

# Great Depression and the New Deal

## STAAR Review 8



# Learning Objective

What were some of the major causes of the Great Depression ?

Things to look for ---

1. Overproduction of crops by farmers.
2. Speculation in the stock market.
3. Buying on margin.
4. Bad banking practices.
5. Tariffs restricted international trade.

# The Great Depression

1929-1940

- Economies historically pass through good and bad periods that regularly repeat themselves.
- These ups and downs are referred to as the business cycle.
- The bad times are called a depression – these usually include:
  - Business failures
  - High unemployment
  - Falling prices

The Great Depression was the worst in our nation's history!

## Causes of the Great Depression

# Overproduction

- The 1920s saw a rapid economic expansion as manufacturers made and sold new products like cars, radios, refrigerators and numerous other consumer items.
- By the end of the 1920s many consumers lacked the money to buy all these new products.
- Manufacturers were soon producing more goods than they could sell, no matter how low they priced their goods.

# Causes of the Great Depression

## Speculation

- In the 1920s stocks soared in value as people **'speculated'** meaning they bought stocks hoping to **"get rich quick"**.
- This speculation caused the price of stocks to rise higher and higher each day as more people invested in Wall Street.
- By 1929 the price of stocks had tripled since 1920.



# Causes of the Great Depression

## Buying on Margin

- In the 1920s, stocks could be purchased for a 10% down payment called buying on margin.
- The rest of the price of the stock was financed by a loan from a stock broker or a bank.
- If a stock's price fell, the purchaser was still responsible for the whole price of the stock.
- As long as the price of stock went up there was no problem, but if the stock prices decline there is no way to pay off the borrowed money.
- People also invested in real estate (land or buildings) with a similar hope of getting rich quick.

# Causes of the Great Depression

## Shaky Banking Methods

- Banks work by using money from depositors that they then loan to businesses, the money they earn they use to pay interest to these depositors.
- Most banks in the 1920s were honest and followed good banking guidelines, however there were some who invested their depositors money in unsound investments.
- The government failed to regulate the banking system or the stock market.
- People also bought more than they could afford making the economy very shaky.

## Causes of the Great Depression

# Tariffs on International Trade

- The government also passed **tariffs** (a tax on goods imported) making foreign imported goods more expensive.
- Foreign nations retaliated by passing tariffs on American made goods imported into their nations.
- The effect was that it made it harder for U.S. businesses to sell their products to other nations.
- This shrinking of world trade contributed to the Great Depression.

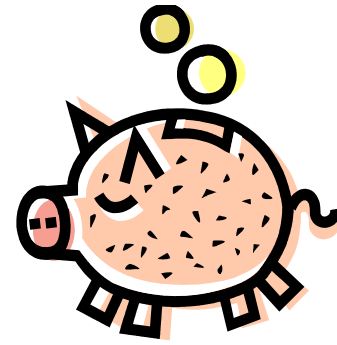


# The Stock Market Crash

- On **Black Thursday**, October 24 the stock market began to decline
- Bankers tried to stop the decline by buying stocks, but they were able to only delay the drop.
- Five days later on **October 29, 1929**, aka **Black Tuesday**, the stock market crashed.
- As stock prices dropped, people couldn't pay back their loans and frantically tried to sell their stocks driving the price of stocks down.



# Effects of the Stock Market Crash



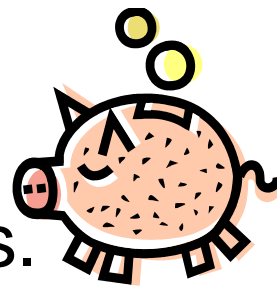
- Banks that had made bad loans on risky stocks were losing money.
- People panicked and took their money out of the banks, this only made things worse for the banks.
- These **bank runs** forced many banks to close their doors.
- When a bank closed its doors, the people who had money deposited there lost their money.
- Although the Stock Market Crash did not cause the Great Depression, it did make it worse.



People milling about outside of a bank that closed, ca. 1933.  
National Archives photo.



# Effects of the Stock Market Crash



- As more banks closed, so did more businesses.
- As businesses closed, people lost their jobs, and soon their homes and farms.
- This caused a decrease in the demand for goods causing more businesses to fail leading to more people going broke.



# Effects of the Great Depression

- Instead of the optimism of the 1920s, people began to feel worthless.
- Soup kitchens and bread lines appeared across the nation.
- Churches and charities did what they could to feed the hungry.
- With no 'safety net' such as unemployment insurance, hundreds of thousands were living on the streets.



# STAAR Practice – Political Cartoons

- What event in American history is this political cartoon referring to?
  - A. World War I spending
  - B. Independence of flappers
  - C. Bank failures caused by buying on margin
  - D. Effects of the Dust Bowl



# The Dust Bowl

- Since the 1870s farmers had been plowing up the Great Plains to grow crops.
- During the early 1930s a severe **drought** (a long period without rain) hit the Great Plains region.
- The Great Plains stretches from Texas to North Dakota.
- The ground cover that been holding the soil in place was gone and when the winds came it simply blew that land away.



# The Dust Bowl

**The winds of the Dust Bowl blew for years!**



**Oklahoma family walks home through dust storm**

# Effects of the Dust Bowl

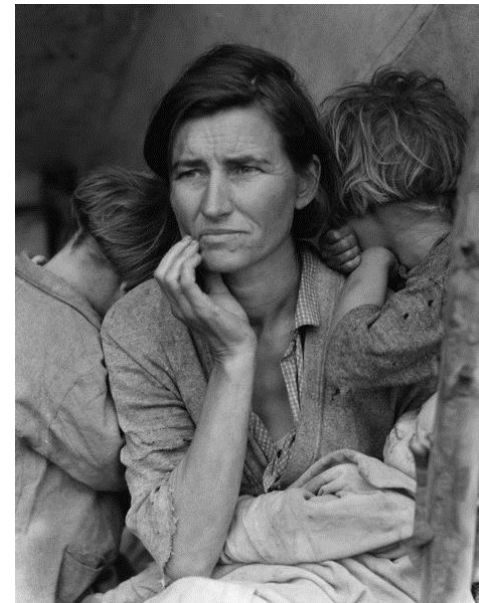
- Farmers packed up their belongings and headed west to California looking for work.
- So many of these migrants came from Oklahoma, that as a group these people became known as **Okies**.
- This is another example of the mass migration of people, much like the Great Migration of African Americans out of the South or miners to the West.





# Documenting the Dust Bowl

- **John Steinbeck** wrote *"The Grapes of Wrath"* telling the story of Okies as they became migrant workers in California.
- **Dorthea Lange** took pictures of the effect the Dust Bowl and the Great Depression had on the American people.



# Primary & Secondary Sources of Information

April 25, 1934 Wednesday

## ❖ Primary Source of Information –

Last weekend was the worst dust storm we ever had. We've been having quite a bit of blowing dirt every year since the drought started, not only here but all over the country. In many days this spring the air is just full of dirt coming, literally, for hundreds of miles. It sifts into everything. After we wash the dishes and put them away, so much dust sifts into the cupboards we must wash them again before the next meal. Clothes in the closets are covered with dust.

❖ Info about an event from a person who observed the event firsthand.

❖ Includes pictures, newspaper articles, diaries, maps made at the time of the event.

## ❖ Secondary Source of Information –

Last weekend my one was taking an automobile out for fear of ruining the motor. I rode Roany to Frank's place to return a gear. To find my way I had to go through a field of fence, usually able to see from one fence post to the next.

❖ A secondhand story about an event, the person or things telling about the event did not experience it firsthand.

Newspapers say the death of many babies and old people are attributed to breathing in so much dirt.

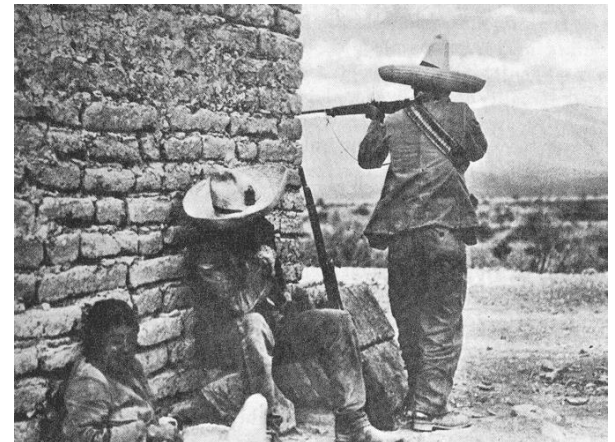
❖ Includes history books, or information from someone else.

# Effects of the Great Depression



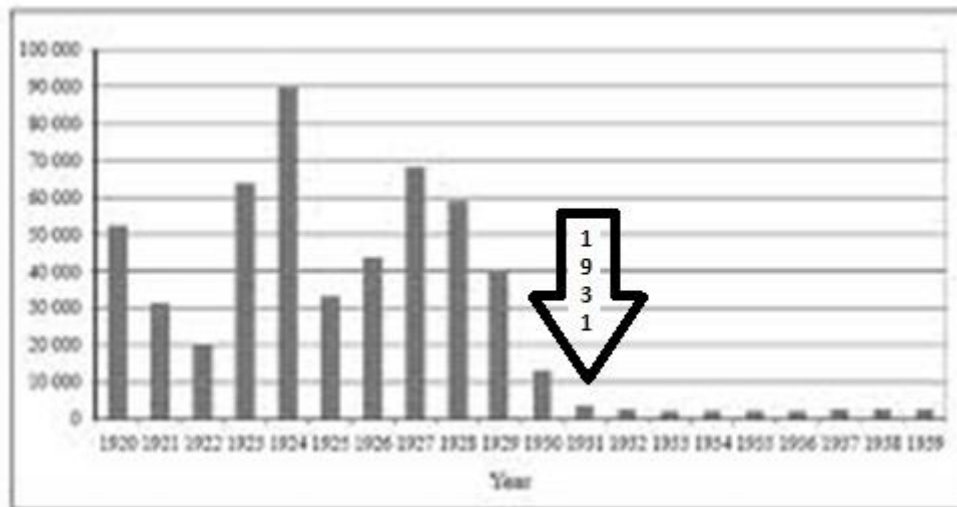
# Mexican Repatriation

- The Immigration Acts of the 1920s limited European immigration, but it didn't limit immigrants from Mexico.
- Mexican immigrants were allowed to enter the U.S.A. as long as they passed a medical exam and a literacy test (given in Spanish) and paid a small fee.
- Most had left Mexico because of the Mexican Revolution and came to the U.S.A. to work at back-breaking low paying jobs.



# Mexican Repatriation

- During the Great Depression jobs became harder to find and white American farmers went after jobs that had been filled by immigrants.
- A ½ million Mexicans came during the 1920s, but it became more difficult for Mexican immigrants to get into the U.S., as only 33,000 were allowed in during the 1930s.



# Mexican Repatriation

- As competition for work increased so did prejudice and discrimination.
- In the 1930s, Pres. Hoover signed a special law the '**Mexican Repatriation Act**' that forced a half million Mexican-Americans to be 'repatriated' or sent back to Mexico.



# Learning Objective

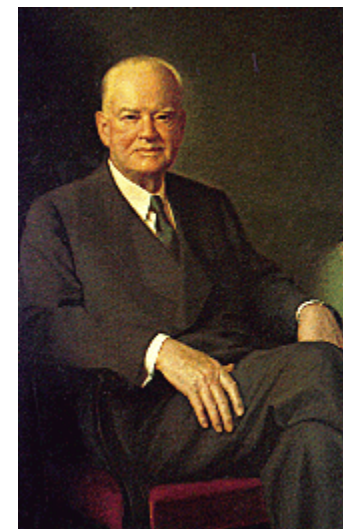
How did Pres. Hoover' Philosophy fail to stop the Great Depression?

Things to look for ---

1. Hoover's belief that direct relief would undermine the 'rugged individualism'.
2. Hoover felt private organizations should help the needy.
3. Hoover's 'trickle down' theory was too slow.

# Pres. Hoover's Philosophy

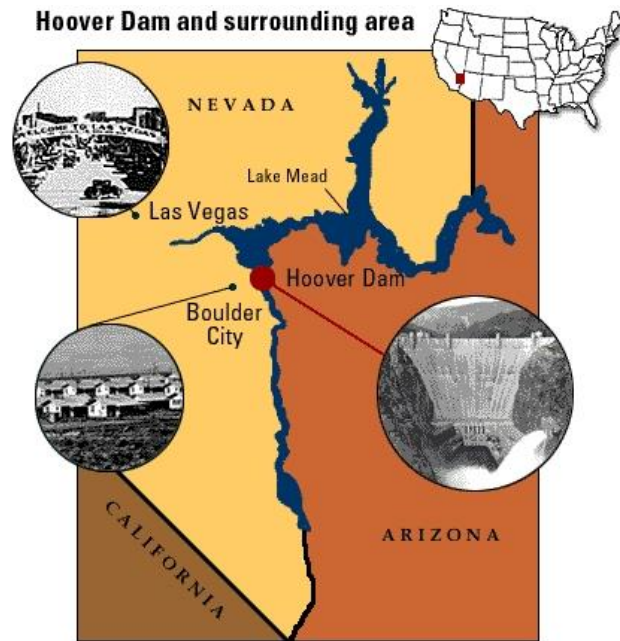
- During the early years of the Great Depression the government did not give **direct relief**. (cash or food directly to the poor)
- Despite rising unemployment, **Pres. Herbert Hoover** refused to get the government involved.
- Hoover remained true to the idea of a **laissez-faire** economy or no government involvement in the economy.
- Hoover feared government intervention would reduce the incentive to work and undermine '**rugged individualism**' that he believed had made America great.





# Pres. Hoover's Efforts

- Hoover cut taxes, created a federal agency to buy excess farm crops, and increased federal spending on public projects like Hoover Dam.
- Hoover also established the 'Reconstruction Finance Corp.' that gave emergency loans to banks and businesses hoping to increase business.
- Hoover hoped money would soon 'trickle down' to the people.



# More Problems for Hoover

- Shantytowns sprang up everywhere and were called **Hoovervilles**, a sign of disrespect to Hoover.
- By this time over 100,000 businesses had failed and 25% of the population was out of work.
- Hoover stuck to his idea of 'rugged individualism', but he was nearing the end of his political life.



# Learning Objective

How did FDR's approach to the Depression differ from Hoover's?

Things to look for ---

1. Style of leadership – ‘fireside chats’
2. Women's involvement.
3. The ‘New Deal’ laws and their impact.
4. Relief, Recovery, and Reform.

# Franklin Delano Roosevelt

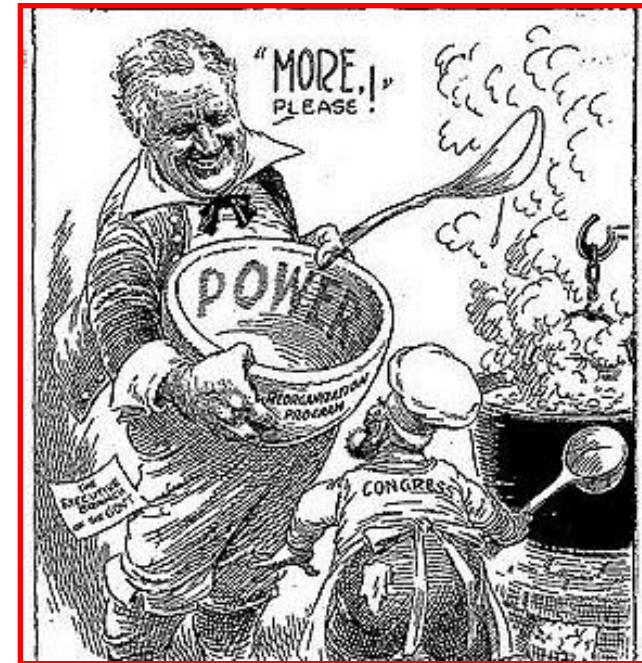
## “FDR”

- By 1932 the American public had lost faith in Pres. Hoover and the 1932 presidential election saw **Franklin Roosevelt (FDR)** win in a landslide.
- FDR and his “**Brain Trust**” (his advisors) had a plan to end the depression and put the American people back to work, FDR called it the **New Deal**.



# “FDR” and the New Deal

It IS a New Deal



- The New Deal marked a change away from the laissez-faire attitude the government had previously taken with the economy.
- It established the idea that the government was responsible to make sure the economy ran smoothly.

**The New Deal permanently increased the size and power of the federal government!**

# FDR a New Style of Leadership

- FDR used the radio to speak directly to the American people in his [‘fireside chats’](#).
- When FDR was 39, he was struck by polio and he was unable to walk by himself.
- FDR’s wife Eleanor, served as his eyes and ears by traveling the U.S. in his place.
- Eleanor spoke strongly for women’s rights, the peace effort, and the poor.



FDR announced his plan for the WPA in one of his "fireside chats."



# Women in the Great Depression

- Women often experienced the Depression as mothers and homemakers.
- **Eleanor Roosevelt** rallied women with her book, *'It's Up to the Women'* as she helped them deal with getting their families through the crisis.
- **Frances Perkins** the 1<sup>st</sup> female member of the U.S. Cabinet served as Secretary of Labor.
- Perkins played a big role in helping FDR with his New Deal legislation.



YESTERDAY  
IS HISTORY,  
TOMORROW  
IS MYSTERY,  
TODAY IS  
A GIFT.  
(ELEANOR ROOSEVELT)



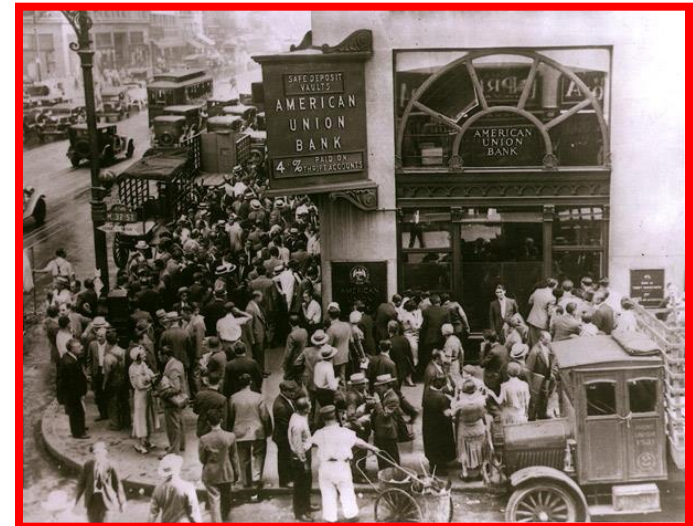
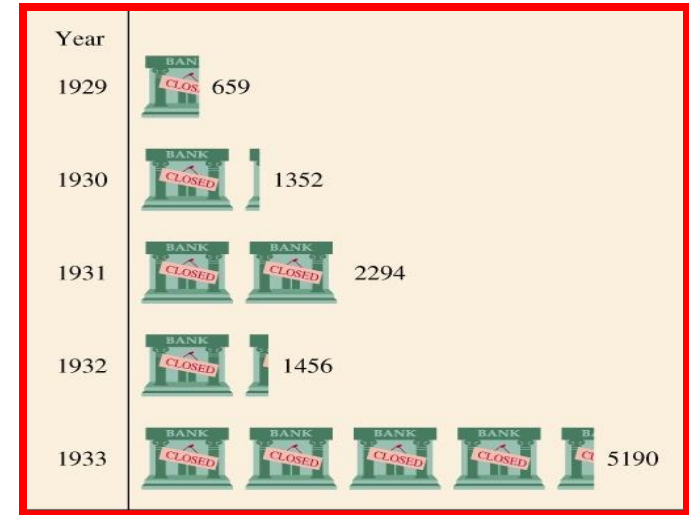




# New Deal Legislation

## Relief, Recovery, Reform

- **Banking Crisis** – banks had been failing during the 1930s.
- Depositors feared banks were unsound and removed their \$\$\$\$.
- FDR closed all banks and put them on a **Bank Holiday** until new laws could restore faith in the banks.
- Bank closings soon decreased.



# New Deal Legislation

## Relief, Recovery, Reform



- **Relief for the Unemployed**

- **Federal Emergency Relief** – gave money for emergency relief to those in need.
- **Civilian Conservation Corp.** – gave young men jobs planting trees, cleaning up parks, etc.
- **Public Works Admin.** – created jobs building schools, roads, bridges, other public projects
- **Works Progress Admin.** – created jobs for artists, writers, and musicians to create murals, plays, etc.

Programs like the CCC, PWA, WPA, were called  
the **Alphabet Soup Laws**

# New Deal Legislation

## Relief, **Recovery**, Reform

- FDR felt the way to recovery was to stimulate demand for goods.
- **Priming the Pump** –
  - FDR differed from Hoover's policy of giving money to the public.
  - FDR wanted to put money into consumers hands hoping to increase their spending thereby increasing demand.



# New Deal Legislation

## Relief, **Recovery**, Reform

- **National Recovery Admin.**
  - Set business codes regulating wages, pricing, and practices.  
(should government tell businesses what to do?)
- **Agricultural Adjustment Act**
  - paid farmers to plant less to increase crop prices.

**Supreme Court ruled both the  
NRA and AAA  
were unconstitutional.**

Is this laissez-faire?



# New Deal Legislation

## Relief, Recovery, Reform

- **Reforms** were aimed at fixing the defects in the American economy so the Depression would not happen again.
- These reforms were based on belief that government should protect individuals against risks they could not handle on their own.
- This would increase the power and presence of the national government in the lives of all Americans into the future.
- Obamacare is an example of this today.



# New Deal Legislation

## Relief, Recovery, Reform

- **Federal Deposit Insurance Corp.** – insured banks so people would not lose any savings in the event of a bank failure. Restored faith in banks!
- **Social Security Act** - provided the safety net to provide workers with unemployment insurance, an old age pension, or if they died early.



# New Deal Legislation

## Relief, Recovery, Reform



- **Security & Exchange Comm.**
  - To regulate the stock market and prevent fraud and future crashes.
- **Tennessee Valley Authority**
  - Government owned dams to generate electricity.
- **National Labor Relations Act**
  - Gave workers right to form unions.



# Impact of New Deal on Labor

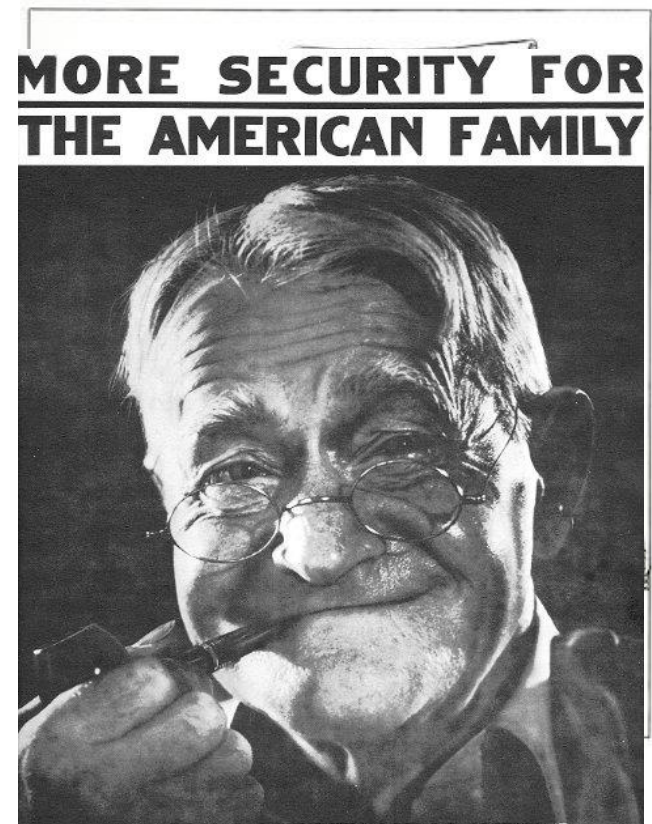
- Union membership had its greatest growth during the 1930s.
- FDR tried to raise wages of labor to help fight the Great Depression.
- **Norris-LaGuardia Act** – prohibited the courts or the government from stopping peaceful union strikes as they had in the late 1800s.
- **National Industrial Recovery Act** - workers could form unions and employers could not refuse to hire union members.
- **Wagner Act** – stimulated unionization by giving Unions the right to collective bargaining.



# Reactions to the New Deal

**The New Deal was generally popular with the American public, but FDR did face criticism.**

- **Liberty League** said FDR was a traitor to his class and was attempting to establish a popular dictatorship with his new powers.
- **Dr. Francis Townsend** thought FDR didn't go far enough and wanted to give citizens over 65 an additional \$200 a month.



# Reactions to the New Deal

**The New Deal was generally popular with the American public, but FDR did face criticism.**

- **Huey Long – ‘The Kingfisher’** ran for president promising each American family \$5,000 a year paid by **taxing the rich**, he was later assassinated before he ran.
- **Father Coughlin** – Catholic priest who gave radio speeches that were popular with nativists who distrusted Wall St., were anti-Jewish, and wanted the government to take over the banks.



# The Supreme Court and the New Deal

- The greatest threat to the New Deal was the Supreme Court.
- Supreme Court struck down New Deal programs of the **National Industrial Recovery Act (NIRA)** and the **Agricultural Adjustment Act (AAA)**, saying they were unconstitutional.
- Supreme Court decision “**Schechter v. U.S.**” said Congress could not give the President more powers than those granted in the Constitution.

# The Supreme Court and the New Deal Political Cartoons

STILL SUPREME.



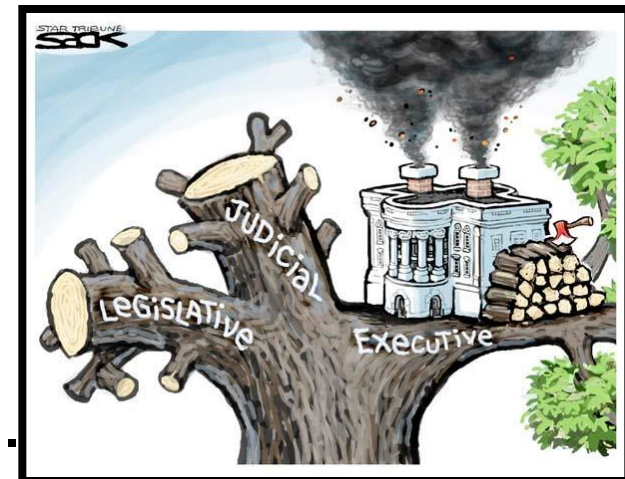
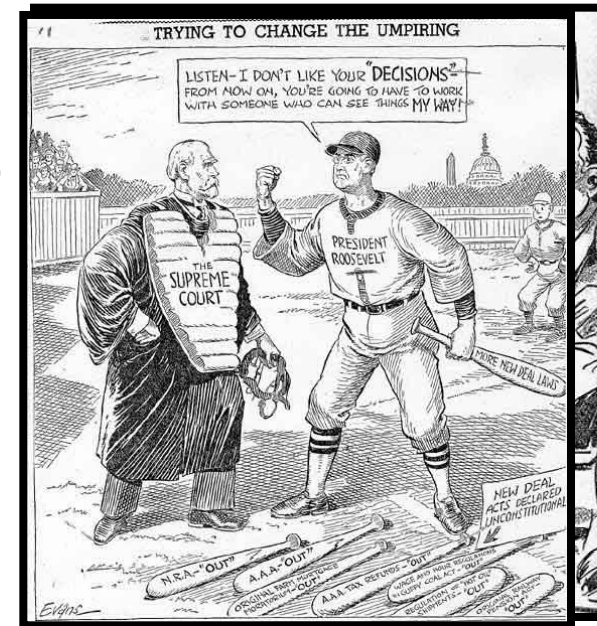
# FDR's Court-Packing Scheme

- After the Supreme Court decision of *Schechter*, FDR feared they might declare other New Deal laws as unconstitutional.
- FDR believed the Supreme Court Justices, most of who were over 70 years old – were out of touch with the needs of the nation.
- FDR proposed a plan to allow the President to add a new appointment to the Supreme Court for each Justice over 70 ½ years old.



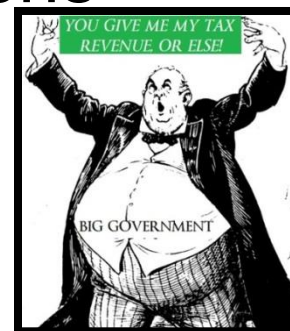
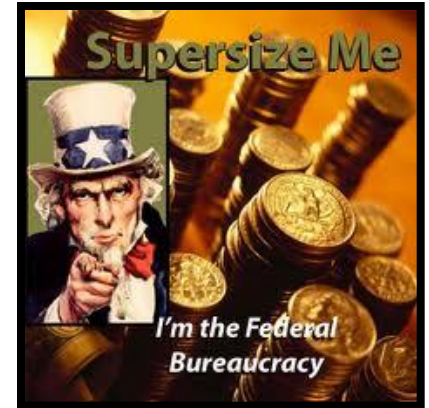
# FDR's Court-Packing Scheme

- IF, FDR's court-packing plan was adopted it would give him the right to appoint six Justices, giving him control over the Supreme Court.
- FDR's court-packing scheme was viewed as attempting to upset the traditional separation of powers outlined in the Constitution.
- Despite FDR's popularity, Congress rejected the plan.
- However, the Supreme Court did stop overruling New Deal legislation.



# The Impact of the New Deal Reforms

- Under FDR's New Deal the power of the federal government increased dramatically.
- The federal government went from a regulatory role to one of taking responsibility to make sure the economy ran smoothly & efficiently.
- The New Deal agencies and their regulations made it possible for the government to control its citizens' private lives!
- Taxes rose to fund these new government programs.



# New Deal Helps End the Depression

- Spending on the New Deal helped bring an end to the Great Depression.
- But, it would take more than just this spending to bring an end to this Great Depression, it would take a war.
- As Hitler continued to become more aggressive in Europe, the U.S.A. became more concerned.

**It would finally take the massive spending of our involvement in what would become World War II to finally end the Great Depression.**



# STAAR Chart Skills Practice

Which New Deal agency aimed to restore the U.S.A.'s faith in the banking industry?

The **FDIC** insures savings deposits in banks to make sure your money is safe.



New Deal Agency		What Did the Agency Do?
CCC	Civilian Conservation Corps	It provided conservation jobs for unemployed young men. They planted trees and built dams and roads.
FERA	Federal Emergency Relief Administration	It worked with states to provide relief money to the unemployed or to people hurt by the drought.
FDIC	Federal Deposit Insurance Corporation	It protected the safety of banks. It insured savings deposits so people would not lose money if banks failed.
TVA	Tennessee Valley Authority	It built dams on the Tennessee River to control floods, provide cheap electricity, and improve life in the region.
PWA	Public Works Administration	It created public works jobs. People built bridges, roads, dams, schools, hospitals, and courthouses.
SEC	Securities and Exchange Commission	It controls the stock market so it will not crash again. It tries to protect people from investing in unsafe stocks.
SSB	Social Security Board	It provides workers with pensions and unemployment insurance. It gives aid to poor families with children and to some people with disabilities.
WPA	Works Progress Administration	It employed more than eight million needy people. They built roads, parks, and buildings. The WPA also created jobs for artists, actors, and musicians.