



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

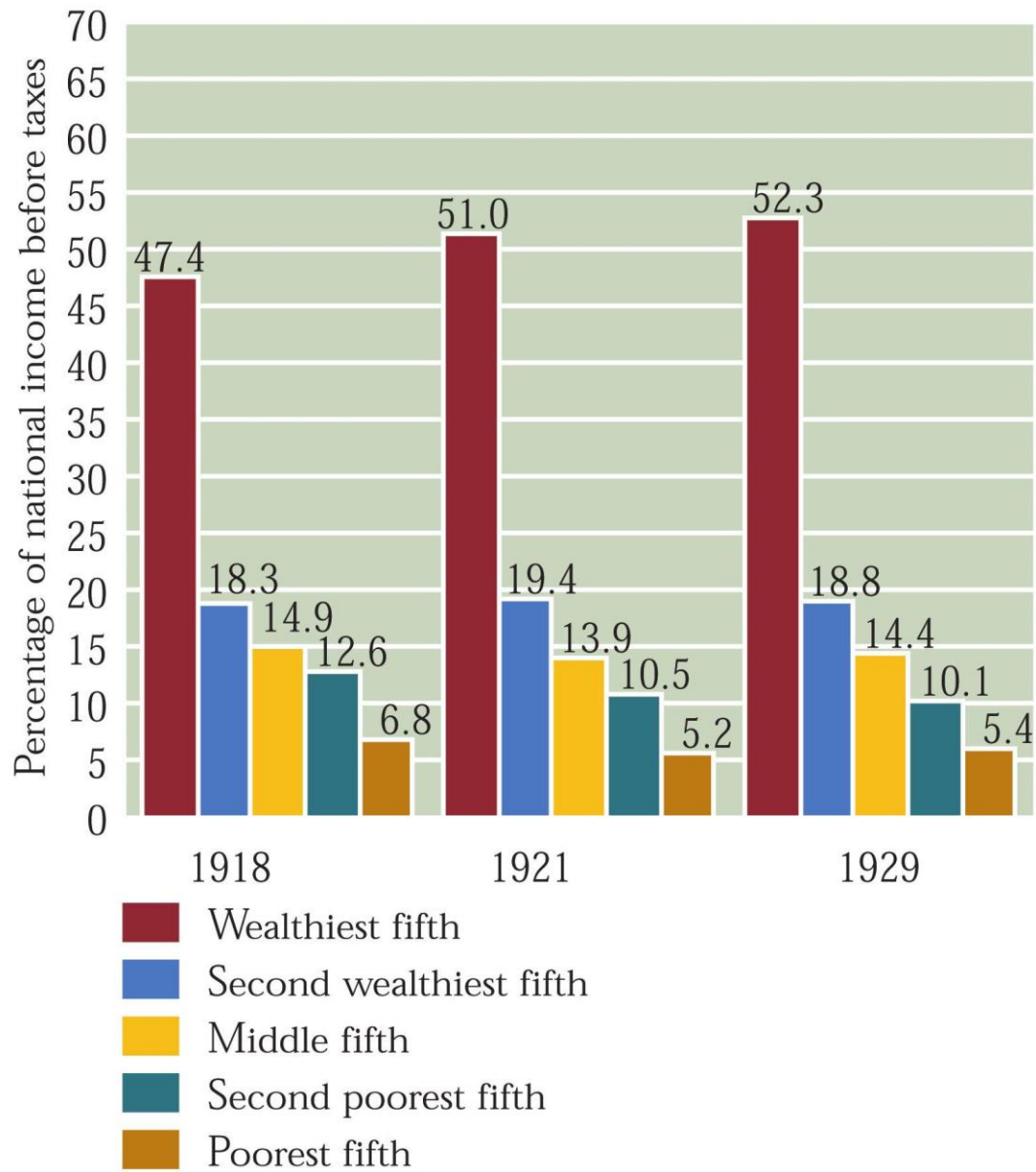
- 1930-1931, Federal Reserve curtailed the amount of money in circulation and raised interest rates
 - Credit became more difficult for the public to obtain
 - Policy was disastrous when the crash occurred
 - U.S. needed easier credit once Depression began

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

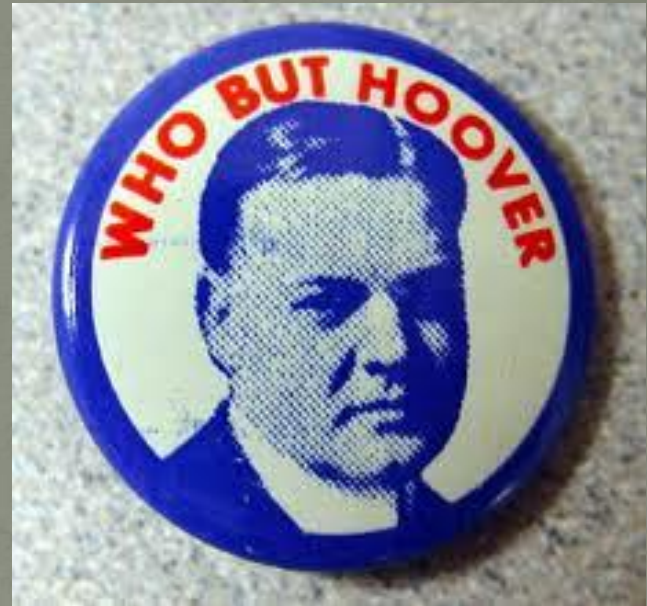
- Huge gap between wealthy and poor
 - Wealthiest families' incomes rose the most
- Coolidge Administration mistakes:
 - Lowered taxes on the wealthy
 - Slowed consumer consumption
- Wealth accumulated, but was not put to use effectively





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



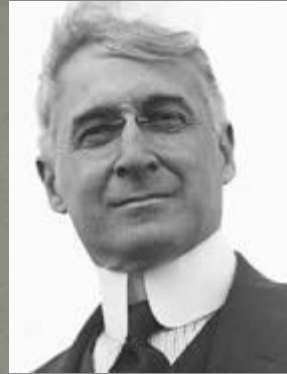
Roosevelt Liberalism

- 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

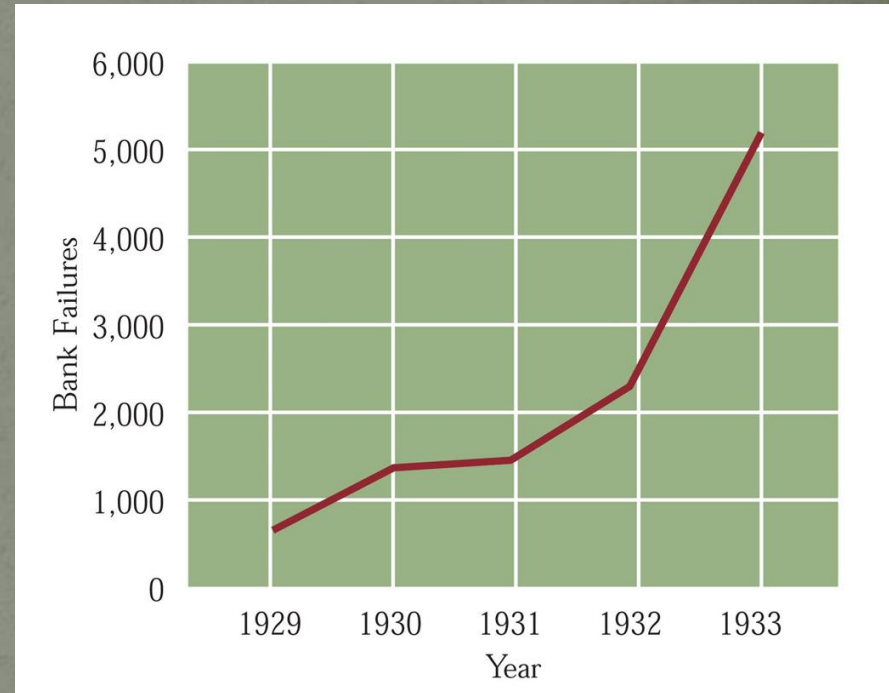
- “This nation asks for action, and action now”
- The First Hundred Days
 - 15 major pieces of legislation passed
- “Fireside chats”



Date	Legislation	Purpose
March 9	Emergency Banking Act	Federal loans to private bankers
March 20	Economy Act	Balance the federal budget
March 22	Beer-Wine Revenue Act	Repeal Prohibition
March 31	Unemployment Relief Act	Created the CCC
May 12	Agricultural Adjustment Act	Created national agricultural policy
	Emergency Farm Mortgage Act	Refinancing farm mortgages
	Federal Emergency Relief Act	Created national relief system, including Civil Works Administration
May 18	Tennessee Valley Authority Act	Economic development in Tennessee, created TVA
May 27	Securities Act	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	National Industrial Recover Act	Set up national system of industrial self-government and created the PWA
	Glass-Steagall Banking Act	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





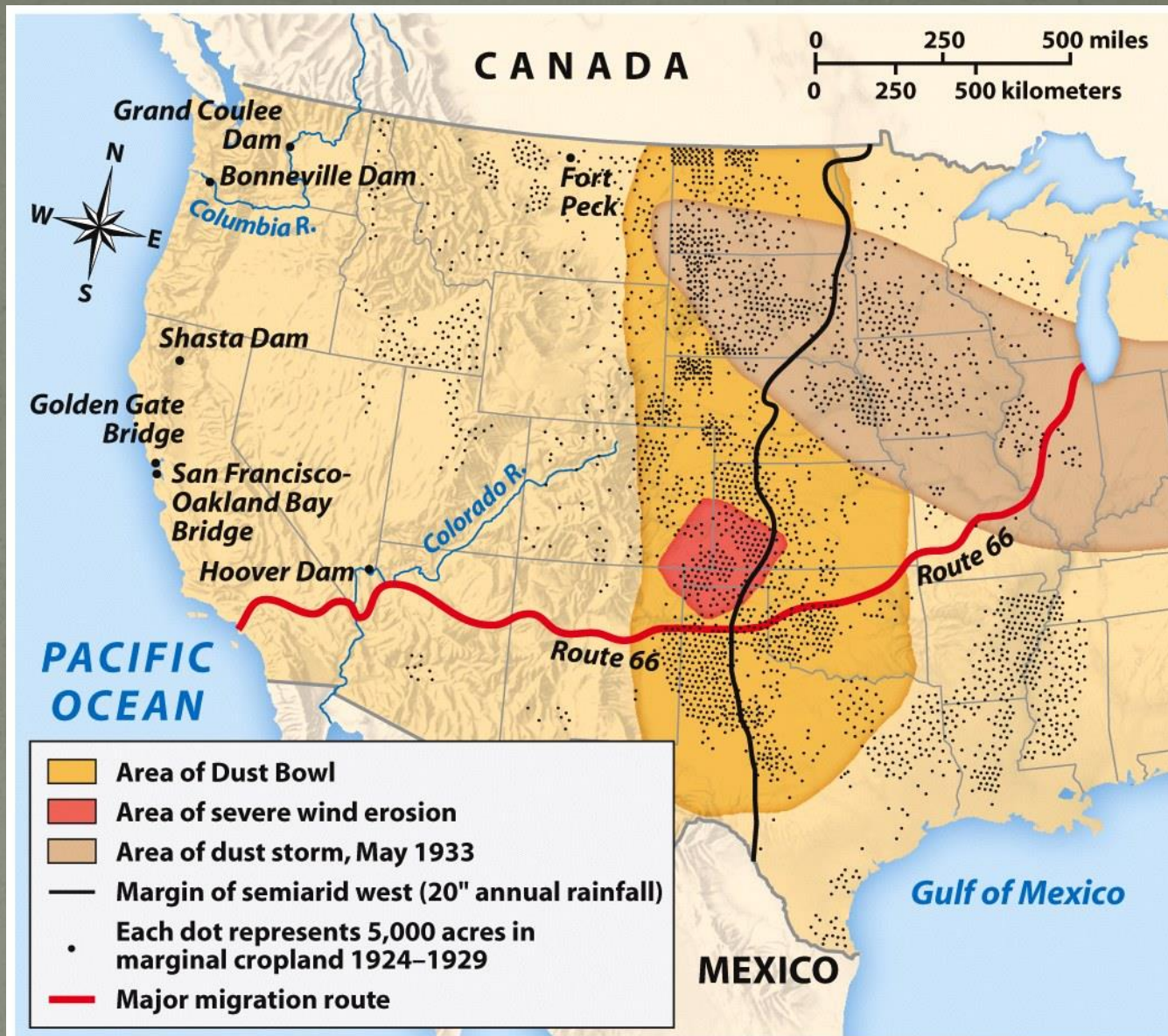
Map 23.1 Civilian Conservation Corps Camps
 Chapter 23, *America's History*, Seventh Edition
 Copyright © 2011 by Bedford/St. Martin's
 Page 729

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



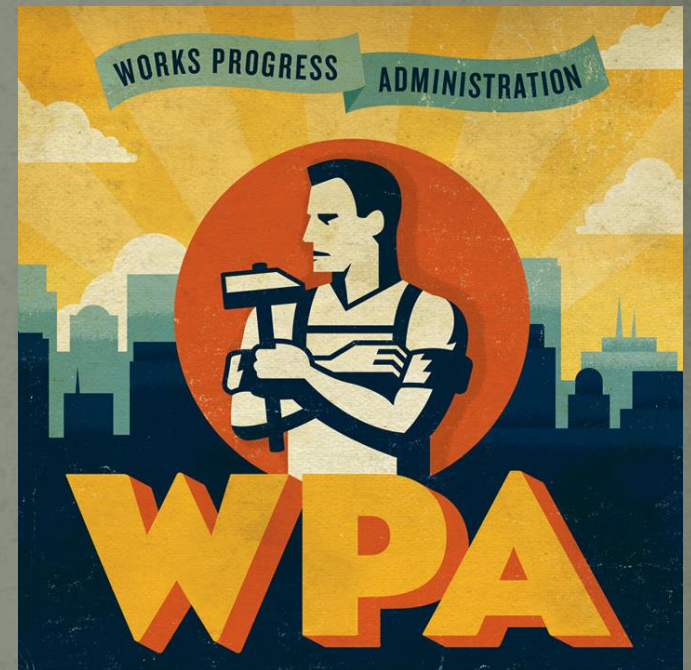
Rebuilding the Nation's Infrastructure

- 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

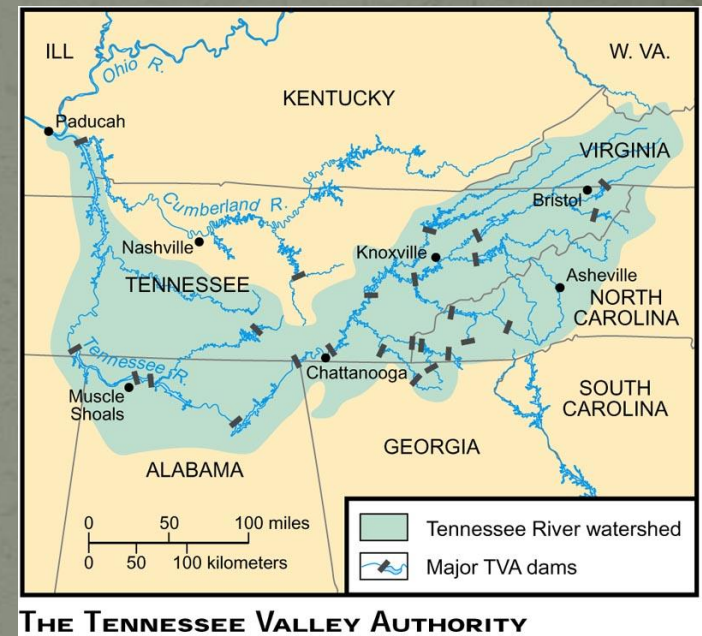
- The WPA
- Works Progress Administration
- lasted until 1943
- employed at least 8.5 million people
- average of \$2 a day
- built thousands of roads, bridges, schools, post offices and other public construction projects
- WPA's Arts Program





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

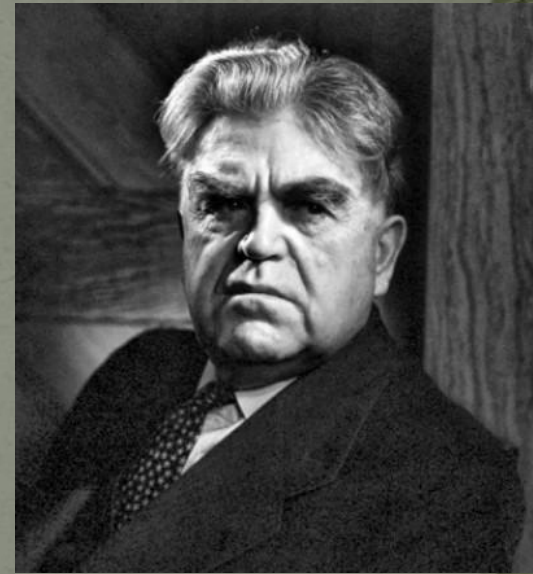
Populist Critics of the New Deal

- 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



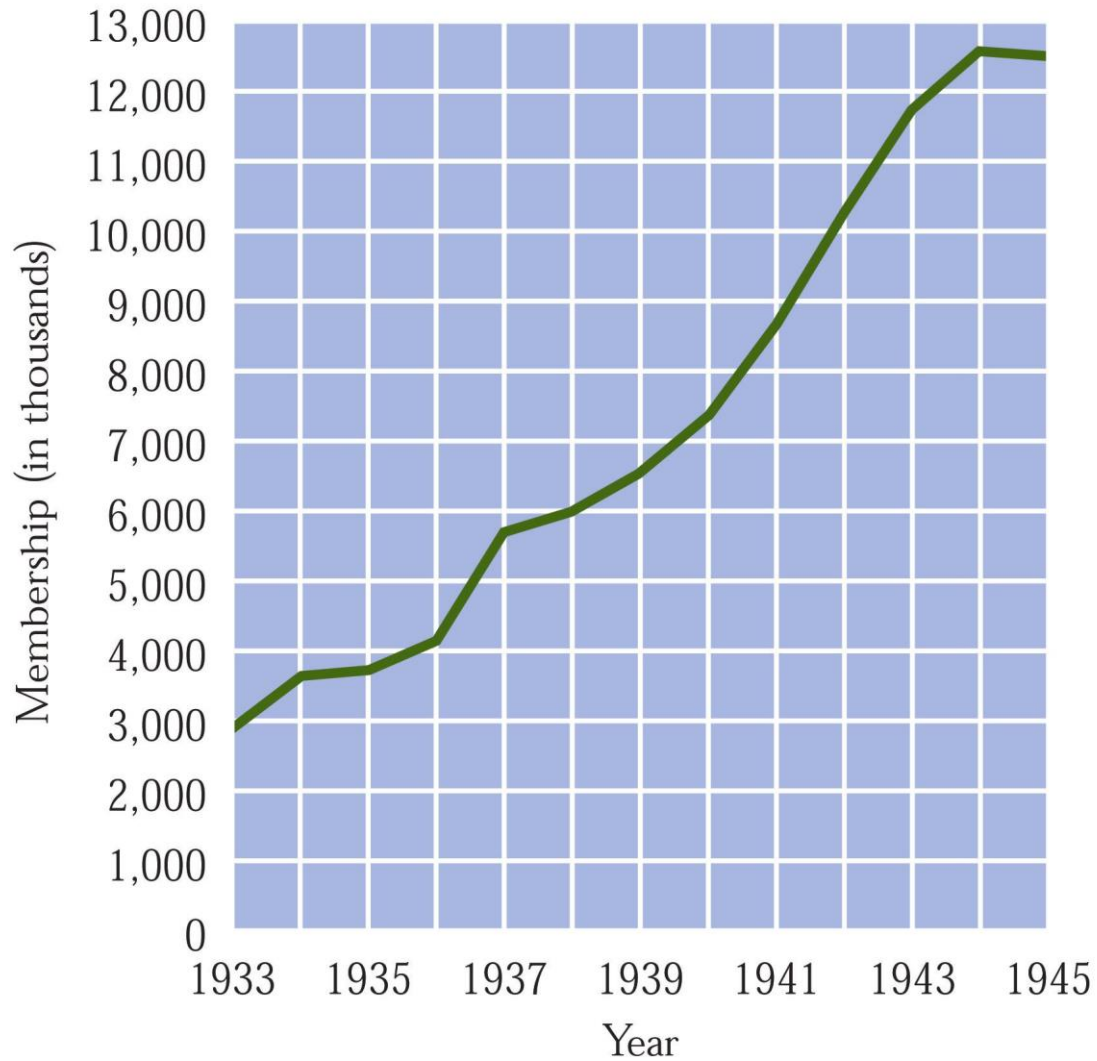
Labor's Rebirth

- 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



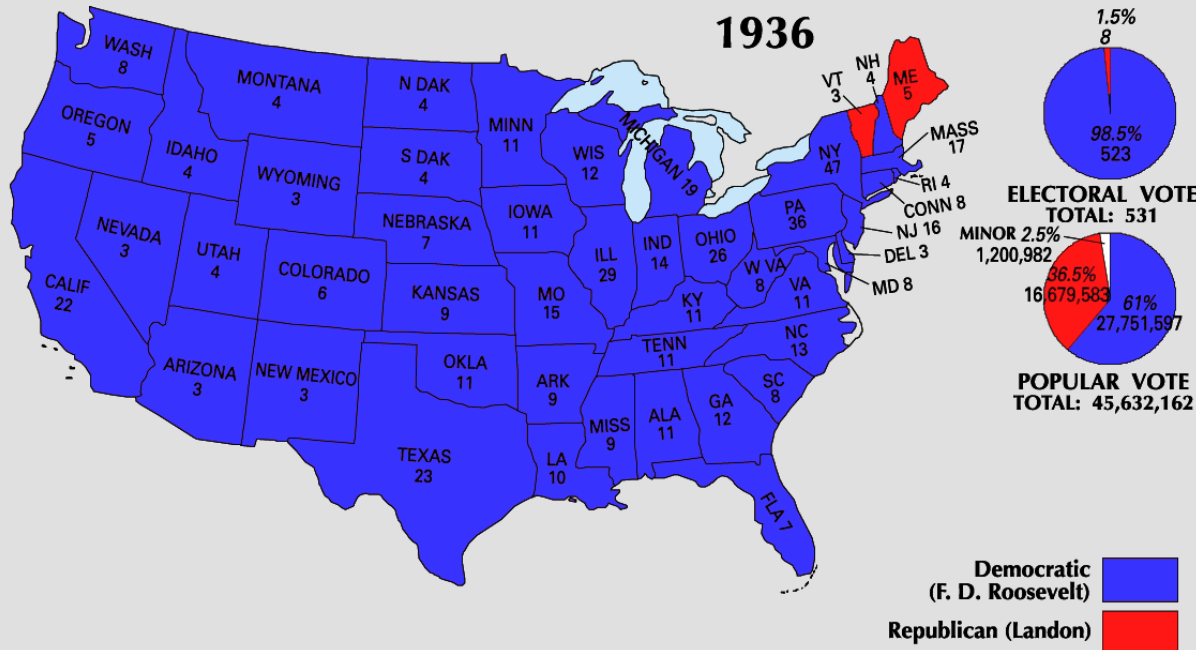
Labor Union Membership, 1933-1945

The Second New Deal, 1935-1937

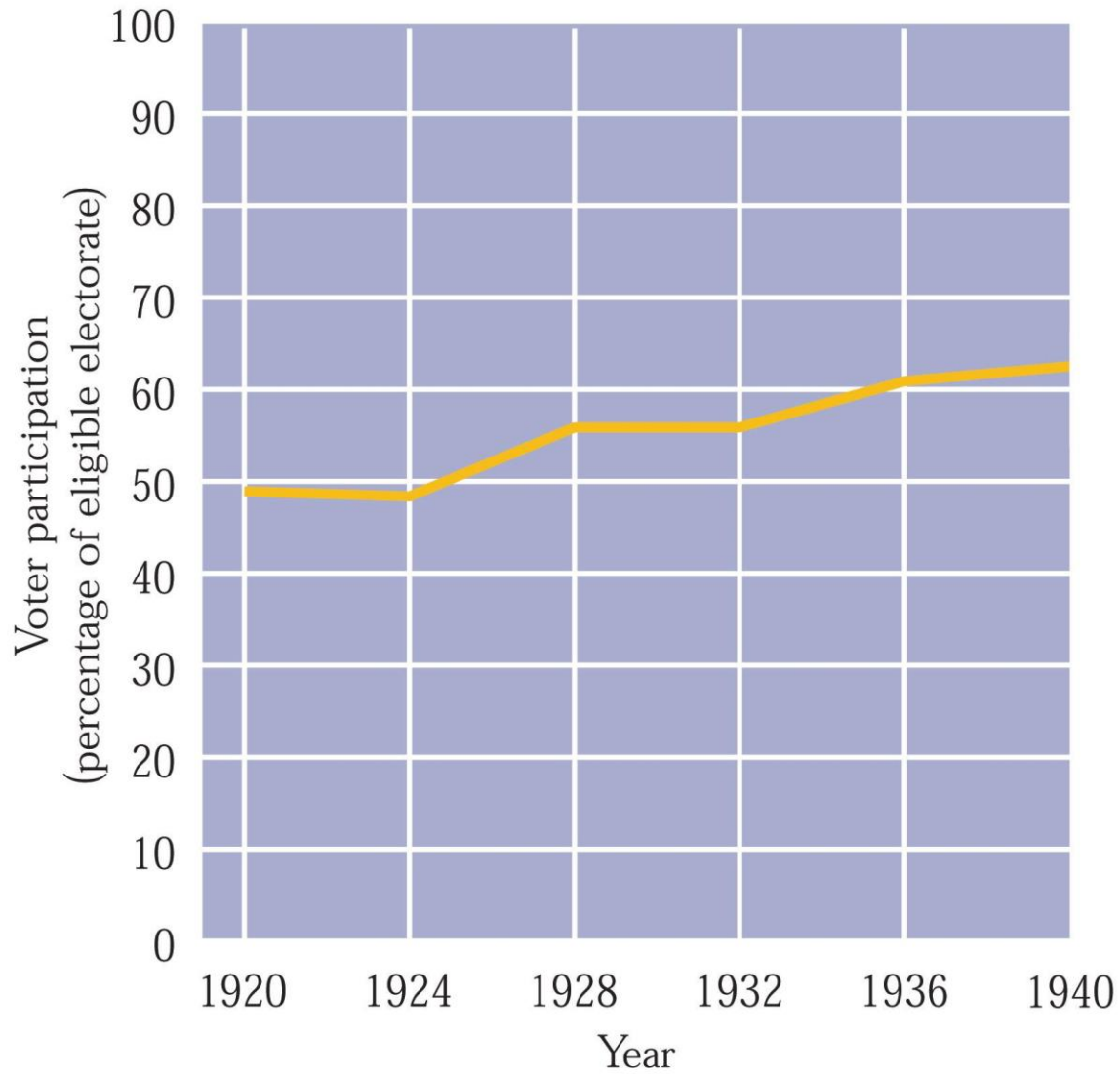
- Underconsumptionism
 - Keynesianism
- Social Security Act (1935)
- National Labor Relations Act (1935)
 - Robert Wagner
- Holding Company Act
- Wealth Tax Act
- Rural Electrification Administration
- Banking Act
- Emergency Relief Appropriation Act
 - Works Progress Administration (WPA)



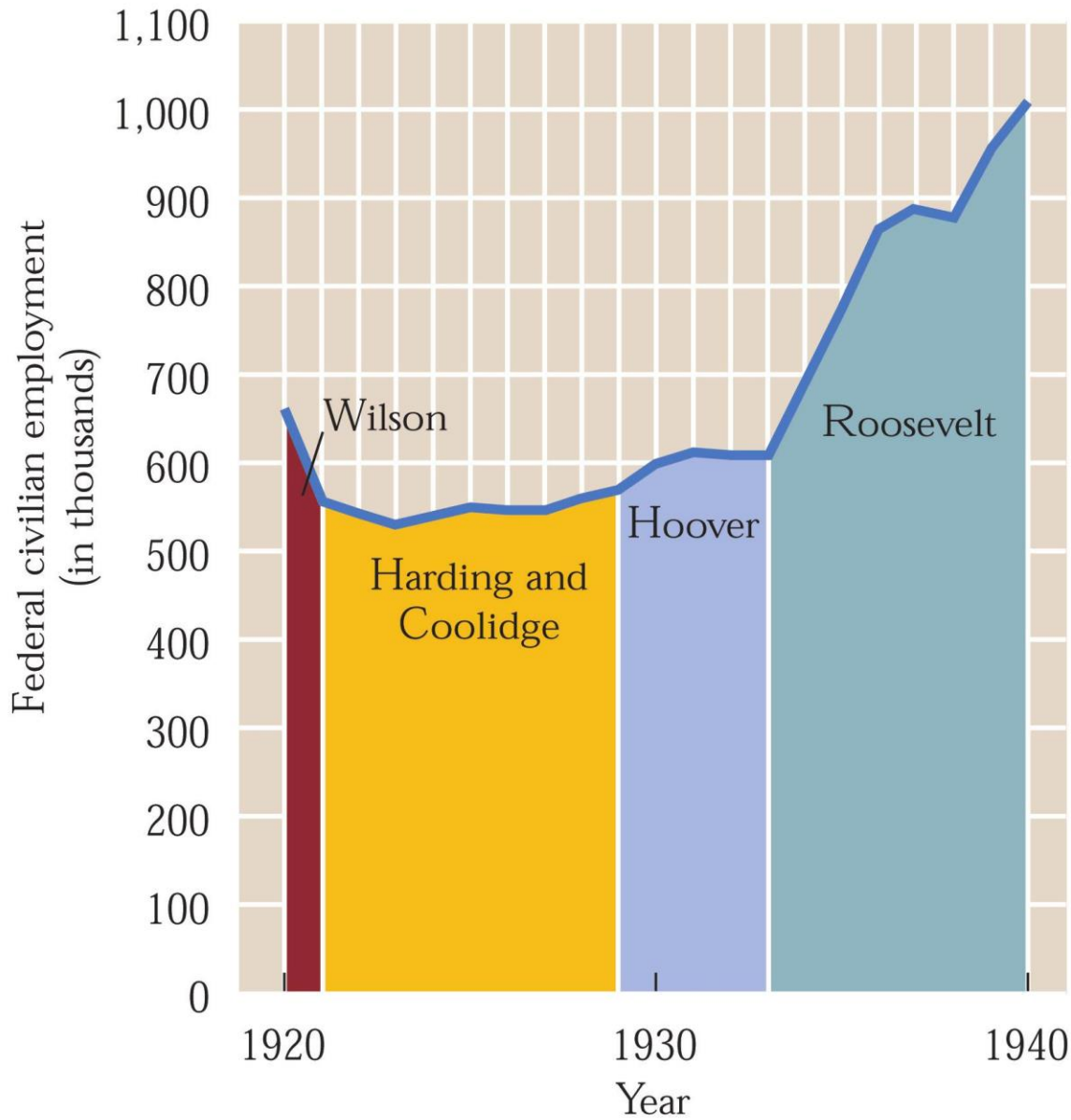
Victory in 1936: The New Democratic Coalition



- Party of Reform
- Anti-corporate
- Forgotten Americans
- Rhetoric vs. Reality?



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

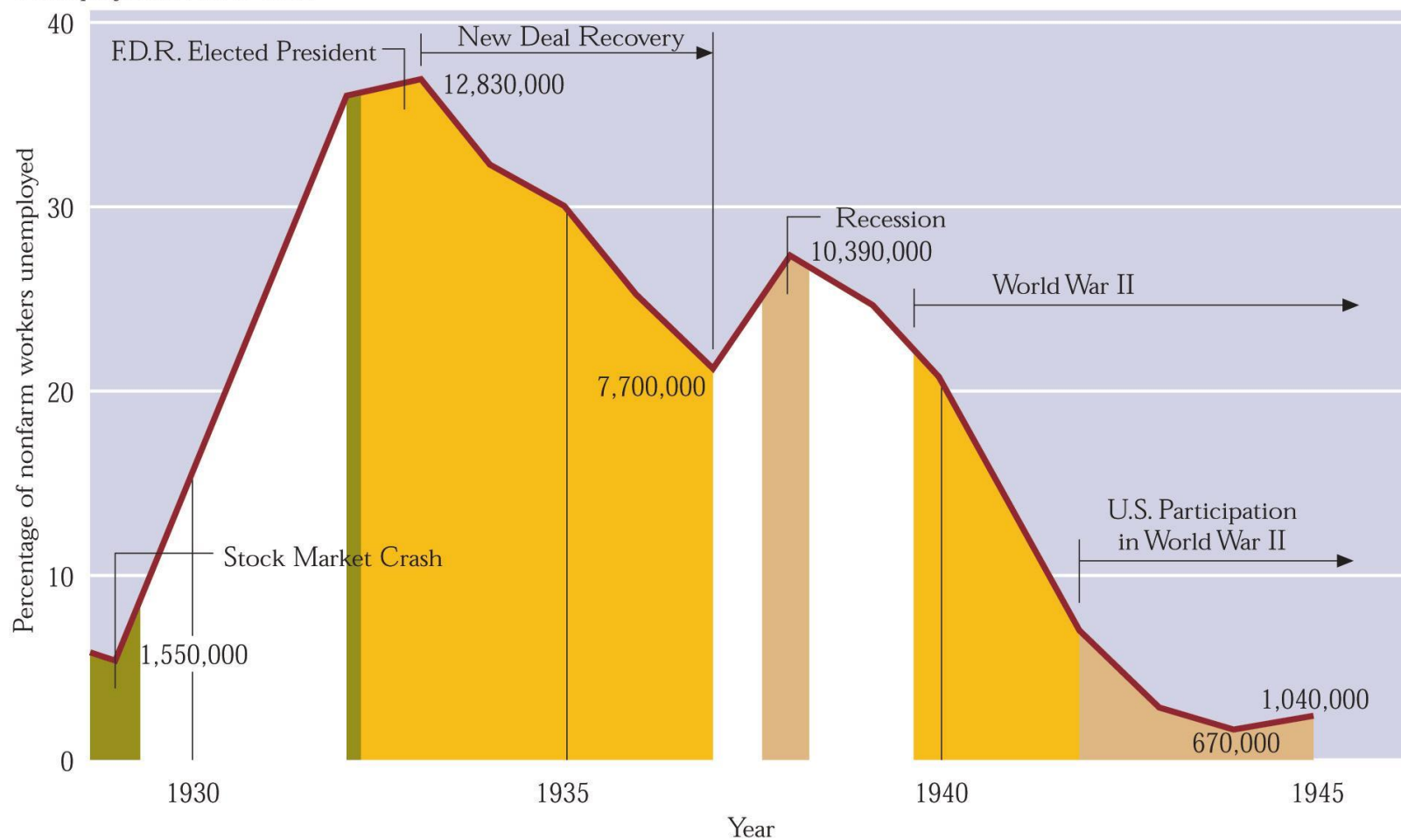
The Court Packing Fiasco



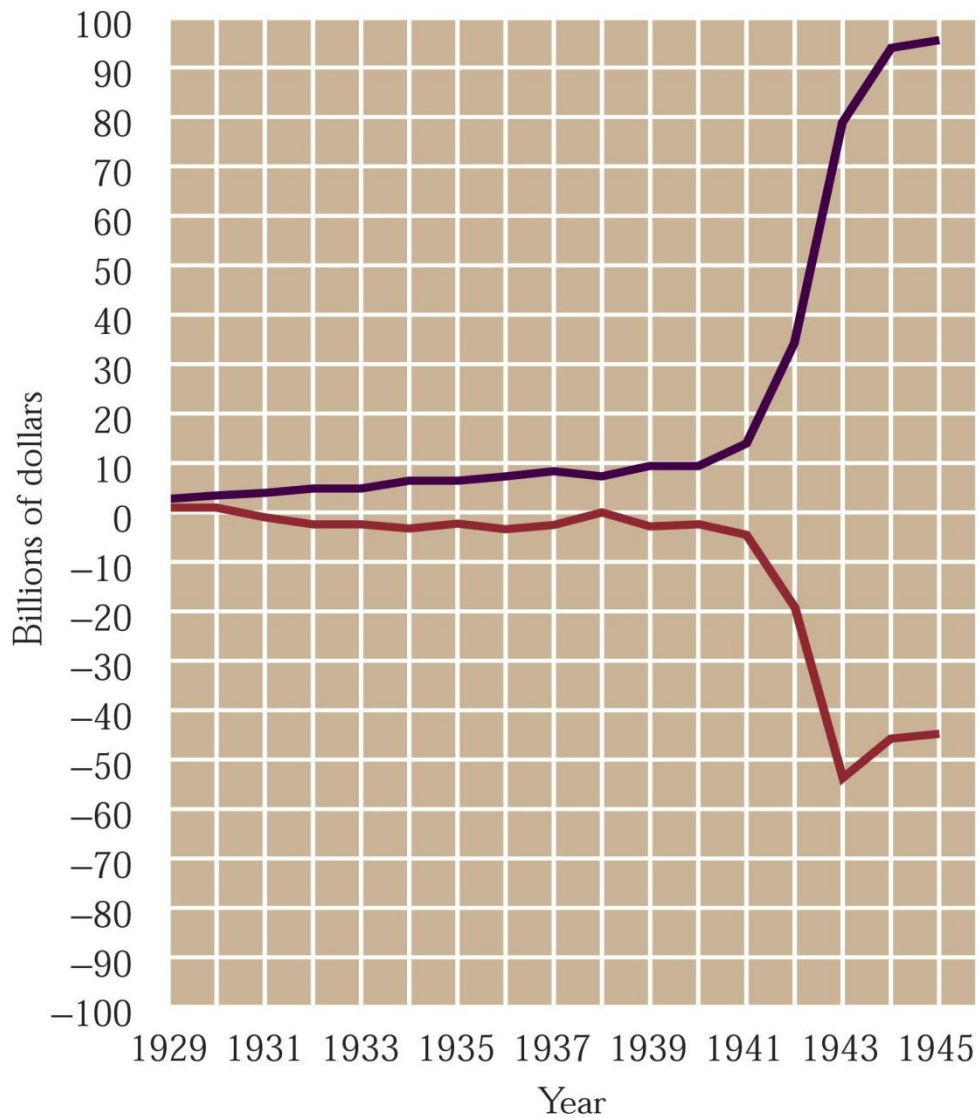
The Recession of 1937-1938

- 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