

Title: The Great Depression



Section B: Depression and the New Deal: The USA, 1929-1941

Key issue: - How serious were the effects of the Depression on the American people?

- The effects of the Wall Street Crash: the collapse of business and industry; unemployment and its effects
- The attempts of Hoover's Government to deal with the depression; economic failure
- The unpopularity of Hoover and the election of Roosevelt

Key issue: How did Roosevelt deal with the depression?

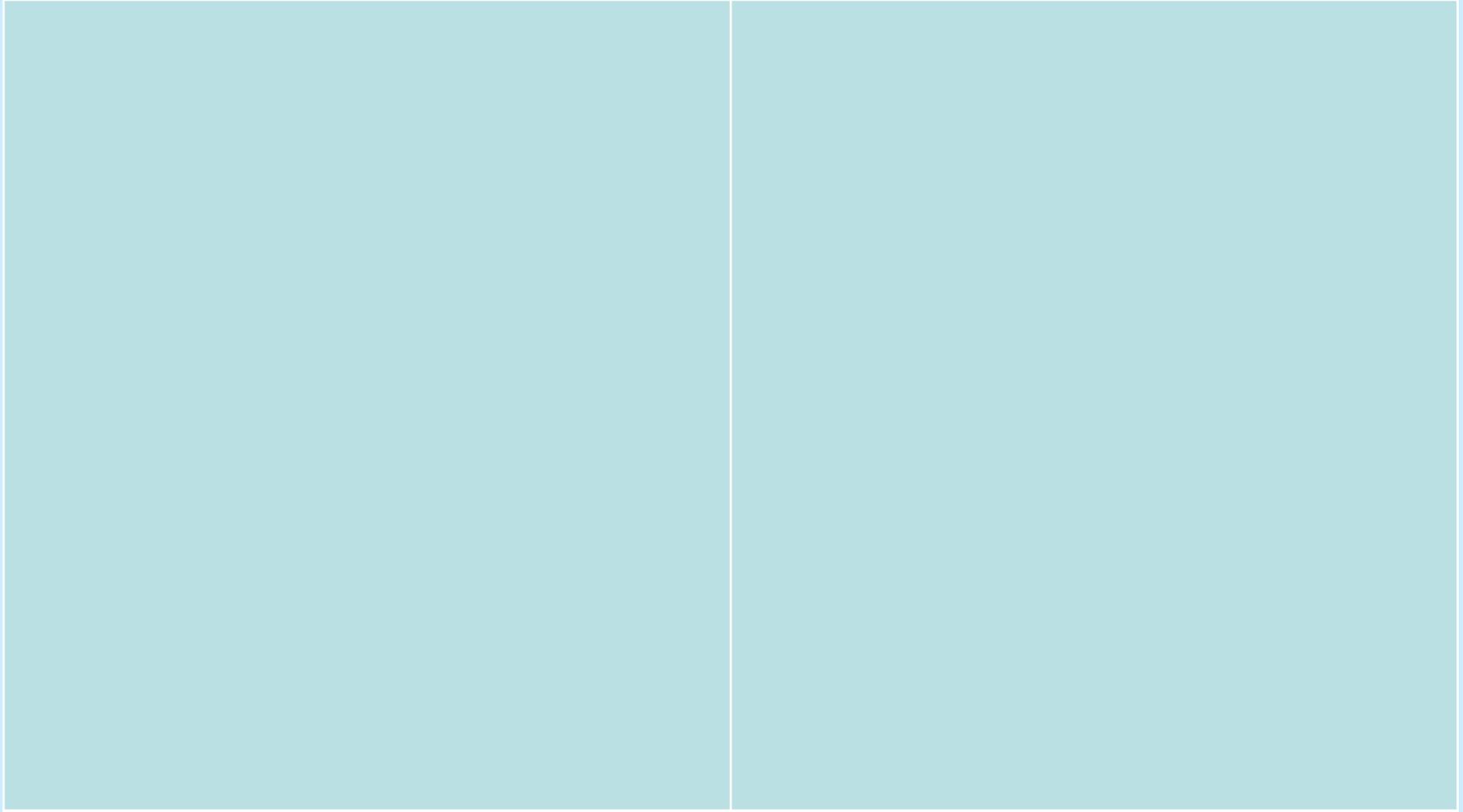
- Roosevelt's fireside chats; banking crisis; New Deal helping farmers, unemployed, home owners, workers, depressed areas
- The main Alphabet Agencies; AAA, FERA, CCC, CWA, PWA and TVA
- Helping industry; the NRA
- The HOLC and the Social Security Act

Key issue: How far was the New Deal successful in ending the depression in the USA?

- The effectiveness of the New Deal in achieving its aims; its limitations' the Second New Deal
- Criticisms and opposition to the New Deal from the Supreme Court and some politicians
- The impact of the Second World War on American economic recovery, 1939-1941; increase in US exports; policy of lend lease; effects within the USA

In the towns

In the countryside



Great Depression by the Numbers

- After the stock market crash, economic flaws helped the nation sink into the **Great Depression**, the worst economic downturn in history.
- The stock market collapse strained the resources of banks and many failed, thus creating greater anxiety.
- In 1929 banks had little cash on hand and were vulnerable to “runs,” or a string of nervous depositors withdrawing money.
- A run could quickly drain a bank of all its cash and force its closure.
- In the months after October 1929, bank runs struck nationwide and hundreds of banks failed, including the enormous Bank of the United States.
- Bank closures wiped out billions in savings by 1933.

Today, insurance from the federal government protects most people’s deposits, and laws today require banks to keep a large percentage of their assets in cash to be paid to depositors upon request.



Farm Failures

- The hard times farmers faced got worse during the Great Depression, when widespread joblessness and poverty cut down on the demand for food as many Americans simply went hungry.
- By 1933, with farmers unable to sell food they produced, farm prices had sunk to 50 percent of their already low 1929 levels.
- Lower prices meant lower income for farmers, and many borrowed money from banks to pay for land and equipment.
- As incomes dropped, farmers couldn't pay back their loans, and in the first five years of the 1930s, hundreds of thousands of farms went bankrupt or suffered foreclosure.

Foreclosure occurs when a lender takes over ownership of a property from an owner who has failed to make loan payments.



Unemployment

- The year following the crash of October 1929 saw a sharp drop in economic activity and a steep rise in unemployment.
- Such negative trends are not uncommon in times of economic downturn, but the extent and duration of these trends made the Great Depression different.
- By 1933 the gross national product dropped over 40 percent from its pre-crash levels.
- Unemployment reached a staggering 25 percent, and among some groups the numbers were even higher:
 - In the African American neighborhood of Harlem, for example, unemployment reached 50 percent in 1932.

The Human Impact of the Great Depression

The true measure of the Great Depression's disaster lies in how it affected the American people.

Hoovervilles

- Thousand applied for a handful of jobs, and job loss resulted in poverty for most Americans.
- To survive, people begged door to door, relied on soup kitchens and bread lines. Some went hungry.
- Some who lost their homes lived in shantytowns, or **Hoovervilles**, named after President Hoover who many blamed for the Great Depression.

Hoboes

- **Hoboes** were mostly men, but included teens and women.
- Boarding trains was hard and illegal, and railroads hired guards to chase hoboes away.
- Finding food was a constant challenge, because people had little to spare and rarely shared with hoboes.
- Hoboes developed a system of sign language to warn of possible dangers or opportunities.



The Emotional Impact of the Depression

- The Great Depression's worst blow might have been to the minds and spirits of the American people.
- Though many shared the same fate, the unemployed often felt that they failed as people.
- Accepting handouts deeply troubled many proud Americans. Their shame and despair was reflected in the high suicide rates of the time.
- Anger was another common emotion, because many felt the nation had failed the hardworking citizens who had helped build it.

Devastation in the Dust Bowl

- Nature delivered another cruel blow. In 1931 rain stopped falling across much of the Great Plains region.
- This **drought**, or period of below average rainfall, lasted for several years, and millions of people had fled the area by the time it lifted.
- Agricultural practices in the 1930s left the area vulnerable to droughts.
- Land once covered with protective grasses was now bare, with no vegetation to hold the soil in place.
- When wind storms came, they stripped the rich topsoil and blew it hundreds of miles. The dust sometimes flew as far as the Atlantic Coast.
- Dust mounds choked crops and buried farm equipment, and dust blew into windows and under doors.
- The storms came year after year, and the hardest hit areas of Oklahoma, Kansas, Colorado, New Mexico, and Texas eventually became known as the **Dust Bowl**.

Fleeing the Plains

The droughts and dust storms left many in the Dust Bowl with no way to make a living, and some simply picked up and moved:

Migrants

- By the end of the 1930s, 2.5 million people had left the Great Plains states.
- Many headed along Route 66 to California, then settled in camps and sought work on farms.
- The migrants were called **Okies**, after the state of Oklahoma, but migrants came from many states.
- Many migrants met hardship and discrimination.

American Imagination

- The plight of the migrants captured the imagination of some of America's greatest writers and artists.
- Author John Steinbeck and singer-songwriter **Woody Guthrie** described the Dust Bowl and the disaster's effect on the people it touched.
- Guthrie's lyrics spoke of the hardships all Americans felt during the Great Depression.

For much of the decade, the Depression defied most government efforts to defeat it, and Americans had to fend for themselves.



Define the following key phrases

- Breadlines
- Dust bowl
- Hooverville
- Bonus Army
- Foreclosure
- Soup kitchen



What should President Hoover do?

Option 1:

The government should act quickly to support the people who need help.

Option 2:

The American Economy is fundamentally strong and will soon recover from the depression on its own!



Hoover's Philosophy

- Herbert Hoover came to the presidency with a core set of beliefs he had formed over a long career in business and government service.
- He had served in the Harding and Coolidge administrations and shared many of their ideas about government's role in business, favoring as little government intervention as possible.
- Hoover believed unnecessary government threatened prosperity and the spirit of the American people.
- A key part of this spirit was something he called "rugged individualism."

Hoover didn't reject government oversight or regulation of certain businesses or think businesses should do exactly as they pleased, but he thought it was important not to destroy people's belief in their own responsibility and power. 

Hoover's Response to the Great Depression

Hoover's core beliefs—that government should not provide direct aid, but find ways to help people help themselves—shaped his presidency.

Ideas and Beliefs

- Before the market crash, Hoover tried to help farmers by strengthening farm cooperatives.
- **Cooperative:** an organization owned and controlled by its members, who work together for a common goal
- After the crash, Hoover continued to believe in voluntary action, and he urged business and government leaders not to lay off workers, hoping that their cooperation would help the economic crisis pass.

Direct Action

- Businesses cut jobs and wages, and state and local governments cut programs and laid off workers.
- The crisis persuaded Hoover to go against his beliefs and establish the **Reconstruction Finance Corporation** in 1932, a program that provided \$2 billion in direct government aid to banks and institutions.
- Later that year he asked Congress to pass the Federal Home Loan Bank, a program to encourage home building.



The Smoot-Hawley Tariff Act

The Act



- One of Hoover's major efforts to address the economic crisis was the 1930 **Smoot-Hawley Tariff Act**.
- Tariffs are taxes on imported goods that raise their cost, making it more likely that American purchasers buy cheaper American goods.

The Effects



- The Smoot-Hawley Tariff Act was a disaster.
- Originally designed to help farmers, it was expanded to include a large number of manufactured goods.
- The high tariff rates were unprecedented.
- When European nations responded with tariffs on American goods, international trade fell dramatically.
- By 1934 trade was down two thirds from its 1929 level.

The Nation Responds to Hoover

Questions of Credibility

- Hoover eventually saw the limitations of his ideals and pushed for some direct relief, but his optimistic claims about the economy undermined his credibility with voters.
- Early on, when millions lost their jobs, he said the nation's basic economic foundation was sound.
- Just a few months after the crash he announced "I am convinced we have passed the worst," and he spoke glowingly about the relief efforts.
- Millions of Americans did not share Hoover's viewpoint.

Questions of Compassion

- Many Americans came to question Hoover's compassion.
- As economic conditions grew worse, his unwillingness to consider giving direct relief to the people became hard for most Americans to understand.
- When Hoover finally broke his stated beliefs and pushed for programs like the Reconstruction Finance Corporation, people wondered why he was willing to give billions of dollars to banks and businesses but not to individuals.



The Bonus Marchers

- In May 1932 some World War I veterans set up camp near the capital.
- The men were in Washington to pressure the federal government to pay a veteran's bonus—a cash award they were promised for their war service.
- The bonus was not due for many years, but the men needed the money.
- Congress refused to meet the demands of these “bonus marchers,” and some left. A core group remained, including women and children.
- In July, as police and U.S. soldiers began clearing the area of veterans, violence erupted and the camp went up in flames, injuring hundreds.
- Hoover did not want to pay the bonus because he was concerned about balancing the budget. However, many Americans were greatly disturbed by the sight of soldiers using weapons against homeless veterans.
- The public's opinion of Hoover fell even more.

The Voters React

- Trying to balance the budget, Hoover pushed for and signed a large tax increase in 1932.
- This move was highly unpopular, because voters wanted more government spending to aid the poor.
- The 1930 Congressional election provided early signs that the public was fed up with President Hoover.
- Democrats finally won the majority of seats in the House of Representatives and made gains in the Senate.
- By the 1932 presidential election, it seemed certain Hoover would lose the race.
- The Great Depression showed few signs of ending, and Hoover's ability to influence people and events was nearly gone.

What effects would Hoover's inaction have on the American people?

