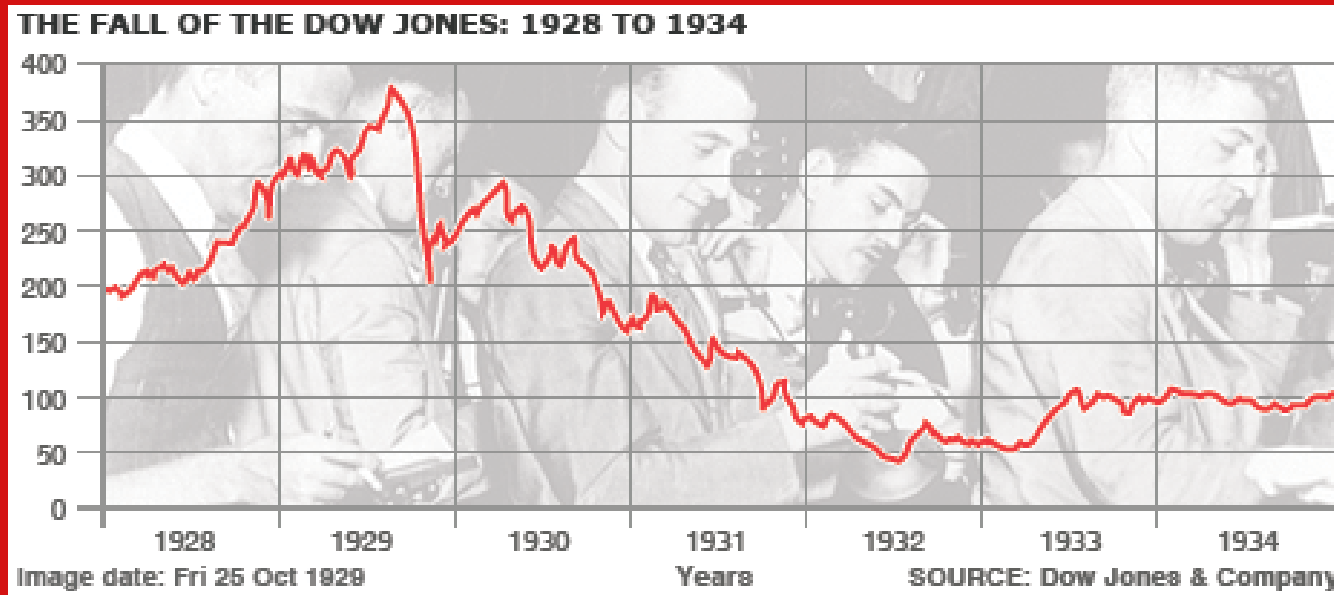
The 1920s had been a period of success for people in the USA. As a result of the economic boom many people had money to buy new goods such as cars and radios. But in 1929 the Wall Street Crash happened:

- People were nervous that the stock market was going to fail.
- People were selling shares.
- **Black Tuesday** happened on Tuesday, 29 October 1929, when 16.5 million shares were sold.

THE WALL STREET CRASH



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- The crash signaled the beginning of the 10-year Great Depression that affected all Western industrialized countries.
- The following year, the Dow embarked on another steady slide from April 1931 to July 8, 1932 when it closed at 41.22—its lowest level of the 20th century, concluding an 89% loss rate for all of the market's stocks.
- The market would not return to the peak closing of September 3, 1929 until November 23, 1954

CAUSES OF THE GREAT DEPRESSION

- The USA was divided – 5 per cent of the people owned 33 per cent of the country's wealth.
- Old industries and farming had suffered during the 1920s.
- The Republican Government believed in a laissez-faire policy.
- Fewer countries were buying goods from the USA because they were highly taxed.
- Too many goods were being produced and nobody wanted to buy them.
- People took a chance on the stock market and poor people borrowed too much money to do so.

Early Republican attempts to deal with the depression (1930s)

- President Herbert Hoover was called upon to help, but it was Hoover's opinion that people should be able to look after themselves and not to expect charity or social security from the Government. He did not give to the unemployed people much help.
- A lot of people lost their homes and so shanty towns were built – Hoovervilles. However, Hoover did try to help a little.

HOOVERVILLE



"Hooverville" became a common term for shacktowns and homeless encampments during the Great Depression. There were hundreds of them throughout the country, each testifying to the housing crisis that accompanied the employment crisis of the early 1930s.

"Hooverville" was a deliberately politicized label, emphasizing that President Hoover and the Republican Party were responsible for the economic crisis and its miseries.

Early Republican attempts to deal with the depression (1930s)

- In 1932 Hoover gave \$4 million to the states to open soup kitchens.
- He created jobs by building the Hoover Dam.
- In 1932 he gave \$300 million to the states to provide support for the unemployed, but only \$30 million was used by the Republican states, because they believed more strongly than Hoover in rugged individualism. Many people believed that Hoover's efforts were too weak and had come too late.

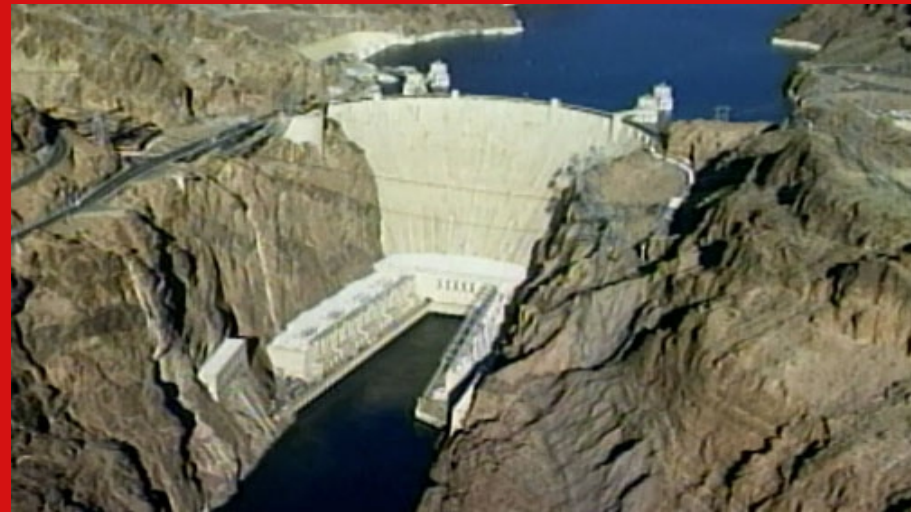
THE HOOVER DAM



Hoover Dam spans the Colorado River in Black Canyon between Arizona and Nevada. Constructed in the 1930s, it was intended to prevent flooding as well as provide much-needed irrigation and hydroelectric power to the arid regions of some states like California and Arizona. A total of 21,000 men worked on building the dam and the region's growing population turned Las Vegas from a sleepy town to a bustling city.

Blistering summer heat and a lack of adequate shelter and services combined with difficult and dangerous working conditions caused a volatile situation and some conflicts between the construction firm and dam workers. We estimate that 107 workers lost their lives in building the dam. Despite these problems, the massive project proceeded relatively quickly, and by the fall of 1935 Hoover Dam was completed.

THE HOOVER DAM

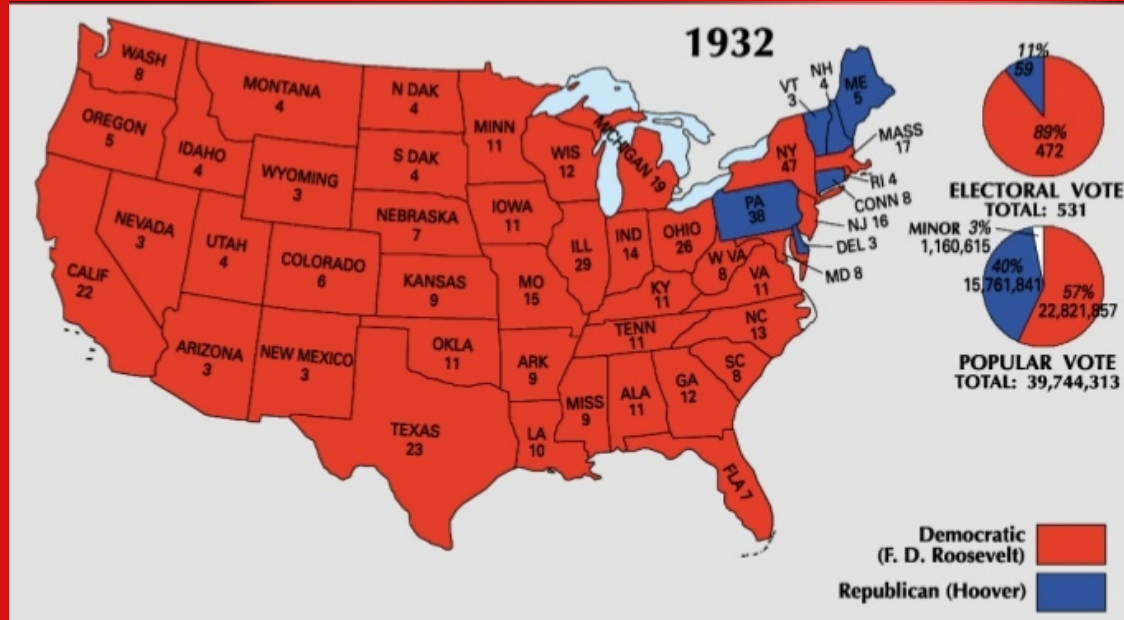


ELECTION CAMPAIGN

With the sinking Depression, the American public looked for active assistance from the federal government and grew increasingly dissatisfied with the economic policies of President Herbert Hoover.



THE ELECTION RESULTS



During the election campaign of 1932 there were placards to be seen with the words 'Hang Hoover' on them. The Democratic candidate Franklin Delano Roosevelt was the new President, on March 4, 1933, winning 42 of the 48 states.

ROOSEVELT AND THE NEW DEAL

These were his words after being selected by his party to fight Hoover:

“I pledge you, I pledge myself, to a New Deal for the American people”.

President Franklin Delano Roosevelt

Roosevelt introduced the New Deal to the people of America. The Deal was also referred to as the 3 Rs.

EMERGENCY BANKING ACT

Many people rushed to withdraw their money from the banks. FDR set out to rebuild confidence in the nation's banking system, first declaring a four-day banking holiday that shut down the banking system.

The law passed by the Congress on March 9, 1933, three days after FDR declared a nationwide bank holiday, combined with the Federal Reserve's commitment to supply unlimited amounts of currency to reopened banks, created 100 percent deposit insurance. So when the institutions reopened for business on March 13, depositors stood in line to return their stashed cash to neighborhood banks.

THE 3 Rs

Relief – Measures to help the millions who were unemployed and homeless

Recovery – Policies to rebuild the economy that had suffered due to the Depression

Reform – Legislation and laws to create a fairer society

During Roosevelt's 'first 100 days' as a president, he created a number of new departments in order to tackle the problems and called them the **Alphabet Agencies**. Their purpose was to help people to find work, make money, pay debts and spend again. Here are some examples of those departments:

CCC - *Civilian Conservation Corps*

- It was a major part of New Deal that provided unskilled manual labor jobs related to the conservation and development of natural resources in rural lands. The CCC provided young people with shelter, clothing, and food, together with a small wage of \$30 a month (\$25 of which had to be sent home to their families).



AAA - Agricultural Adjustment Act

It reduced agricultural production by paying farmers subsidies not to plant on part of their land and to kill off excess livestock. Its purpose was to reduce crop surplus and therefore effectively in order to raise the value of crops. The money for these subsidies was generated through an exclusive tax on companies, which processed farm products.

TVA - *Tennessee Valley Authority*

This gave support to people of the Tennessee Valley who had suffered from food shortages. They built 21 dams to produce hydro-electricity, providing work for thousands of people and bringing electrical power to the area.



Logo of the TVA

FERA - *Federal Emergency Relief Act*

This gave \$500m to the states to spend on food and shelter for the unemployed and homeless. For every \$3 each state gave to its people, the Government gave \$1.

FERA provided work for over 20 million people and developed facilities on public lands across the country.

NRA - *National Recovery Administration*



The NRA was created by the National Industrial Recovery Act (NIRA) and allowed industries to get together and write "codes of fair competition." The codes were intended to reduce "destructive competition" and to help workers by setting minimum wages and maximum weekly hours, as well as minimum prices at which products could be sold.

The NRA, symbolized by the Blue Eagle, was popular with workers. Businesses that supported the NRA put the symbol in their shop windows and on their packages. Though membership to the NRA was voluntary, businesses that did not display the eagle were very often boycotted.

PWA - Public Works Administration

This provided jobs on major building projects for highly skilled workers. It dealt with slums and shanty towns, and built houses, schools and hospitals.

PWA was a large-scale public works construction agency in the United States. It was created by the National Industrial Recovery Act in June 1933. Its goals were to spend \$3.3 billion in the first year, and \$6 billion in all, to provide employment, stabilize purchasing power, and provoke the revival of the economy.

SUCCESSSES

- As a result of the AAA, farmers' money doubled between 1932-39.
- The TVA improved the lives of 7 million people.
- The CCC created work for 2.5 million people.
- The PWA and the WPA created work for 4 million people.
- The NRA and the Wagner Act brought better working conditions for workers and introduced trade unions (labor unions).

CRITICISMS

- They influenced the business of Americans.
- The Supreme Court announced that the AAA and NRA were **unconstitutional**.
- The AAA paid farmers not to produce food – "shoot the cows and milk the government." This did not help people who depended on farms for their income, eg farm hands.
- Many argued that Roosevelt's projects were a short-term solution.

CRITICISMS

- People thought trade unions were “Not American” and some firms employed thugs to beat up members.
- The rich objected to the payment of taxes.
- Black people benefited because they were poor, not because they were black, so still faced a great deal of discrimination. Women benefited only if they were married.
- Many felt it interfered too much in the affairs of the American people

CRITICISMS

- Some felt that the New Deal did not help enough. For example, Dr Francis Townsend argued that Roosevelt had not done enough to help the elderly. He wanted a pension of \$200 per month for everyone over 60 – they would have to spend this money within the month and therefore this would generate a demand for goods and equipment.
- Unemployment did fall but it was the USAs entry into the Second World War in 1941 that ultimately lifted the country out of depression.

THE IMPACT OF THE II WORLD WAR

- The Second World War started in 1939 and America began to send goods to other countries. In 1941 America joined the war and this brought the Depression to an end.
- 1941 onwards – Factories and farms focussed on helping America in the war.
- Many found work in the factories – unemployment fell from 9.5 million in 1939 to 670,000 in 1945.
- Industrial production doubled between 1942-45.

THE FIRESIDE CHATS

- The ***fireside chats*** were a series of 30 evening radio addresses given by Roosevelt between 1933 and 1944. “Fireside chats” were the first media development that facilitated intimate and direct communication between the president and the citizens of the United States. Roosevelt's cheery voice and demeanor played him into the favor of citizens and he soon became one of the most popular presidents ever. On radio, he was able to quell rumors and explain his reasons for social change slowly and comprehensibly.
- Radio was also especially convenient for Roosevelt because it enabled him to hide his polio symptoms from the public eye.