

## Unit 8: Notes 2 - The Great Depression and the New Deal

- The Nation's Sick Economy
  - Economic Troubles
    - Industries in Trouble
      - The superficial prosperity of the late 1920s shrouded weaknesses that would signal the onset of the Great Depression
      - Railroads, textiles and steel had barely made a profit
    - Farmers Need a Lift
      - May have suffered the most
      - Farmers had planted more during WWI and taken out more loans, however demand fell after the war and crop prices declined by 40% or more
      - Farmers boosted production in the hopes of selling more crops but this only depressed prices further
    - Consumers have Less Money to Spend
      - By the late 1920s, Americans were buying less – mainly because of rising prices, stagnant wages, unbalanced distribution of income and overbuying on credit
    - Living on Credit
      - Although many Americans appeared to be prosperous during the 1920s, in fact they were living beyond their means.
      - They often bought goods on credit
    - Uneven Distribution of Income
      - During the 1920s the rich got richer and the poor got poorer
  - Hoover Takes the nation
    - The Election of 1928
      - It was an overwhelming victory for Hoover
      - The message was clear most Americans were happy with Republican leadership
    - Dreams of Riches in the Stock Market
      - By 1929, some economist had warned of weaknesses in the economy but most Americans maintained the utmost confidence in the nation's economic health
      - Many began **buying on the margin**
        - Paying a small percentage of a stock's price as a down payment and borrowing the rest
        - With easy money available to investors, the unrestrained buying and selling fueled the market's upward spiral

- The Stock Market Crashes
  - In early September 1929, stock prices peaked and then fell
  - On October 24 the market took a plunge
  - Panicked investors unloaded their shares
  - But the worst was yet to come
  - Black Tuesday
    - On October 29 – know as **Black Tuesday**
      - The bottom fell out of the market and the nation's confidence
      - Shareholders frantically tried to sell before prices plunged even lower
      - People who had bought stocks on credit were stuck with huge debts as the prices plummeted, while other lost most of their savings
- Financial Collapse
  - The stock market crash signaled the beginning of the **Great Depression**
    - The period from 1929 to 1940 in which the economy plummeted and unemployment skyrocketed
    - The crash alone did not cause the Great Depression but it hastened the collapse of the economy and made the depression more severe
  - Causes of the Great Depression
    - Tariffs and war debt policies that cut down the foreign market for American goods
    - A crisis in the farm sector
    - The availability of easy credit
    - An unequal distribution of income
  - Bank and Business Failure
    - After the crash many people panicked and withdrew their money from banks
    - Some could not get their money because the banks had invested it in the stock market
    - 11,000 banks had failed by 1933 because the government did not protect or insure bank accounts
    - Millions of people lost their savings accounts
    - Millions of workers lost their jobs
    - Unemployment leaped from 3% to 25% or 12 million workers by 1933
    - Not everyone fared so badly of course
  - Worldwide Shock Waves
    - The US was not the only country gripped by the Great Depression

- Much of Europe had suffered throughout the 1920s
  - European countries trying to recover from the ravages of WWI faced high war debts – Germany having to pay war reparations
- Hardship and Suffering During the Depression
  - The Depression Devastates People's Lives
    - The Depression in the Cities
      - In cities across the country, people lost their jobs, were evicted from their homes and ended up in the streets
      - Some slept in parks or sewer pipes, wrapping themselves in newspapers to fend off the cold
      - Others built makeshift shacks out of scrap materials
      - Before long numerous shantytowns – little towns consisting of shacks – sprang up
      - Every day the poor dug through garbage cans or begged
      - **Soup Kitchens**
        - *Offering free or low cost food*
      - **Bread lines**
        - *Lines of people waiting to receive food provided by charitable organizations*
      - Conditions for African Americans and Latinos were especially difficult
      - Their unemployment rates were higher and they were the lowest paid
      - Were several incidence of racial violence
    - The Depression in Rural Areas
      - Life in rural areas war hard, but it did have one advantage over city life: most farmers could grow food for their families
      - Between 1929 and 1932 about 400,000 farms were lost through foreclosure – the process by which a mortgage holder takes back property if an occupant has not made payments
    - The Dust Bowl
      - The drought that began in the early 1930s wreaked havoc on the Great Plains
      - Farmers from Texas to North Dakota had used tractors to break u the grasslands and plant millions of acres of new farmland
      - Plowing had removed the thick protective layer of prairie grasses

- Farmers had then exhausted the land through overproduction of crops and the grassland became unsuitable for farming
- When the drought and winds began in the early 1930s, little grass and few trees were left to hold the soil down
- Wind scattered the topsoil, exposing sand and grit underneath
- The dust traveled from hundred of miles
- This came to be know as the **Dust Bowl**
  - Plagued by dust storms and evictions thousands of farmers and sharecropper left their land behind
  - They packed up and headed west to California
  - Some got the nick-name “Okies” because they came from Oklahoma but is was used negatively
- Effects on the American Family
  - Men in the Streets
    - Many men had difficulty coping with unemployment because they were accustomed to working and supporting their families
    - During the depression 300,000 “hoboes” wandered the country, hitching rides on trains and sleeping under bridges
  - Women Struggle to Survive
    - Women worked hard to help the families
    - Many women canned food and sewed clothes
    - Many women also worked outside the home, though they usually received less money than men
    - Many people believed that women, especially married women, had no right to work when there were men who were unemployed
  - Children Suffer Hardships
    - Poor diets and a lack of money for health care led to serious health problems
    - Milk consumption declined across the country and clinics and hospitals reported a dramatic rise in malnutrition and diet related diseases
      - Example: Rickets
    - It caused schools to shorten the school year and even closed some to close
    - Many teenagers looked for a way out of the suffering
    - They would hop aboard freight trains and zigzag across the country in search of work, adventure and an escape from poverty

- While exciting, the road could also be very deadly
  - Many riders were beaten or jailed by “bulls” – armed freight yard patrolmen
  - Often riders had to sleep standing up in a constant deafening rumble
- Social and Psychological Effects
  - Some people were so demoralized by the hard time that they lost their will to survive
  - Suicide rate rose more than 30%
  - For some achieving financial security became the primary focus in life
  - But during the depression many people showed kindness to strangers who were down on their luck
  - People often gave food, clothing and a place to stay to the needy
  - Families helped one another and communities were bonded together
- Hoover Struggles with the Depression
  - Hoover Tries to Reassure the Nation
    - Hoover’s Philosophy
      - Had great faith in the power of reason
      - Believed that one of the government’s chief functions was to foster cooperation between competing groups and interest in society
        - The idea that people should succeed through their own efforts
      - Hoover’s response shocked and frustrated suffering Americans
    - Hoover Takes Cautious Steps
      - Hoover asked employers not to cut wage and lay off workers and for labor leaders not to demand higher wages or go on strike
      - But none of these steps made much of a difference
      - A year after the crash the economy was still shrinking and unemployment was still rising
    - Boulder Dam
      - Later changed to the Hoover Dam
      - Would be the world’s tallest and second largest dam
      - In addition to providing electricity and flood control the dam also provided a regular water supply which enabled growth of California’s massive agriculture
      - Today the dam also help to provided water for cites such as Las Angeles and Las Vegas

- Change in American Opinion
    - Americans grew more and more frustrated by the Depression
    - By 1930 people were calling shantytowns - Hoovervilles
- The New Deal
  - Americans Get a New Deal
    - Electing FDR
      - By 1932 the presidential election showed Americans were ready for a change
      - Franklin Delano Roosevelt was a Democrat
      - He won overwhelmingly
      - The four months between his inauguration he began working on what he was going to do
      - **New Deal**
        - *A phrase taken from a campaign speech in which Roosevelt had promised "a new deal" for the American people*
        - *Policies focused on*
          - *Relief for the needy*
          - *Economic recovery*
          - *Financial reform*
    - The Hundred Days
      - Congress passed 15 major piece of New Deal legislation
      - The first step was to reform the banks
        - Roosevelt declared a bank holiday one day after taking office, to prevent any more withdrawals
        - He then persuaded Congress to pass the Emergency Banking Relief Act, which authorized the Treasury department to inspect banks and make sure they were sound to reopen
    - Fireside Chats
      - The day before the first banks reopened Roosevelt had his first **Fireside Chat**
        - *These were radio talks about issues of public concern, explaining in clear simple language his New Deal measures – it made Americans feel as if the president were talking directly to them*
    - Alphabet Agencies
  - New Deal Affects
    - Women
      - Roosevelt made Frances Perkins America's first female cabinet member
    - President Fails to Support Civil Rights

- Despite efforts to promote racial equality, Roosevelt was never committed to full civil rights for African Americans
- He was afraid of upsetting white Democrats in the South – an important segment of his voters
- Native Americans
  - Native Americans received full citizenship in 1924
  - But just as women gave Native Americans government jobs as well