

The Great Depression and The New Deal (1929-1939)

Between 1929 and 1933 the United States had four years of the worst economic depression ever seen in its history.

At his inaugural address Franklin D. Roosevelt stated **“the only thing we have to fear is fear itself.”**

The Great Depression had two presidents, Hoover and Roosevelt and its recovery took 12 years.

The Stock Market Crash of 1929.

Timeline of events:

Black Thursday – October 24th. – the market saw an unexpected sell, stock prices plunged.

Friday – October 25th – a group of bankers bought millions of dollars worth of stock hoping to stabilize prices. **It worked, for only one day!**

Monday – October 28th – the selling frenzy continued

Black Tuesday – October 29th – the bottom fell out of the Stock Market. Millions of people ordered “sell” but no buyers were found.

Causes leading up to the “Crash”

Rising Stock Market March 1928 to September 1929	The average investor doubled his money in less than 1 year. Millions of Americans invested in the Market
Uneven Distribution of Income	The top 5% of the country had 33% of the nation’s wealth.
Stock Market Speculation	People were not investing in a company. They were only short-term speculating for a quick financial gain.
Buying on Margin	Investors were allowed to first borrow most of the cost of a stock. They could make down-payments as low as 10% of the total. In order to make money the stock must increase in value in order for them to repay the loan.
Excessive Lines of Credit	Installment buying, promoted by advertising campaigns was common
Overproduction of Consumer Goods	Too many items for sale and stagnant wages meant that average people were no longer able to buy new goods
Weak Farm Economy	Overproduction of crops, high debt, low prices, severe weather and a drought all affected farmers and buyers
Government Policies	There was no government control over business. In addition there was a high tariff and bad international practices
Global Economic Problems	Europe never came out of World War I. Germany never repaid war reparations. The Dawes Plan worked but stopped when the “Crash” came.

Effects of the Stock Market Crash

- GNP – Gross National Product (all goods and services produced in a nation in one year) went from \$104 to \$56 billion in four years
- The Nations income declined over 50%
- 25% of the banks closed which wiped out over \$ 10 million in savings accounts
- By 1933 13 million were unemployed (25% of the workforce) and this figure did not include farmers!
- Poverty and Homelessness spread through the nation
- Family stress increased as many were searching for work
- Mortgage foreclosures and evictions took place every day.

President Hoover's Policies

Initially Herbert Hoover did not believe that the Great Depression would last. Therefore he thought that the nations should only take voluntary actions and minimal restraints.

1. Businesses should cut wages to compensate
2. Unions should not be able to strike
3. Private charities must increase their efforts for the needy and jobless.

By 1930's he saw that this was not enough and that the government must take more action. However his approach was of the **traditional view** – relief must come from the states and local governments, not from federal.

Hawley-Smoot Tariff (1930) – saw the highest ever duty rates on imports. Amounts varied from 31 to 49% depending on the items. Europe counteracted creating a situation of no international trade; a situation that only worsened the depression.

In 1931 there was a Debt Moratorium – a suspension of payments for international debts. The results were also disastrous:

1. The international economy suffered major loan defaults
2. Many large depositors withdrew their money from banks, worsening the situation.

Hoover's Domestic Programs were Too Little, Too Late!

Federal Farm Board (created 1929) – the plan was to hold wheat and cotton in storage facilities but these measures were still not enough to handle the overproduction from the farmers.

Reconstruction Finance Corporation (RFC) – a federally-funded, government-owned corporation created in 1932. The goal was to stabilize railroads, banks, life-insurance companies and have them create a “trickle-down” effect on the economy. The Democrats were against this corporation as they believed that it only catered to the rich.

Farm Holiday Association – created to stop the entire 1932 crop from getting to market. It failed as crops were still harvested and sold.

The 1932 Bonus March – saw thousands of unemployed war veterans camp out in Washington.

- Congress failed to pass their bonus bill
- Two veterans died when a clash with police took place. Hoover ordered forces to break-up the event.
- General Douglas MacArthur used tanks and tear gas to destroy their “shantytown”
- Hoover was now seen as heartless and uncaring.

The 1932 election saw Hoover defeated as the Democrats believed that another term by him would only worsen the situation. Elected was **Franklin Delano Roosevelt**, the ex Governor of New York. His Vice-President was John Nance Garner of Texas. With a new president and the fact that both Houses had a Democratic majority Roosevelt created the “**New Deal**”

In 1933 the **20th Amendment** (known as the **Lame Duck Amendment** as Hoover became known as the “Lame Duck”) was passed. The time frame for a new president’s inauguration was now shortened to January 20th.

Unfortunately FDR became diagnosed with polio in 1921. He would never again walk unaided. His wife, Eleanor, became a motivation force for the nation. She wrote newspaper articles, gave speeches and traveled throughout the United States to help support her husband’s New Deal and promote good-will to those in need.

Life during the Great Depression

Millions of Americans had a “**Depression Mentality**” which was an attitude of insecurity and economic concerns.

Women worked in order to feed and cloth their children had to find supplemental incomes. Many times they were accused of taking jobs from men. They always received lower pay than men, despite the campaigning of Eleanor Roosevelt.

Dust Bowl Farmers emerged in the 1930’s due to a drought across the Great Plains. Due to poor farming practices and high winds there were vast areas of topsoil erosion. Thousands from Oklahoma (Okies) moved to California in search of farm work. However none was found. John Steinbeck’s *The Grapes of Wrath* tells of such a situation.

African Americans were always the last to be hired and the first to be fired.

- they were excluded from state and local relief programs
- faced racial tensions in the South and lynchings continued
- their Civil Rights leaders had no direct support from FDR as he feared they would cause him to lose the Southern White Democratic vote.
- some did work for the WPA and CCC but they were still segregated

Marian Anderson was denied a singing appearance at Constitution Hall due to her color. Eleanor Roosevelt and Harold Ickes beat the banishment led by the all-white Daughters of the Revolution when they arranged for Anderson to sing at the Lincoln Memorial

During the New Deal over 100 African Americans were appointed by FDR to middle-level positions in various federal departments.

The Fair Employment Practices Committee was formed in 1941 under an executive order to assist minorities obtain jobs within the defense industry. This action only took place after the Railroad Porters Union threatened to march on Washington D.C.

Native Americans were assisted during the New Deal. FDR appointed John Collier as Commissioner of the Bureau of Indian Affairs. FDR mandated that conservation and CCC projects be put on their reservations. In addition Native Americans were involved in WPA and other programs.

The Indian Reorganization (Wheeler-Howard) Act of 1934 repealed the Dawes Act of 1887 which encouraged Indians to be farmers. Lands were returned for the tribes to control. There was now support to preserve their culture. However several Native American leaders accused the New Deal of being paternal and still withheld control.

Mexican Americans were discriminated against, especially by white migrants moving from the Dust Bowl to California.