

# The Great Depression and the New Deal, 1929-1939

# The Stock Market Crash

- October, 1929
- Did not cause the Depression
- Had earlier beginnings and more important causes

# Causes of the Great Depression

- Stock Market Speculation
- Lack of Diversification
- Mistakes by the Federal Reserve Board
- An Ill-Advised Tariff
  - Hawley-Smoot Tariff
- A Maldistribution of Wealth



# Stock Market Speculation

- Money poured into the stock market
- Many investors bought on 10% “margin”
  - Investor put in only 10% and borrowed from banks, brokers
  - Rampant speculation and risky ventures
- Confidence in future earnings fell and banks, brokers demanded loan repayment



# Lack of Diversification

- Prosperity depended excessively on a few basic industries, particularly construction and automobiles
  - Went into decline in late 1920s
  - Construction spending: 1926: \$11 bn, 1929: < \$9 bn
  - Automobile sales fell more than a third in 1929

# Mistakes by the Federal Reserve Board

- 1930-1931, Federal Reserve curtailed the amount of money in circulation and raised interest rates
  - Credit became more difficult for the public to obtain
  - Policy was disastrous when the crash occurred
  - U.S. needed easier credit once Depression began

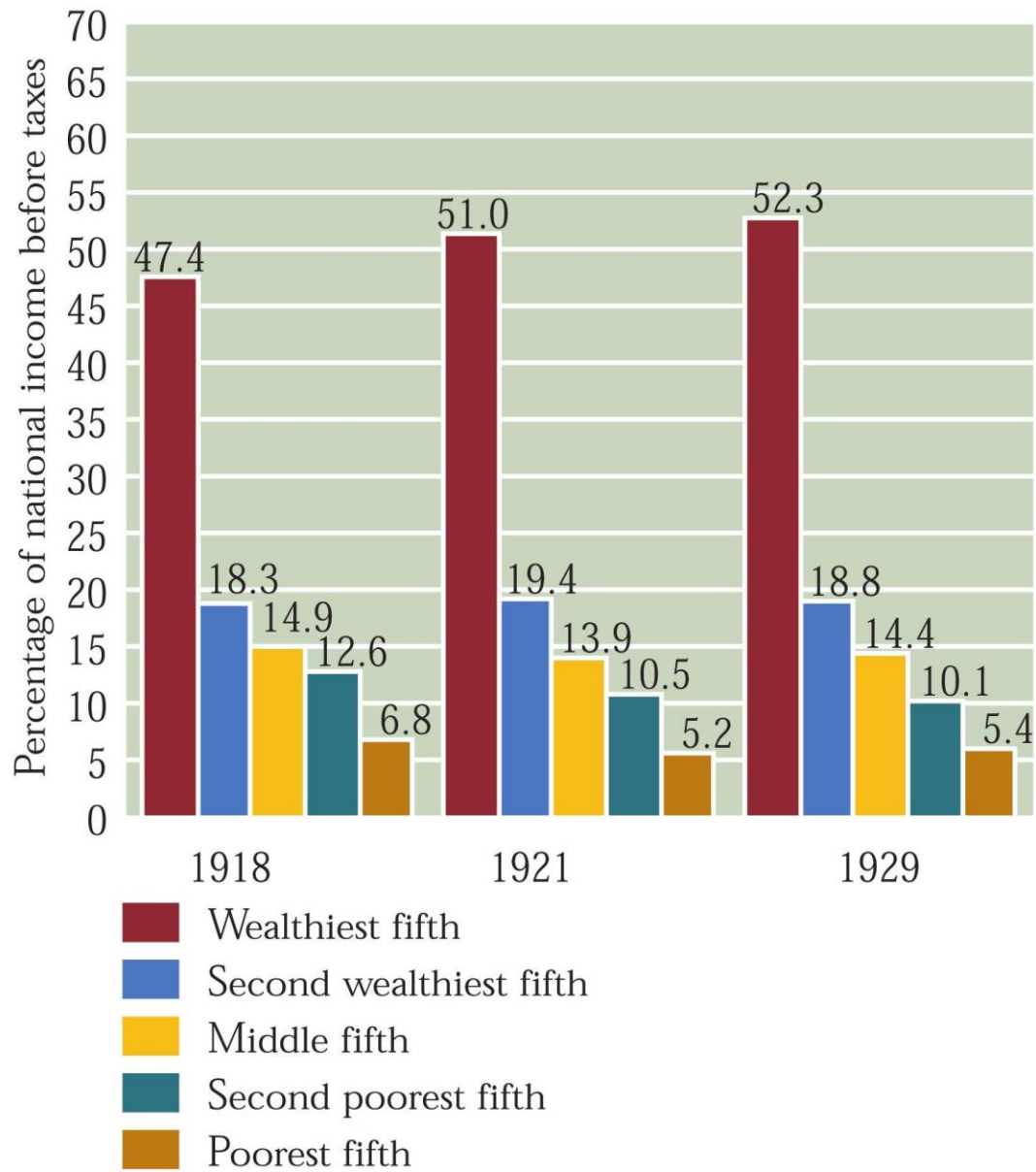
# An Ill-Advised Tariff

- Hawley-Smoot Tariff (1930)
  - Raised tariffs on agricultural and manufactured goods
  - Other countries retaliate by raising tariffs on American goods
  - Now, impossible for the US to trade its way out of decline
  - The Depression became global

# A Maldistribution of Wealth

- Huge gap between wealthy and poor
  - Wealthiest families' incomes rose the most
- Coolidge Administration mistakes:
  - Lowered taxes on the wealthy
  - Slowed consumer consumption
- Wealth accumulated, but was not put to use effectively

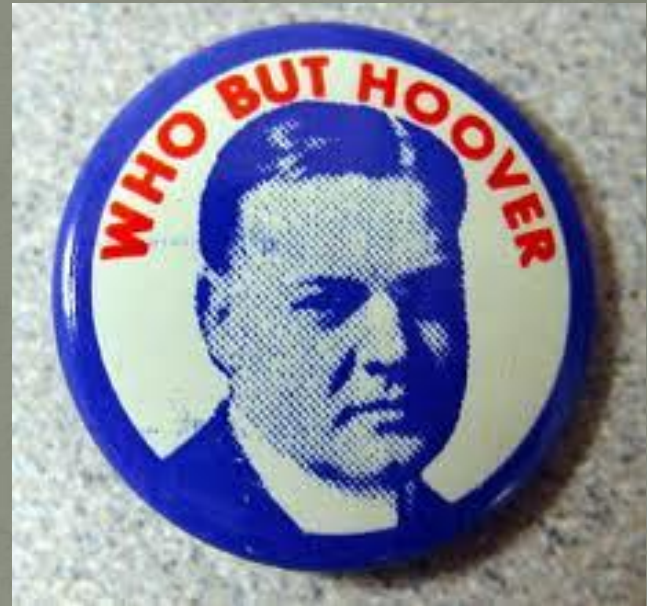






## Income Distribution Before the Great Depression

# Hoover: The Fall of a Self-made Man

- Popular president in 1929...
- Unprepared for the Crash
- Advice from Andrew Mellon
- Selling Apples?



# Hoover's Program

- Associationalism and Voluntarism- Failed by 1931
- Agricultural Marketing Act (1929)
- Hawley-Smoot Tariff (1930)
- Glass-Steagall Act (1932) (the first of its name)
- Reconstruction Finance Corporation (RFC) (1932)
- Home Loan Bank Board (1932)
- Deficit Spending 
- Direct aid to the poor 

# Hoovervilles – Rising Discontent

- Shanty towns
- Personally associated with the president
- Farmers' Holiday Association



# The Bonus Army, 1932

- Bonus Expeditionary Force
  - 20,000 staged a march on Washington, D.C.
- Anacostia Flats
- House agrees, Senate refuses
- Douglas MacArthur and George Patton
- Election of 1932
  - Franklin D. Roosevelt
  - Herbert Hoover

# Bonus Army, 1932



# Bonus Army, 1932



# The Democratic Roosevelt

- Life of privilege
- Family connections
- Asst. Secretary of the Navy
- Candidate for VP
- Polio at age 39
- Governor of New York, 1929-1933





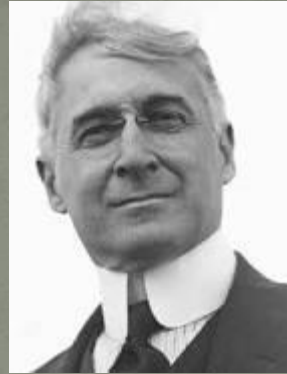
# Roosevelt Liberalism

- Republican Party had turned away from reform long ago
- Democratic party divisions
  - Agrarians vs. Urban Ethnics
  - Roosevelt chooses intervention in economic affairs, libertarian on issues of personal behavior
- “a New Deal for the American people”



# The Brains Trust

- Bernard Baruch
- Rexford Tugwell
- Harold Ickes
- Francis Perkins
- Henry Wallace
- Henry Morgenthau (his best bud)
- Harry Hopkins



# What faced Roosevelt?

- 1929-1932
- Industrial Production declined by 50%
- New investment declined from \$16b to \$1b
- 100,000 business went bankrupt
- Banking crisis – 1933 – 34 states had closed their banks

# The First New Deal, 1933-1935

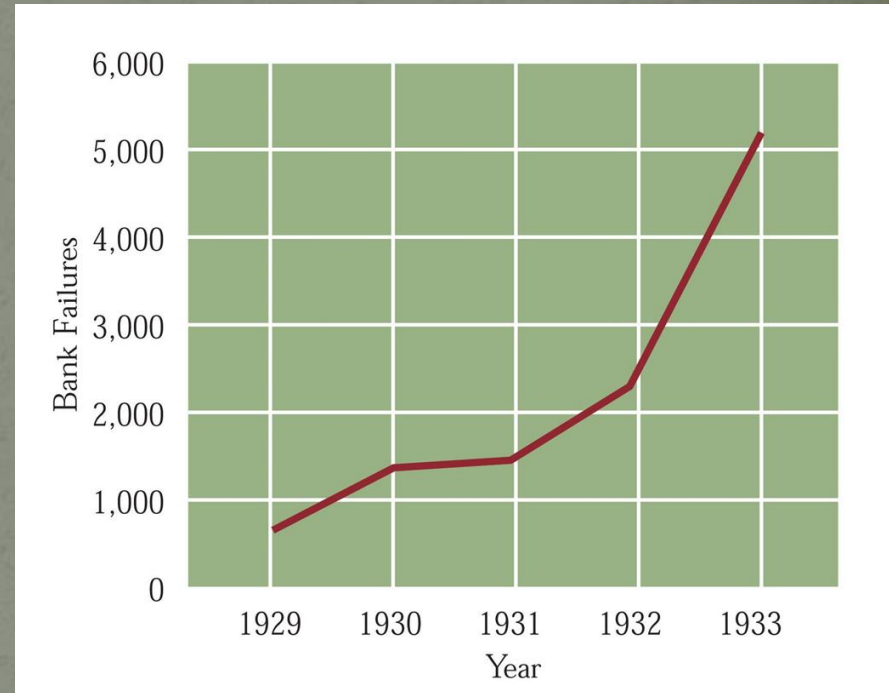
- “This nation asks for action, and action now”
- The First Hundred Days
  - 15 major pieces of legislation passed
- “Fireside chats”



Date	Legislation	Purpose
March 9	<b>Emergency Banking Act</b>	Federal loans to private bankers
March 20	Economy Act	Balance the federal budget
March 22	Beer-Wine Revenue Act	Repeal Prohibition
March 31	<b>Unemployment Relief Act</b>	Created the CCC
May 12	<b>Agricultural Adjustment Act</b>	Created national agricultural policy
	Emergency Farm Mortgage Act	Refinancing farm mortgages
	<b>Federal Emergency Relief Act</b>	Created national relief system, including Civil Works Administration
May 18	<b>Tennessee Valley Authority Act</b>	Economic development in Tennessee, created TVA
May 27	<b>Securities Act</b>	Regulated the sale and purchase of securities – reform of Wall Street
June 5	Gold Repeal Joint Resolution	Cancelled gold clause in public and private contracts
June 13	Home Owners Loan Act	Refinancing for mortgages
June 16	<b>National Industrial Recover Act</b>	Set up national system of industrial self-government and created the PWA
	<b>Glass-Steagall Banking Act</b>	Created FDIC and separated commercial and investment banking
	Farm Credit Act	Reorganized agricultural credit programs
	Railroad Coordination Act	Appoint federal coordinator of transportation

# Saving the Banks

- “Bank holiday”
- Emergency Banking Act
- Economy Act
- Glass-Steagall Act (1933)
- Federal Deposit Insurance Corporation (FDIC)
- Securities Act (1933)
- Securities Exchange Act (1934)



Bank Failures, 1929-1933

# Economic Relief

- Federal Emergency Relief Administration (1933)
  - Harry Hopkins
- Civilian Conservation Corps (CCC)
- Civil Works Administration (CWA)
- Homeowners' Loan Corporation





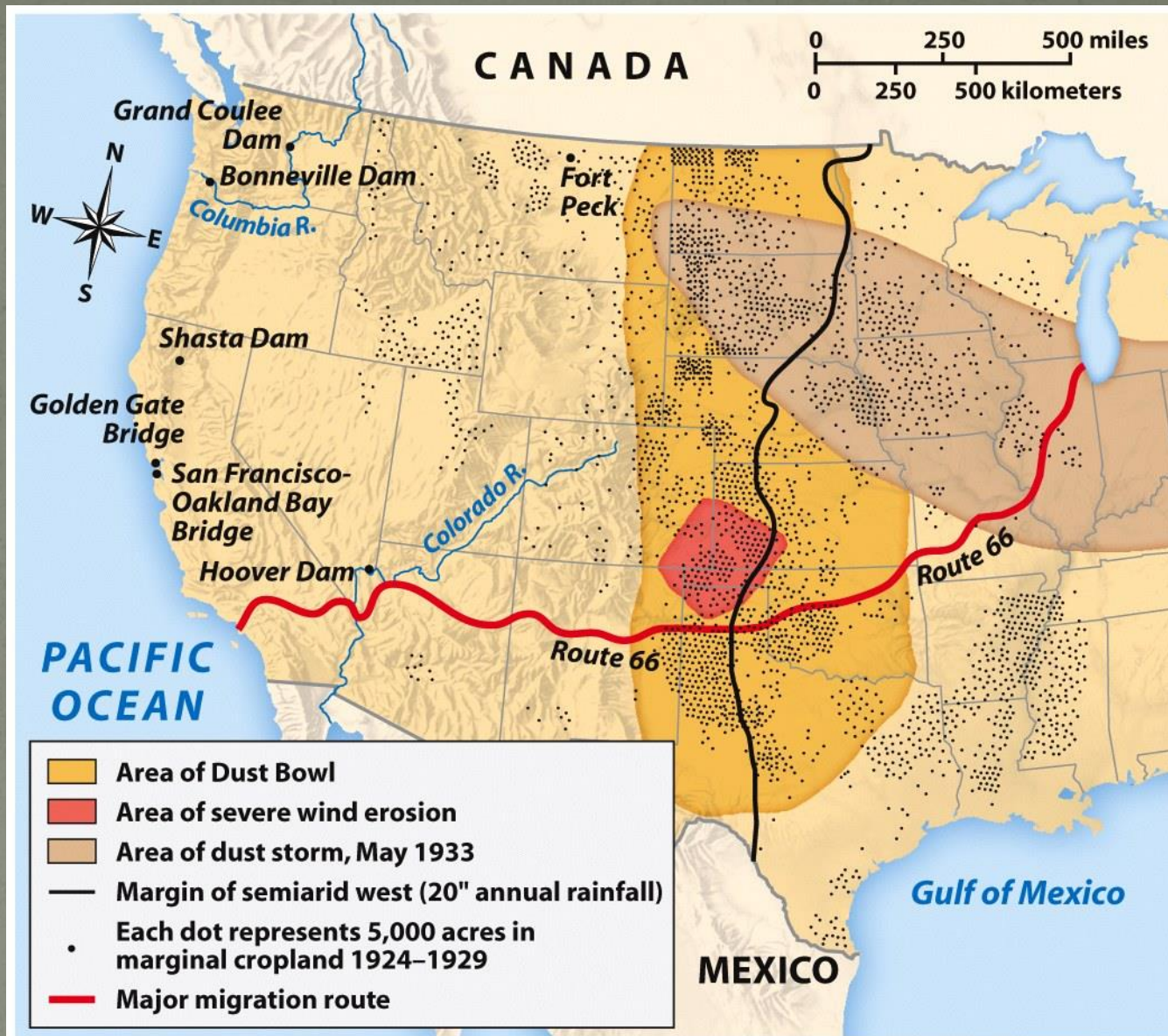


# Repairing the Economy: Agriculture

- Agricultural Adjustment Act (AAA)
  - Recovery by curtailing production
  - Doesn't help tenant farmers
- "Dust Bowl"
- Soil Conservation Service (SCS)
- "Okies"
- Farm Security Administration
- Soil Conservation and Domestic Allotment Act

# The Dust Bowl





Map 23.3 The Dust Bowl and Federal Building Projects in the West, 1930–1941  
 Chapter 23, *America's History*, Seventh Edition  
 Copyright © 2011 by Bedford/St. Martin's  
 Page 742



# YEARS OF DUST



**RESETTLEMENT ADMINISTRATION**  
Rescues Victims  
Restores Land to Proper Use



# Industrial Reform

- National Recovery Administration (NRA)
  - Hugh Johnson
- Publicity and propaganda campaigns
- NRA Codes for steel, textiles, coal mining, rubber, garment and other manufacturers
  - Economy plunged again
  - NRA failed overall
  - Declared unconstitutional in 1935



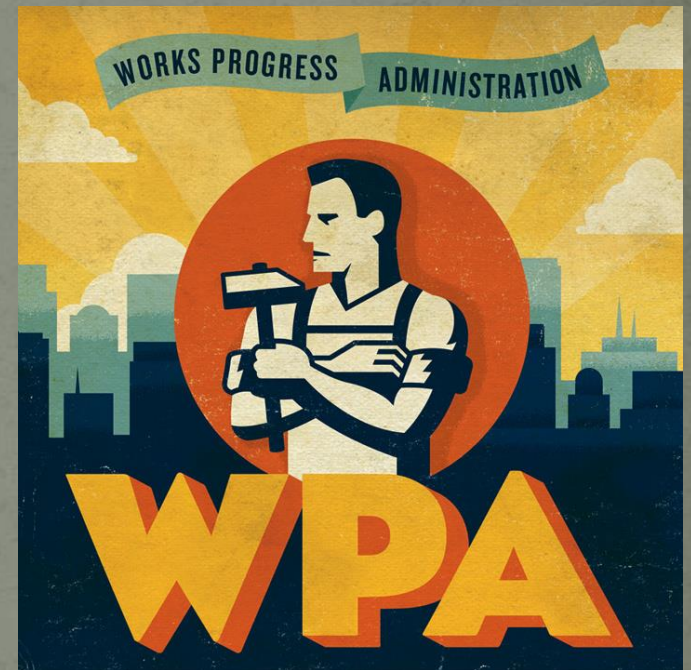
# Rebuilding the Nation's Infrastructure

- Public Works Administration (PWA)
- \$3.3 billion budget in first year
- Spent more than \$6 billion
- sponsor internal improvements on infrastructure
  - Roads, bridges, sewage systems, airport, hospitals, schools
  - 3 major dams in the West
    - Grand Coulee, Boulder, Bonneville



# Ok, just to confuse you

- The WPA
- Works Progress Administration
- lasted until 1943
- employed at least 8.5 million people
- average of \$2 a day
- built thousands of roads, bridges, schools, post offices and other public construction projects
- WPA's Arts Program

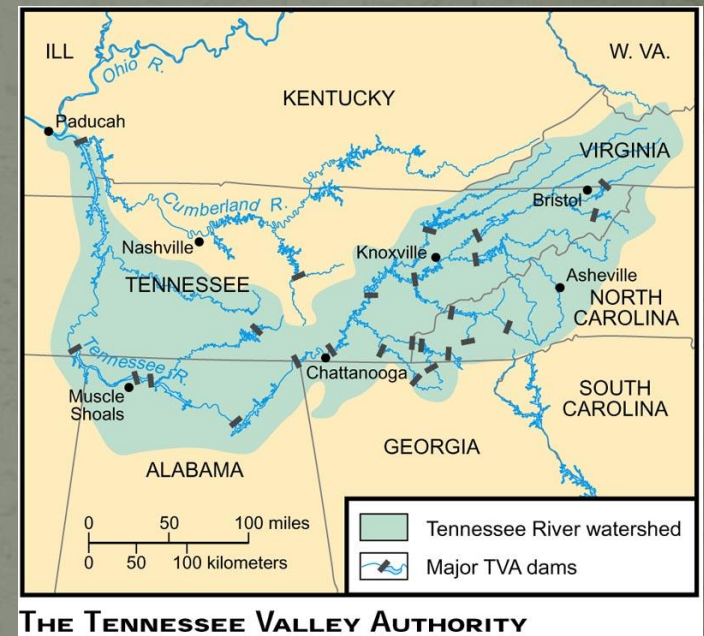






# The TVA Alternative

- Tennessee Valley Authority (TVA) 1933
- Tennessee Valley Region
  - Established 20 dams
  - Hydroelectric generators – produced electricity
  - Reduced floods
  - Improved agricultural techniques
- New Deal rejects TVA government planning model for established industry



# Discontent on the rise

- Rise of radical responses to the crisis
  - If Roosevelt can't bring recovery, people will find someone who can
- Anger at the polls
- Radical third parties
  
- POSED A MAJOR CONCERN FOR FDR

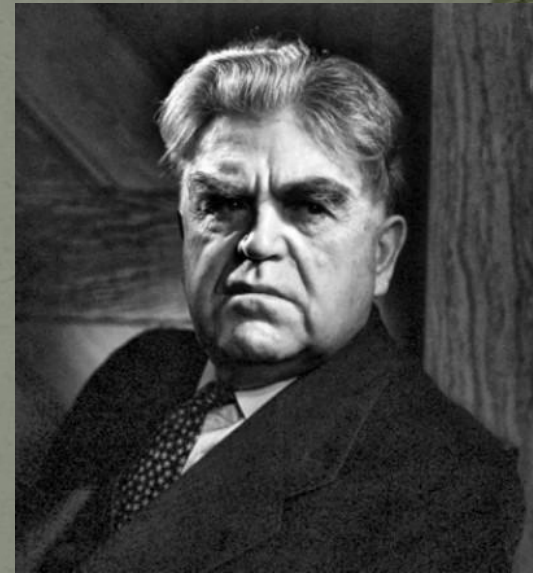
# Populist Critics of the New Deal

- Huey P. Long, Louisiana Senator
  - Share the Wealth clubs
  - Assassinated in 1935
- Father Charles Coughlin “radio priest”
  - National Union of Social Justice
  - “dictate to preserve democracy”
  - Anti-Semitism
- Francis E. Townsend
  - Senior citizen program
  - Precursor to Social Security



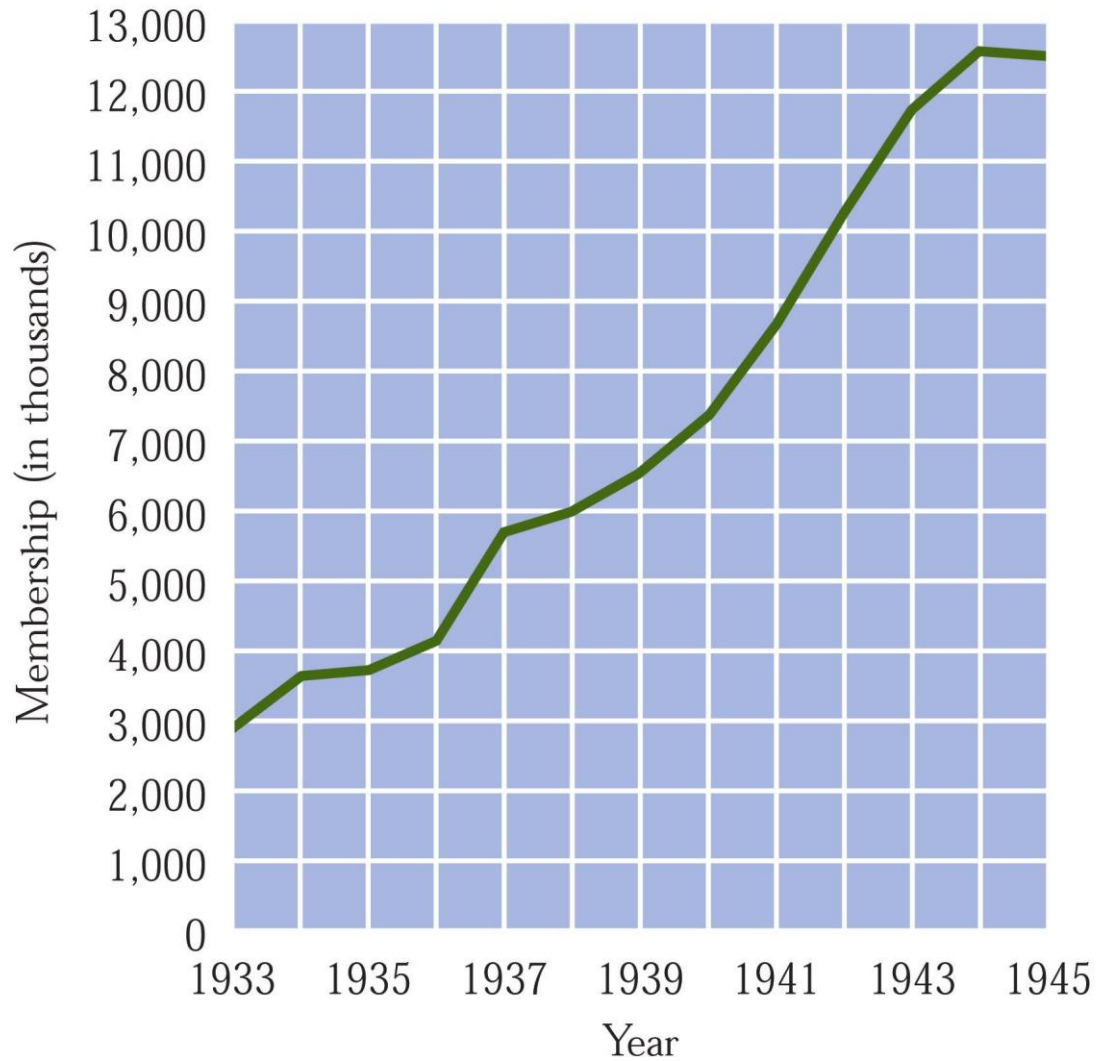
# Labor's Rebirth

- Clause 7(a) of the NIRA
  - Gave workers the right to join labor unions
  - Often violated by management
- Strikes and violence
- United Auto Workers strike 1936
- Creation of the Congress of Industrial Organizations
- Unskilled workers getting a chance
- Cultural celebration of the common man
  - Frank Capra *Mr. Smith goes to Washington*
  - John Steinbeck *The Grapes of Wrath*
  - Woody Guthrie "This land is your land"





Map 23.2 Popular Protest in the Great Depression, 1933–1939  
 Chapter 23, *America's History*, Seventh Edition  
 Copyright © 2011 by Bedford/St. Martin's  
 Page 731



Labor Union Membership, 1933-1945

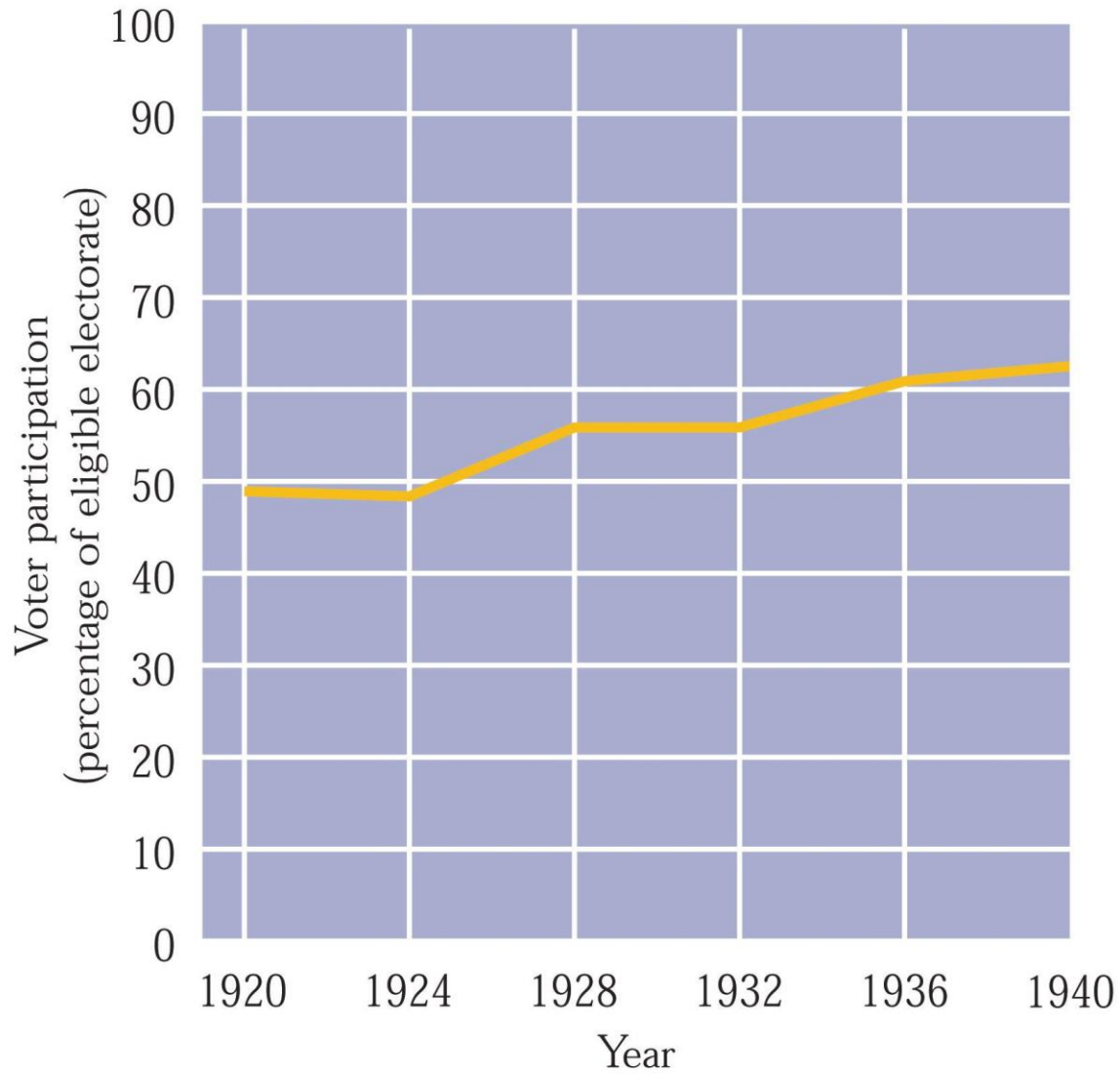
# The Second New Deal, 1935-1937

- Underconsumptionism
  - Keynesianism
- Social Security Act (1935)
- National Labor Relations Act (1935)
  - Robert Wagner
- Holding Company Act
- Wealth Tax Act
- Rural Electrification Administration
- Banking Act
- Emergency Relief Appropriation Act
  - Works Progress Administration (WPA)

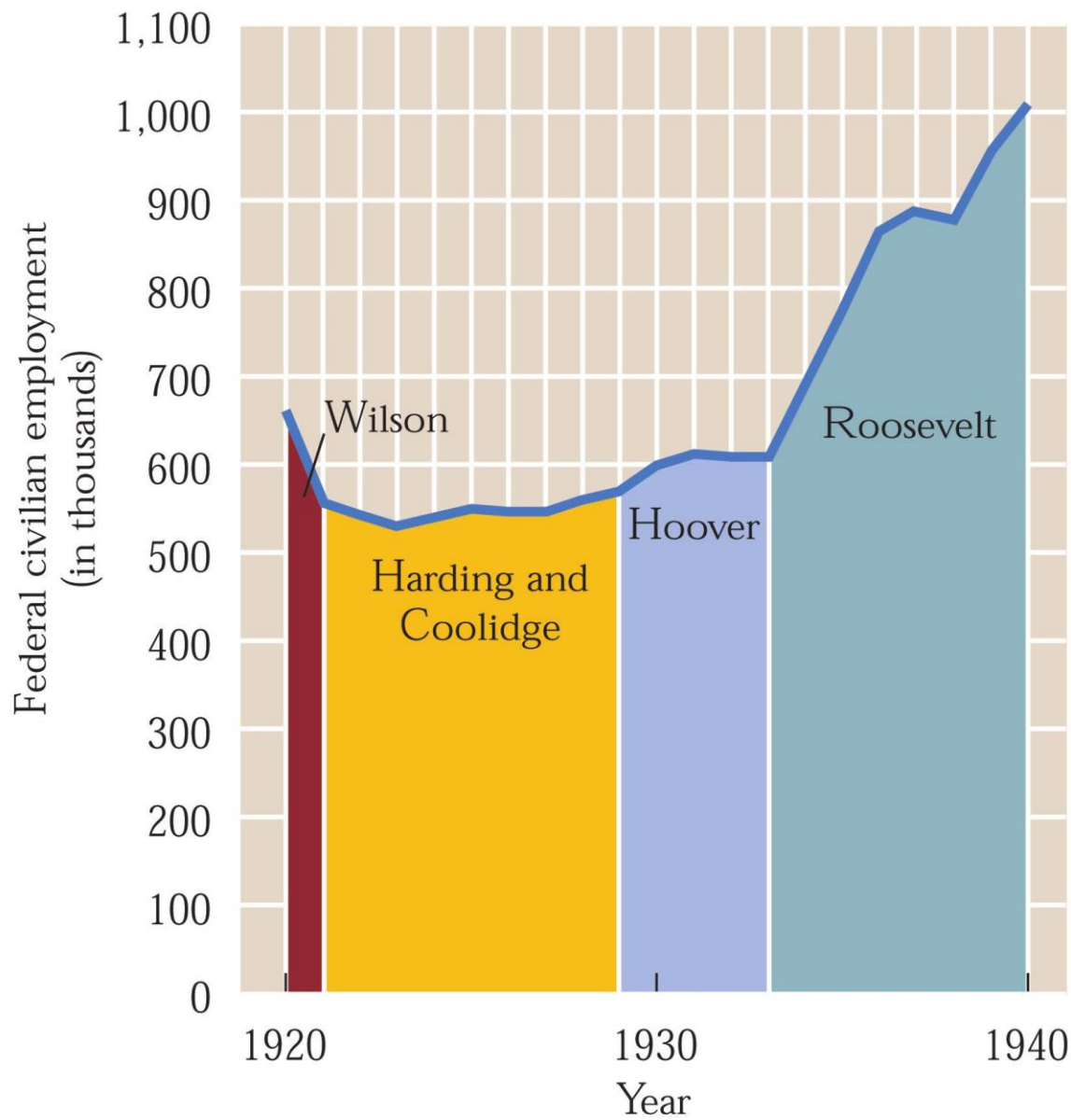








Voter Participation  
in Presidential  
Elections,  
1920-1940



**Growth in Federal  
Civilian  
Employment,  
1920-1940**

# Men, Women, and Reform

- Child labor, minimum wage/maximum hours laws
- Low cost public housing
- New Dealers as technocrats
- New Deal does not advance women's rights
- Depression turns many men against women in the work force
- Superman vs. Lois Lane
- *Woman of the Year*



# Stalemate, 1937-1940

- By 1937-38, New Deal lost momentum
  - Emerging split between working-class and middle-class Democrats
  - Labor's growing power vs. middle-class
- "Court packing" proposal (1937)
  - Alienates especially middle class supporters of the New Deal
- Owen J. Roberts

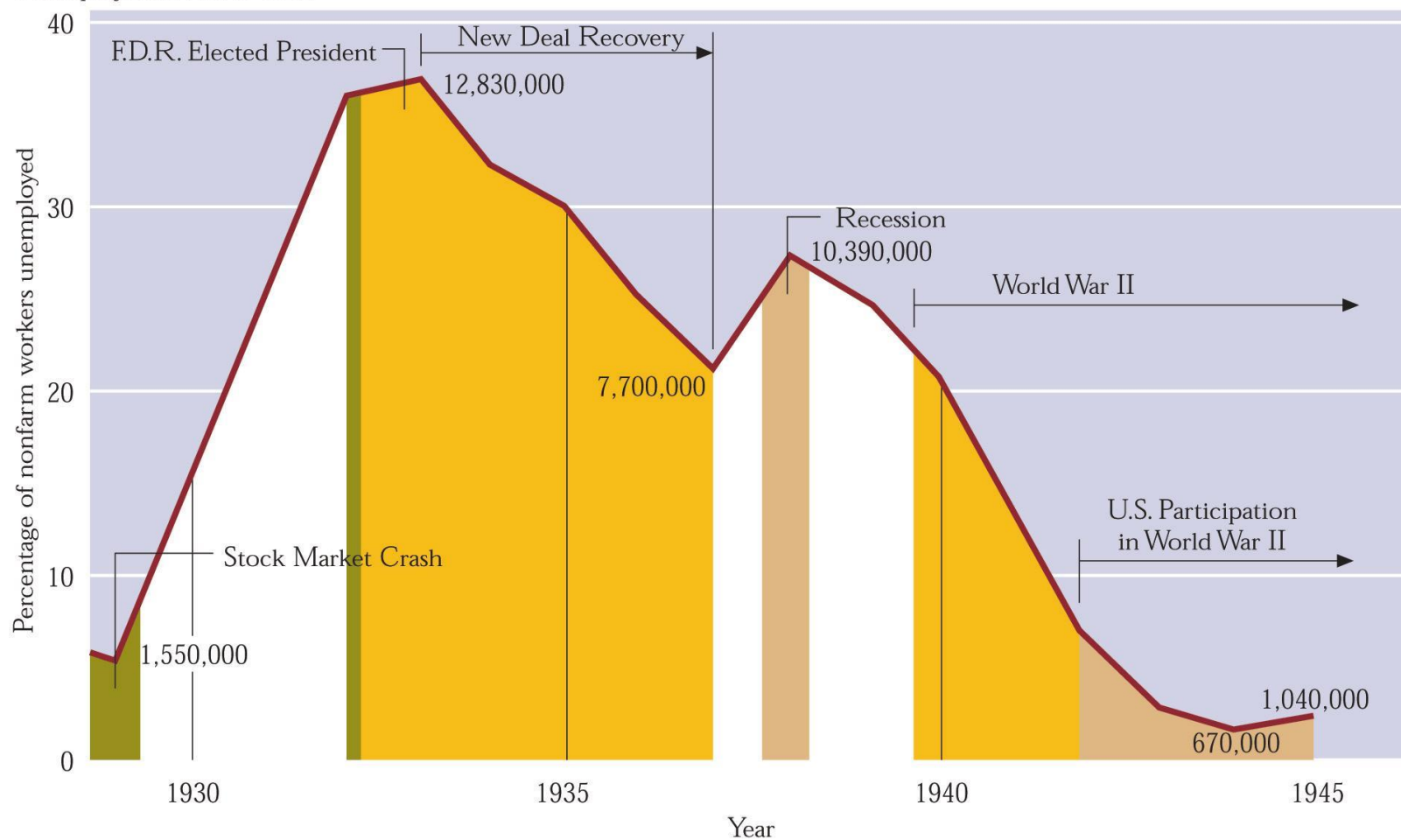
# The Court Packing Fiasco



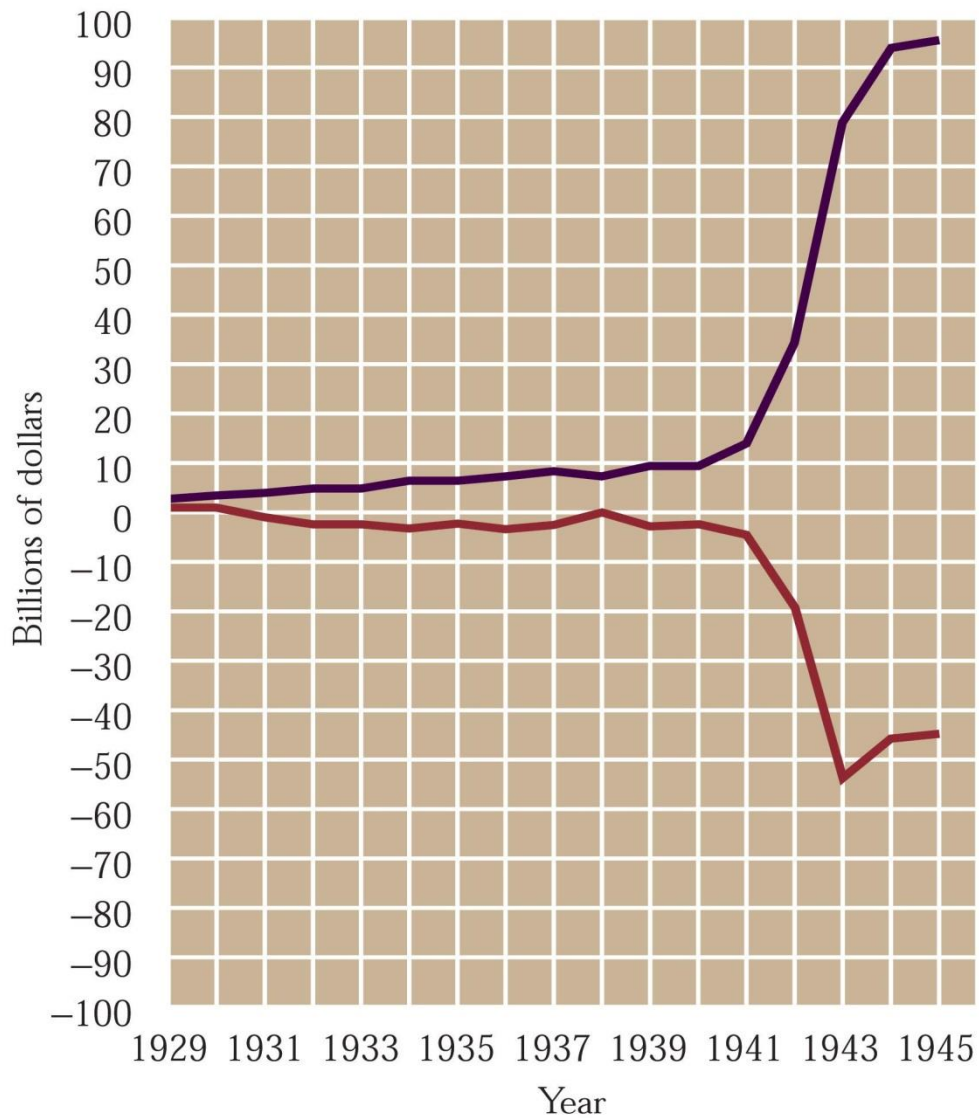
# The Recession of 1937-1938

- Roosevelt believed the depression was easing
  - Scaled back relief programs
  - Social Security program went into effect, but without paying out any pensions until 1941
    - Money was not returned to circulation
  - Stock market crashed again
- 1938 election more conservative Congress
  - Couldn't repeal existing New Deal
  - Did block passage of more New Deal programs

Unemployment, 1920-1945



Unemployment in the Nonfarm Labor Force, 1929-1945



Federal Expenditures  
and Surpluses/Deficits,  
1929-1945



# Conclusion

- New Deal strengthens democracy
- Gives previously marginalized groups belief in political activism
- Keynesian ideas of New Deal reforms vindicated by World War II
- War solidified political reforms of the 1930s
  - Government's increased role in regulating the economy and citizens' social welfare
  - State support of unionization, agricultural subsidies, progressive tax policies
  - Government power and money used to develop West and Southwest