



The Great Depression and New Deal

MS. KRALL

The “Spark” October 29, 1929

- “Black Tuesday” 16 million shares of stock were traded, down 43 points.
- Speculative mania-stocks provided a certain avenue to quick and easy wealth.
- However, process of stocks had no relation to the earning power of the companies that were issuing them!

Background causes

- **1. Lack of diversity in the US economy.**
 - Only focused on a few industries like construction and automobiles
 - New industries (oil, chemicals, plastics) were not strong enough to stabilize declining industries.

Background causes

- **2. Misdistribution of money going to the consumer.**

3. Eventually too much supply would lead to a rise in unemployment.

- **Demand was not keeping up with supply.**
- **As industry and agriculture increased, the proportion of profits going to farmers and workers was too small to create a “buyers market.”**

Background causes

- **4. Credit structure of the economy.**



- **Farmers in debt because of crop prices and drought. Led to default on loans.**
- **Consumers bought on the installment plan**
- **Banks did not have enough cash reserves, played the stock market (helped create “Run-ons.”)**

Background causes

- **5. Lack of Foreign trade**

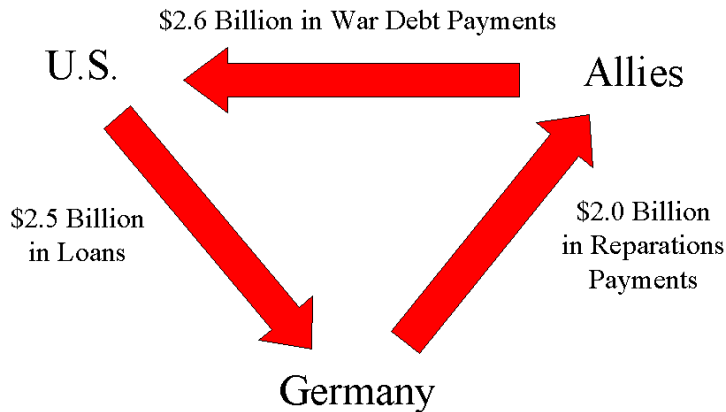


- **European demand for US goods declined due to their own financial issues.**
- **US high protective tariff on goods (Fordney-McCumber)**

Background causes

- **International debt structure**

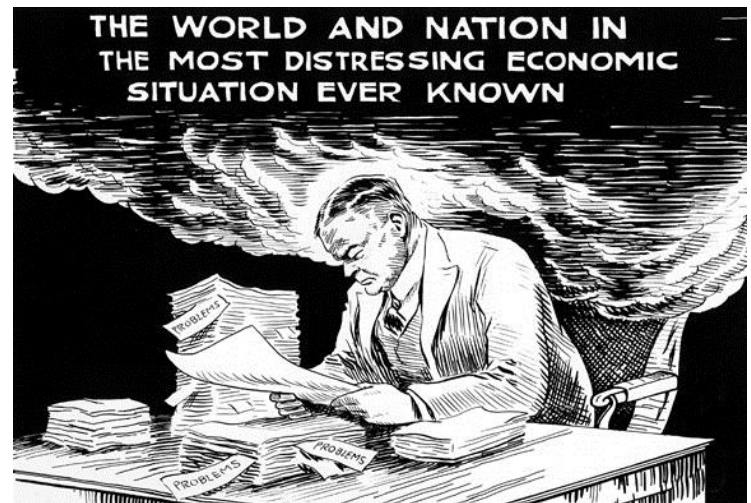
The International Financial System
Under the Dawes Plan and Young Plan
1924-30



- Europe owed large sums of money to US banks (**Dawes Plan**) and pleaded debt forgiveness.
- US continued to make large loans available, Thus debts and reparations were

Herbert Hoover

- 1874-1964
- Republican
- 31st President
- From Iowa
- Was a Quaker
- Did not accept his salary as President.



Hoover's Policies

- Attempted to use government spending to fight



- Asked for \$423 million dollars in federal works programs, like the Hoover Dam.
- Was only willing to spend a certain amount. In fact, proposed a tax increase to help government avoid a deficit.

Helping Farmers...

- Agricultural Marketing Act
- Farm Board
- Hawley-Smoot Tariff

- Voluntary cooperation among farmers to keep prices stable but did not ask them to reduce production.
- Loans to farmers and buy up surpluses. Govt. did not have enough funds!
- Raised tariffs to 50%. Provoked European nations to enact own tariffs against US goods.



Economic reforms...

- Proposed a moratorium on war debts to restore international stability (too little, too late!)
- Glass Steagall Banking Act
- Reconstruction Finance Corporation (RFC)
- Increase funding for federal banks to help mortgages on farms and homes.
- Provided loans to banks, railroads, and other business. Most money went to large banks and corporations, not to the “little guy.”

The Bonus Army

- To control government spending Hoover supported an act that would delay government money to World War I Veterans
- On July 28, 1932 Hoover ordered the army to disperse the soldiers, burning the camps.
- As a result, 20,000 veterans marched on Washington to demand payment.
- With material such as wood and iron, veterans built shacks outside of the capital and refused to leave until paid.



Hoover's Solutions-Review

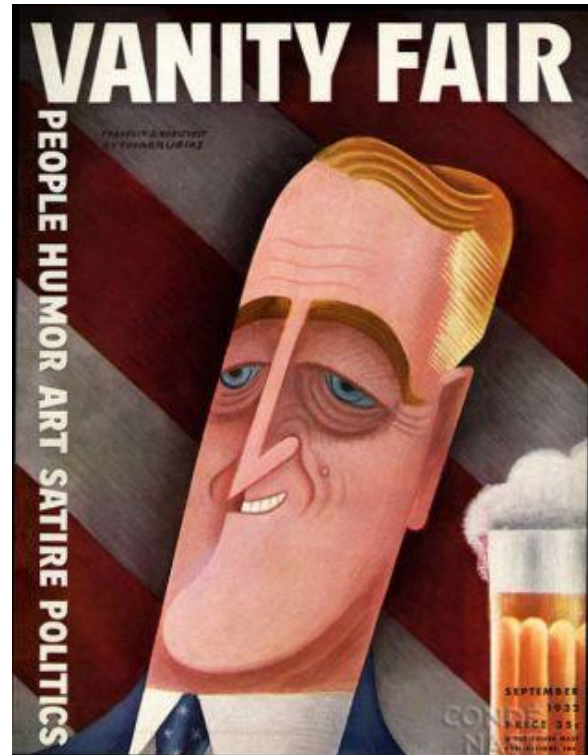
- Private organizations, charities, churches, and local communities should help the needy
- Federal relief went to railroads, insurance companies, and banks
 - Didn't work
- Hoover did grant a few public works programs
 - Most famous Hoover Dam

Reasons for Ineffectiveness

- Hoover thought business should be self-regulating.
- He had a mania for a balanced budget.
- He lacked political finesse.



1932 election!



Franklin D. Roosevelt's Appeal

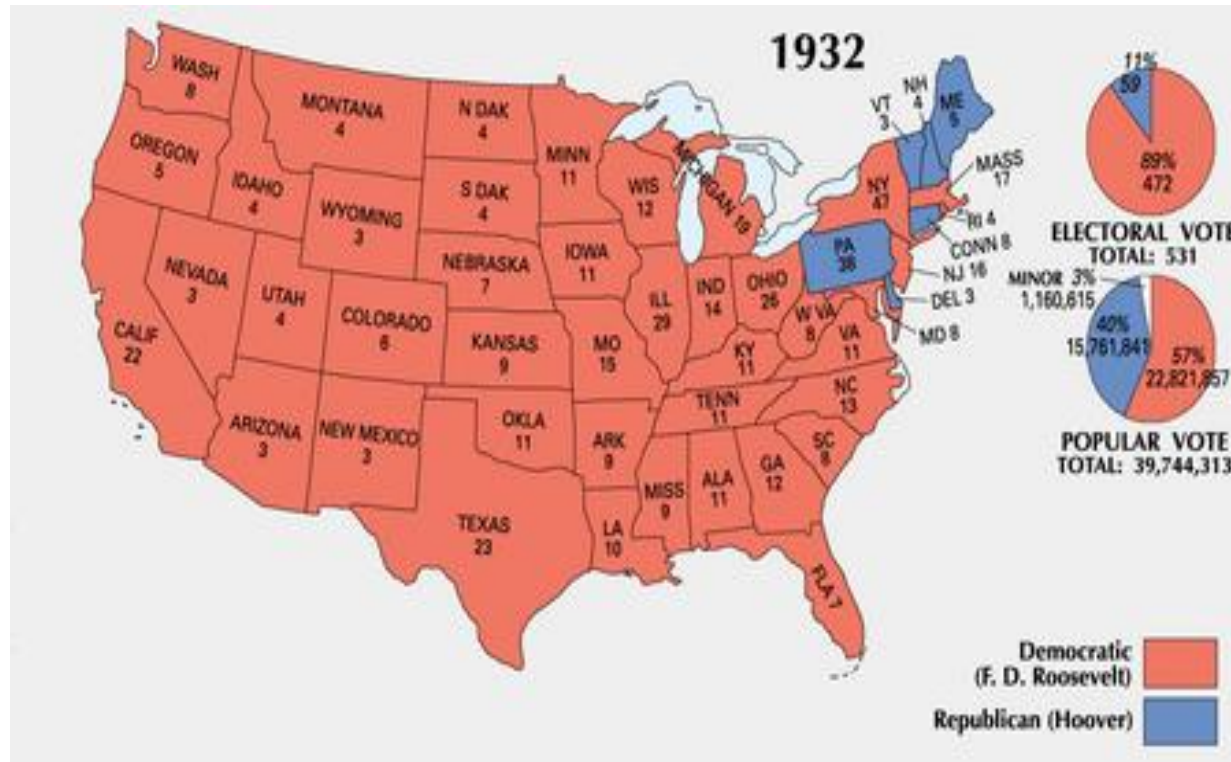
- In 1932 presidential election, FDR was perceived as a man of action.
- Hoover was viewed as a “do-nothing president.”



1932 Election...What are the Differences?

ISSUE	HOOVER	FDR
Budget	Balance it, no new taxes. “Loss of confidence” in govt.	Spend when necessary even if it means an unbalanced budget.
Business and Govt.	Laissez fair, true “liberalism.” Govt. involvement would increase corruption.	Govt. is there to protect individuals against corrupt businesses.
Role of Govt.	Govt. stay out and let competition occur, not “in business”	Govt. involvement, again to protect the citizens against unfair practices.
Future of the Country	We are still leading the world, new discoveries in technology and science (ex. Radio) There is still hope.	More involvement of all Americans. Too much power in the hands of the few. “Spread the wealth”
Hoover’s record	If we didn’t act, things would be worse	Stop blaming the rest of the world, it was our bad policies (ex. Tariff), Hoover minimized the SMC of 1929

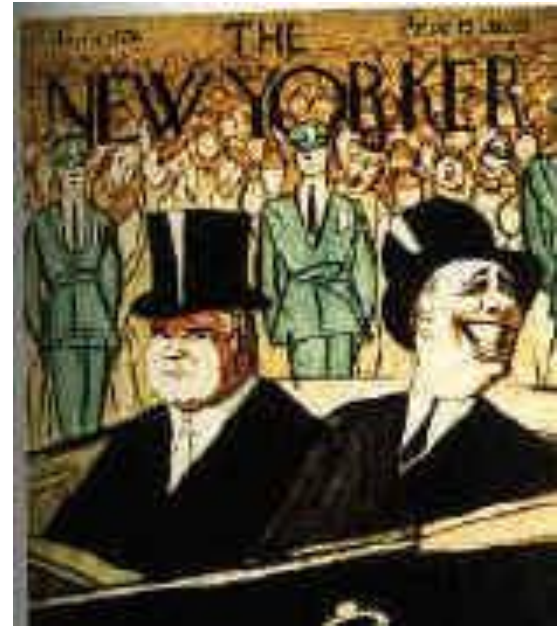
1932 election...



“Happy Days are Here Again”



Presidents Hoover and Roosevelt on Inauguration Day, March 4, 1933. Photo National Archives.



FDR's Personal Qualities

- He was a **practical politician** who practiced the art of the possible.
- He was a **charismatic** person who exhibited a warmth and understanding of people.
- He **knew how to handle press** by focusing attention on Washington.
- He **provided dynamic leadership** in a time of crisis.
- He was **willing to experiment**



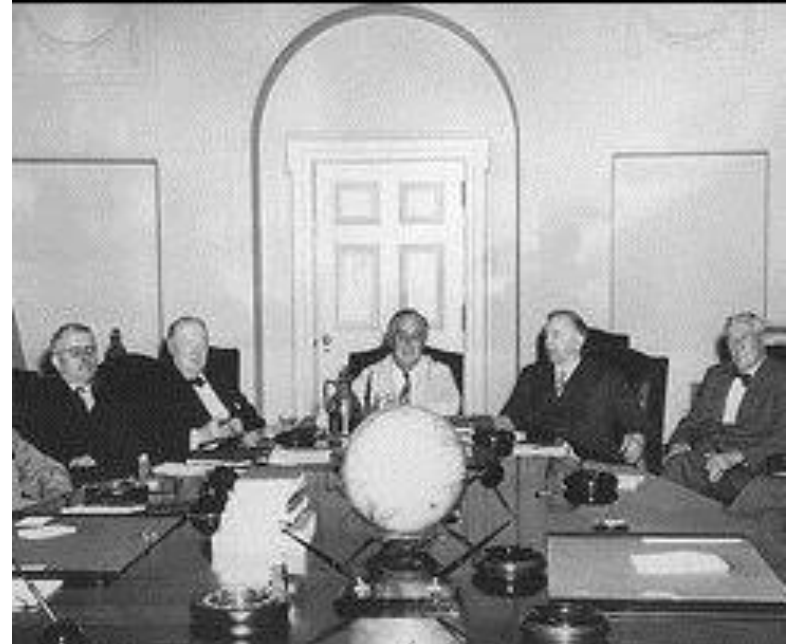
The New Deal

“We have two problems: First, to meet the immediate distress; second, to build up a basis of permanent employment. As to immediate relief, the first principle is that this nation, this national government if you like, owes a positive duty that no citizen shall be permitted to starve. In addition to providing emergency relief, the federal government should and must provide temporary work wherever that is possible.”

Franklin D. Roosevelt
October 1932

Sources of New Deal Ideas

- **Brain Trust:** specialists and experts, mostly college professors, idea men
- **New Economists:** government spending, deficit spending and public works, government should prime economic pump
- **Roosevelt Cabinet:** included conservatives, liberals, Democrats, Republicans- often conflicting, compromising, blending ideas



Purposes of the New Deal (1933-1934 , 1935-1941)

- **Relief:** to provide jobs for the unemployed and to protect farmers from foreclosure
- **Recovery:** to get the economy back into high gear, “priming the pump”
- **Reform:** To regulate banks, to abolish child labor, and to conserve farm lands
- **Overall objective:** to save capitalism!

It IS a New Deal



Second New Deal (1934-1941)

- **Emphasis:** reform
- **Political Position:** liberal
- **Primary aim:** permanent reform
- **Philosophy:** international economic cooperation and economic abundance
- **Objectives:** increased purchasing power and social security for public
- **Beneficiaries:** small farmers and labor



THE NEW DEAL-

the first 100 days

- March 6, 1933 Two days after Inauguration, proposed **a 4 day banking holiday**
- March 9, **Emergency Banking (Relief) Act-** provided treasury department inspection of all banks before reopened.
- **Economy Act-** balanced federal budget by cutting salaries of govt. employees reducing 15% of veterans' pensions.
- **Beer Act-** legislates 3.2% alcohol and led to the 21st Amendment ending Prohibition. (1933)

The Fireside Chats



- made a total of thirty-one Fireside Chats
- used as an opportunity to explain his hopes and ideas for the country, while inviting the citizenry to "tell me your troubles."

Relief Programs

- CCC
- FSA
- FAP
- FERA
- FMP
- FTP
- FWP
- NYA
- WPA
- CWA



EBRA

- Emergency Banking (Relief) Act- provided treasury department inspection of all banks before reopened.



CWA

- **Civil Works Administration**
- was the first, public employment experiment of the New Deal.
- At its peak in January of 1934, CWA employed approximately four million workers.
- The program initiated many projects that later were absorbed by the Works Progress Administration (WPA, 1935 to 1941).



PWA

- **Public Works Administration**
- spent over \$6 billion, funded the construction of more than 34,000 projects, including airports, electricity-generating dams, and aircraft carriers;
- seventy percent of the new schools and one third of the hospitals built during that time.



Home Owners Loan Corporation (HOLC)

- Established in 1933 by the Homeowners Refinancing Act. Gave loans to home owners so they could pay their mortgages.
- This prevented people from going homeless and prevented banks from going under.



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The New Deal in PA...

Civilian Conservation Corps

- employed urban young men who could not find jobs. Advance work in conservation and reforestation. Created series of camps in national parks.

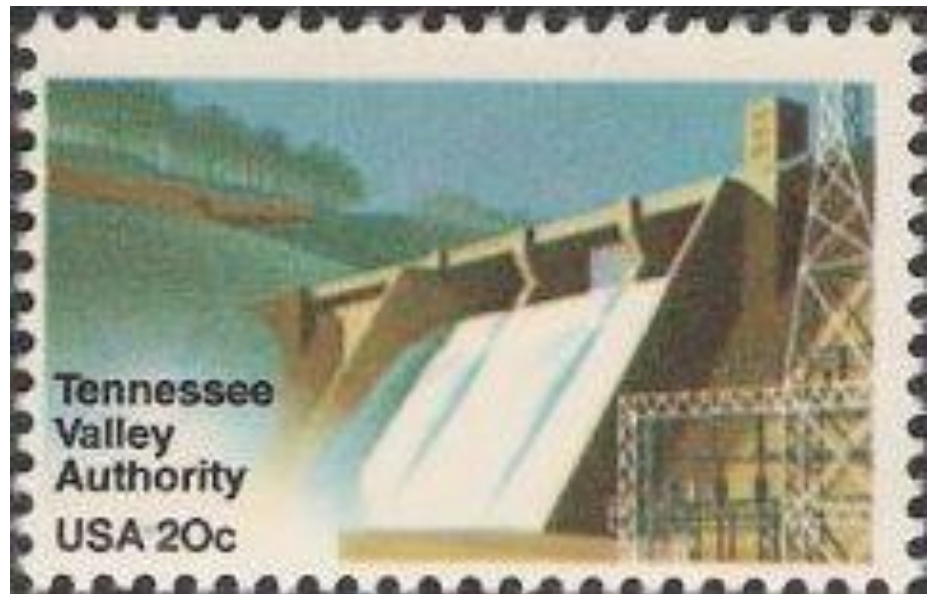


Credit: Courtesy of the Pennsylvania State Archives

Between 1933 and 1941, almost 200,000 men labored in 114 **CCC** camps in backwoods areas across Pennsylvania. In the Commonwealth, Roosevelt's "Tree Army" constructed 6,300 miles of roads and trails, 98 dams, and 86 fire towers, planted 50 million trees, and spent more than 65,000 man-days battling forest fires. They also built campgrounds, picnic areas, and recreation areas, many of which continue to benefit Pennsylvanians today.

Recovery/Combination

- AAA
- NRA
- PWA
- REA
- TVA







Post office, West Virginia





POSTMASTER

BULLETIN

BULLETIN

Packaging Posters

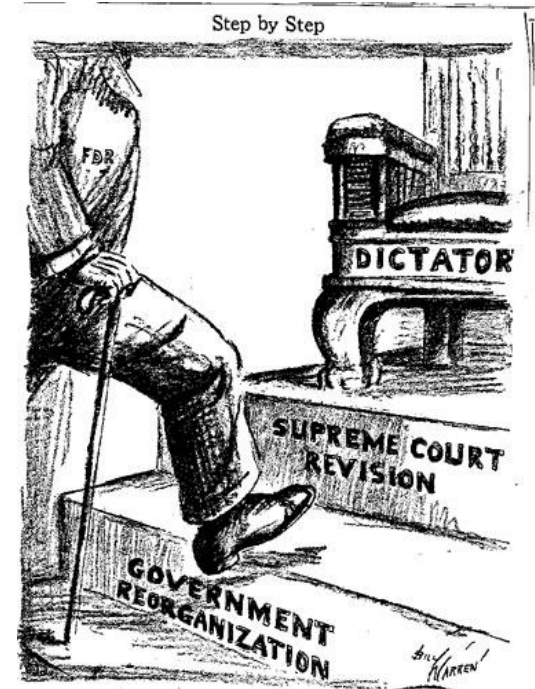
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Post office, Illinois



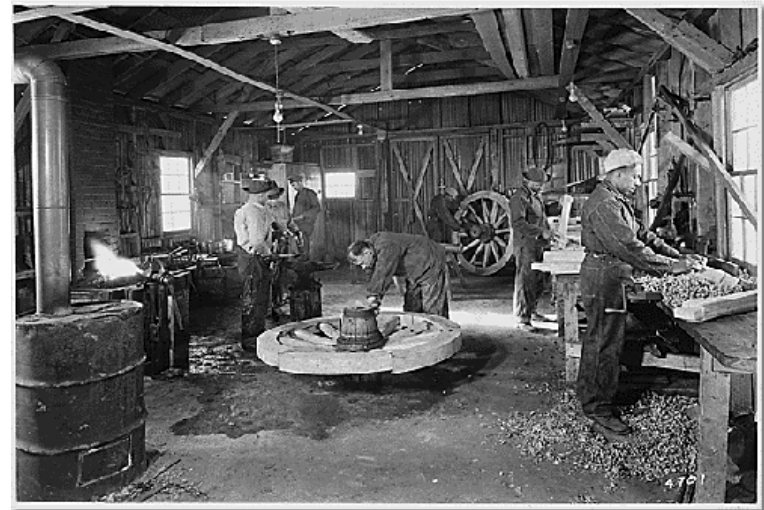
NRA

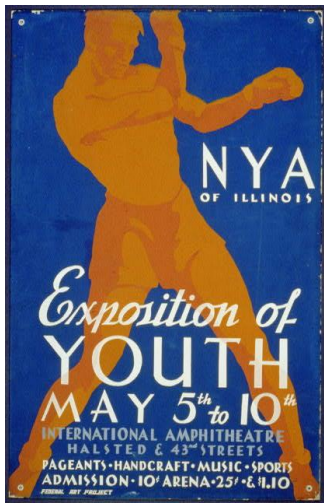
- created out of the [National Industrial Recovery Act](#). Business accepted a min. wage of between 30-40 cents/hour and maximum workweek of 35-40 hours.
- Abolished child labor (under age of 16). Tried to control interstate commerce.



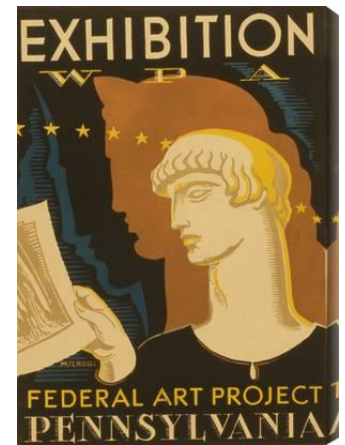
AAA

- [Agricultural Adjustment Administration](#)
- Taxed food processors and gave the money directly to farmers as a payment for not growing food. This decreased supply so price would go up. Created “Domestic Allotment.”





Employment



- Works Progress Administration-Brought all gov't programs designed to create jobs under one umbrella organization
- Expanded jobs to include office workers, actors, artists & photographers
- Photographers recorded life across USA
- Artists painted murals for cities & towns
- National Youth Administration
- Provided part-time employment to more than two million college and high school students.

FHA

- Federal Housing Administration
- insures mortgages and loans for new constructions and repairs, regulate the rate of interest and the terms of mortgages that it insured.



U.S. Housing Authority

- **Purpose:** recovery and reform
- Used federal funds to tear down slums and construct **better housing.**



Reform Programs

- Emergency Banking Act
- Fair Labors Standards Act
- FDIC
- FHA
- National Labor Relations Act
- SEC
- Social Security
- Revenue Act of 1935



Banking act of 1935

- Permanent establishment of the FDIC
- Provides for permanent deposit insurance and maintains it at the \$5,000 level.
- A newly established Federal Reserve Board of Governors
- 1936..building of Fort Knox!
- (In 1933, FDR outlawed the private ownership of gold coins, and bullion by American citizens, forcing them to sell these to the Federal Reserve.)



FDIC

- **Federal Deposit and Insurance Corporation-** from the Glass-Steagall Act (curbed irresponsible speculations by banks.) Guaranteed bank deposits from 2,500-5,000 (now 200,000-250,000).
- Strengthen Federal Reserve. Took money off of gold standard, now value of dollar could be raised/lowered by government.



SEC

- Securities and Exchange Commission.
- Permanent Agency set up to monitor stock market activity and ensure that no fraud or insider trading was taking place.



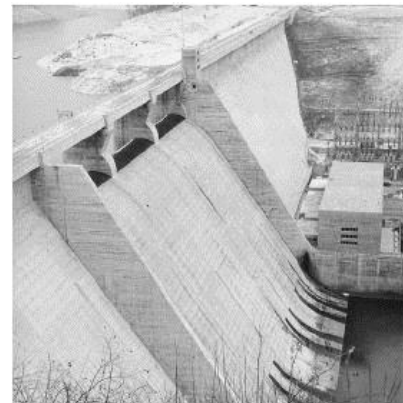
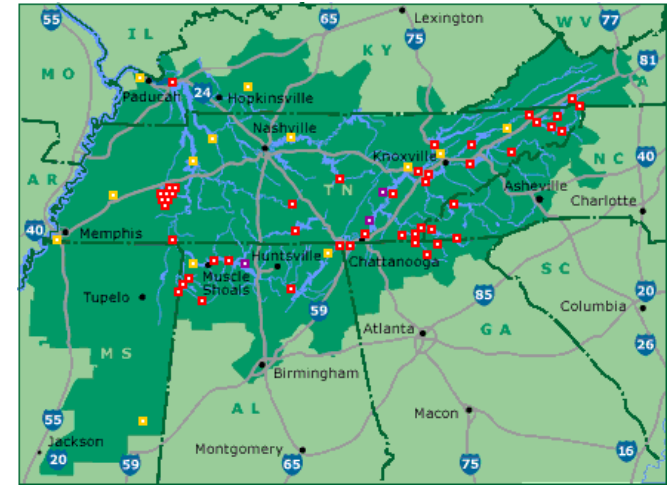
National Labor Relations Act

- **Purpose:** reform
- Put restraints on employers and set up a **National Labor Relations Board** to protect the rights of organized labor **to bargain collectively** with employers.



Tennessee Valley Authority

- public development of the nation's water resources as cheap electric power.
- Completion at Muscle Shoal on the T. River in Alabama. Redeveloped whole region, gave electricity to thousands.
- Greatest producer of electric power in the United States.



REA

Credit: Courtesy of The Pennsylvania [Rural Electric Association](#)

As part of its public education work, the Rural Electric Association worked with teachers, who explained the principles of electricity and demonstrated the use and benefits.



Credit: Courtesy of the Pennsylvania Rural Electric Association

In the late 1930s and early 1940s rural electric cooperatives fought for affordable, reliable electricity against the state's powerful utilities industry. In January, 1941, Adams County farmers sawed down private power company electric poles and then drove away Pennsylvania Power and Light crew workers during what became known as "Battle of the Postholes."

Social Security Act

- **Purpose:** reform
- Gave money to states for aid to dependent children, established unemployment insurance through payroll deduction, set up old-age pensions for retirees.



Critics of the New Deal



Chicago Tribune
April 21, 1934

On the Right...

- American Liberty League



- Led by conservative business leaders from the Northeast (headed by DuPont family)
- Believed that New Deal attacked free enterprise
- However not supported outside of the Northeast

On the left...

- Huey Long
- Father Charles Coughlin
- Dr. Francis Townsend



On the Left... Huey Long

- Governor and senator from Louisiana
- Flamboyant personality and was very popular.
- Fought against big business (taxed Standard Oil)
- Put thousands to work on public works. Built roads, schools, hospitals, reduced illiteracy
- Revised tax codes and reduce utility rates
- Originally supported FDR but changes his mind due to not receiving a job in the Roosevelt Administration. Led a 3-week filibuster against Banking Act.

Share our Wealth

- Plan to end the Depression by taking surplus riches of the wealthiest Americans through taxes. Limit incomes to \$1 million. Limit inheritances to 5 million. Guarantee every homestead \$5,000 and an annual minimum wage of \$2,500.
- Plan to run for President in 1936. Was shot in Baton Rouge in 1935.

Charles Coughlin

- Catholic Priest from Michigan who gave weekly sermons on the radio.
- Established the **National Union for Social Justice.** Supported nationalizing banking system, money backed in silver.
- First supported Roosevelt but believed he did not do enough.
- Eventually became too radical and became anti-Jewish. Loses popularity.

Francis Townsend

- Doctor from California
- Supported federal pensions for the elderly
- Americans over the age of 60 would get monthly payments of \$200 if they **retire** and spend **all** the money each month..
- Help build support for Social Security.

Schechter V. United States



Butler V. United States



Court Packing Scheme of 1937



Court Packing Scheme of 1937

- Shot down both the AAA and the NRA
- By 1937 Roosevelt wanted to expand the Court through the addition of new judges (up to 6). Claimed that courts were “overworked.”
- Constitution called for no specific number of S.C. Justices and Congress had from time to time changed the size of the court.
- Real purpose was to add “liberal” judges that would support New Deal.
- Of the 9 Justices, 3 supported New Deal, 4 opposed.
- In March 1937 Judges upheld a state minimum wage law and validated social security. Then justices began to retire.
- Crisis over and number of justices stays at 9.

Success or Failure?

1. Reduced unemployment by 7 million
2. Soil conservation schemes.
3. The Stock Market and banks recovered.
4. Transformed the Tennessee valley.
5. Roosevelt was re-elected.

1. Still 6 million out of work in 1941.
2. The numbers fell due to enlistment and rearmament in WW2.
3. African Americans were still segregated.
4. Women were excluded from the New Deal.
5. Tennessee benefited but many areas were still suffering.