



### Long-Term Causes of the Great Depression

- ▶ Economic weaknesses in the 1920s actually led to the Great Depression.
- ▶ Mass production created a surplus of goods. By the end of the 1920s, most people who could afford those goods had already bought them. Unsold goods piled up in warehouses and workers lost their jobs.
- ▶ High tariffs like the **Smoot-Hawley Tariff** (1930) protected American markets from foreign competition but also prevented surplus American goods from being sold abroad.
- ▶ An expansion of credit, practices like buying stocks on margin, and a lack of government regulation meant that speculation in the stock market soared.
- ▶ On October 29, 1929, known as "**Black Tuesday**," the stock market crashed. Stock prices dropped suddenly. Everyone was trying to sell but no one wanted to buy.

### Effects of the Stock Market Crash: From Wall Street to Main Street

- ▶ The stock market crash set off a “chain reaction” in the American economy. People who lost money on the market could no longer invest or buy as many goods. Businesses became nervous about the new economic environment.
- ▶ Businesses went bankrupt and laid off workers, creating mass unemployment. People lost their savings and could not pay off loans. Banks failed. Prices and demand for goods fell.
- ▶ American banks that had given loans to European countries to rebuild their war-torn economies now wanted their money back. The Depression spread to Europe when these loans were recalled.

### The Human Impact of the Great Depression

- ▶ More than 10 million Americans became unemployed. There was no federal “safety net” of unemployment relief or insurance, and local or private charities were overwhelmed.
- ▶ Many people lost homes and some had to beg for food. Many jobless, homeless men became vagrant “hoboes.” Others built shantytowns on the outskirts of cities. Minority groups particularly suffered, with the highest unemployment and the least savings.
- ▶ On the Great Plains, a series of droughts combined with the effects of unsuitable plowing techniques to cause the disaster known as the “**Dust Bowl**.” Farmers could not grow their crops, livestock died, and farmers lost their fields and homes. Some fled west to California to find work. Known as “Oakies,” they were often mistreated and unemployed.

### The First Presidential Response: Herbert Hoover

- ▶ **President Hoover** was a Republican who believed in *laissez-faire* economics. He did not think the federal government should interfere too directly in the free-market economy. Hoover believed the strong work ethic of independent Americans would end the crisis.
- ▶ Hoover still took early steps to help end the Depression, like cutting taxes, increasing federal spending, and meeting with business leaders. Later, he established the Reconstruction Finance Corporation (RFC) to give emergency loans to stop banks and businesses from going bankrupt. Hoover’s steps were too few and too limited to stop the crisis.
- ▶ The Federal Reserve made the Depression worse by contracting (*shrinking*) the money supply.
- ▶ Hoover became so unpopular that Americans began calling the new shantytowns of homeless people “**Hoovervilles**.” Hoover’s defeat in the 1932 election was sealed when he used the army to break up a peaceful protest by the “**Bonus Expeditionary Force**,” a group of World War I veterans and their families.

## The Second Presidential Response: Franklin Delano Roosevelt

- ▶ As Governor of New York, Franklin D. Roosevelt had introduced new programs to fight the Depression that he would later apply to the nation. His wife, Eleanor, was a close adviser who kept him informed about the problems of the poor and minority groups.
- ▶ Roosevelt possessed excellent communication skills. He came to office with a team of talented, reform-minded advisers. He used the radio to give reassuring “fireside chats.”
- ▶ Roosevelt’s “New Deal” was based on three goals: **relief, recovery, and reform.**

## The First New Deal

- ▶ The “First New Deal,” from 1933 to 1935, was focused on relief and recovery.
- ▶ So many new federal agencies were known by their abbreviations that they were called “alphabet soup.”
- ▶ Many of these programs aimed to “**prime the pump**”—to get the economy flowing again by placing money into consumers’ hands.
- ▶ Some “recovery” programs aimed to make banks and the stock market safer. Roosevelt declared a “**Bank Holiday**” to prevent bank runs, allow federal inspections, and renew public confidence in banks. The **Federal Deposit Insurance Corporation (FDIC)** insured bank deposits. The Securities and Exchange Commission was created to regulate the stock market.
- ▶ Other “recovery” programs aimed at assisting industry and agriculture. The **National Recovery Administration (NRA)** encouraged businesses to establish codes that set prices, wages, and work hours to promote cooperation and fairness. The **Agricultural Adjustment Act (AAA)** limited production of crops and livestock to prevent surpluses and protect farmers.
- ▶ Some “relief” programs aimed at helping the unemployed. The **Civilian Conservation Corps (CCC)**, **Public Works Administration (PWA)**, and **Civil Works Administration (CWA)** provided young men with work on public projects.
- ▶ Other “relief” programs sought to improve living conditions. The Home-owners Loan Corporation and Agricultural Adjustment Act gave emergency loans to homeowners and farmers facing foreclosure. The **Tennessee Valley Authority (TVA)** built dams to control floods and to provide electricity to one of the poorest areas in the South.

## The Second New Deal

- ▶ The Supreme Court struck down many of Roosevelt's early New Deal programs. He began a "Second New Deal" in 1935, aiming more at reform and security.
- ▶ The **Works Progress Administration** (WPA) created new public works projects to increase employment and stimulate the arts. It hired construction workers, artists, writers and musicians.
- ▶ The **Social Security Act** was the most important and long-lasting achievement of the New Deal. It created a "safety net" for Americans in the event of another Depression. It established unemployment insurance, retirement benefits, and aid to the disabled and orphaned.
- ▶ The **National Labor Relations Act** ("**Wagner Act**") gave workers the right to unionize and to submit their grievances to the National Labor Relations Board. Other measures that benefitted labor were Roosevelt's refusal to use federal power to intervene in the successful "sit down strike" at General Motors in 1936, and the passage of the Fair Labor Standards Act, which set maximum working hours, a minimum wage, and prohibited child labor.

## Reactions to the New Deal

- ▶ The New Deal was supported by many Americans. Roosevelt created a new Democratic coalition: workers, the poor, minority groups such as African Americans, and the "Solid South."
- ▶ Some critics did not think the New Deal did enough. Senator Huey Long wanted to tax the rich and provide a guaranteed family income; another critic wanted to nationalize banks and utilities.
- ▶ The greatest threat to the New Deal was from the Supreme Court, which overturned some of the First New Deal. Roosevelt attempted to halt further attacks on the New Deal by the Court with his "**Court-packing**" scheme. He proposed that he should have the power to appoint new Justices. His plan was widely condemned and rejected by Congress. However, the Supreme Court stopped overturning New Deal programs.
- ▶ The New Deal did aid the economy, but only World War II ended the Depression.

## The Cultural Impact of the Great Depression

- ▶ The Depression created disillusionment with traditional American beliefs in the free market and consumerism.
- ▶ **John Steinbeck's** novel *The Grapes of Wrath* depicted the plight of the "Okies." Langston Hughes was an African-American poet who wrote of the sufferings of the African-American community.
- ▶ **Dorothea Lange** took photographs of poor migrants and sharecroppers, including the famous image "Migrant Mother." Walker Evans and Margaret Bourke also published famous photographs of suffering all around America.
- ▶ These photos, poems, and books gave a human face to the Depression and spurred calls for relief.
- ▶ Many people turned to popular culture for "escapism" during the Depression. Optimistic, fun movies, musical shows, radio singers, and comic strips were very popular.
- ▶ The WPA supported the arts by hiring artists, dancers, musicians, and actors. WPA historians traveled South to record narratives from a dying generation of former slaves.