



CHAPTER 11

The Great Depression



★ Documents and Laws	★ Events	★ People
Federal Farm Board (1929) Hawley-Smoot Tariff (1930) New Deal legislation (1933–1938) Reconstruction Finance Corporation (1932) Indian Reorganization Act (1934) <i>Schechter Poultry Corp. v. United States</i> (1935) Wagner Act (1935) Fair Labor Standards Act (1938) Twenty-second Amendment (1951)	Stock Market crash (1929) Great Depression (1929–1942) Congress of Industrial Organizations (C.I.O.) estab- lished (1938)	Mary McLeod Bethune Father Charles Coughlin Amelia Earhart William Faulkner Lillian Hellman Herbert Hoover Huey Long Frances Perkins Franklin D. Roosevelt Alfred E. Smith Norman Thomas Dr. Francis Townsend John Steinbeck Robert Weaver

★ Objectives

- ★ To elaborate on the cycle of boom and bust in the 1920s and 1930s. [Competency Goal 9, Objective 9.01]
- ★ To analyze the significance of social, intellectual, and technological changes of lifestyles in the United States. [Competency Goal 9, Objective 9.03]
- ★ To describe challenges to traditional practices in religion, race, and gender. [Competency Goal 9, Objective 9.04]
- ★ To assess the impact of New Deal reforms in enlarging the role of the federal government in American life. [Competency Goal 9, Objective 9.05]
- ★ To examine the causes of the Great Depression and its effect on people and institutions.
- ★ To understand worldwide financial and economic interdependence.
- ★ To examine how Herbert Hoover and Franklin D. Roosevelt responded to the depression.
- ★ To evaluate the impact of the New Deal on the U.S. economy.
- ★ To examine cultural life during the depression.

ONSET OF THE DEPRESSION

A **depression** is a severe economic decline marked by business failures, high unemployment, and low production and prices.

Weak Economy

Overproduction/Underconsumption A nation's economic strength depends on whether its citizens can afford what factories and farms produce. As wages in the 1920s failed to keep up with productivity, goods went unsold and many businesses failed.

Much of the nation's wealth belonged to a small number of people. The richest 5 percent had 25 percent of total income.

Overexpansion of Credit In the 1920s, it was a common practice to buy stocks "on margin," that is, to pay a small percent of the purchase price and finance the rest with a loan.

Stock Market Crash

Herbert Hoover succeeded Calvin Coolidge as president in 1929. Economic prosperity continued for about six months, and Hoover ran the executive branch well.

The "**bull market**" on New York City's Wall Street crested in September 1929. Then, prices started to drop. Bankers tried to halt the decline in stock prices, but on October 29—"Black Tuesday"—thousands panicked and ordered their

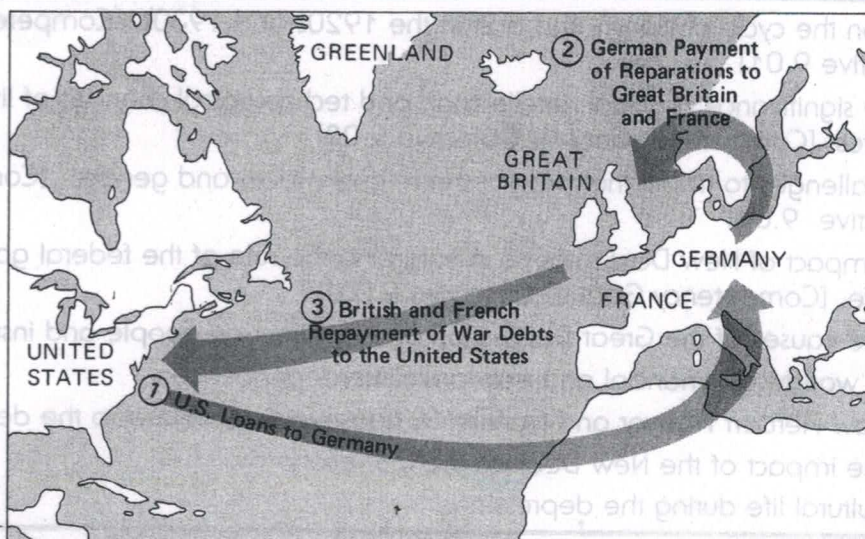
brokers to sell at any price. A record 16.5 million shares were traded, almost all at a loss. By the end of December, the combined prices of Wall Street stocks had lost one-third of their peak value in September.

There were four harmful consequences. First, billions of dollars that people had invested in stocks were wiped out. Second, many investors had bought on margin and went bankrupt. Third, banks failed because loans were not repaid. Fourth, people lost confidence in the economy and, for years afterwards, preferred savings over investments.

Worldwide Financial Interdependence World War I produced an imbalance in the world economy. The peace treaty forced Germany to pay the Allies huge reparations. The European Allies owed vast sums to the United States for wartime consumption of American goods. In the 1920s, the United States became the world's largest creditor nation.

By 1930, most nations were linked financially. The United States lent money to Germany so that Germany could pay reparations to England and France. England and France then repaid war debts to the United States.

Interdependent Banking American bank and business loans enabled Europeans to pay war debts to the U.S. government. This arrangement sustained prosperity as long as U.S. banks had enough money to make foreign loans. With the collapse of the stock market, the worldwide cycle of debt payments ended.



How U.S. Loans Financed International Prosperity, 1924–1929

International Trade The lifeblood of the international economy was trade. Protective tariffs hurt all nations, including the United States. Nevertheless, in 1930, many in Congress hoped to protect domestic industries from foreign competition with the *Hawley-Smoot Tariff*, which increased import taxes on more than a thousand items. European nations, in turn, raised their own tariffs, and U.S.-European trade dropped by half. Partly because of the tariff war, the worldwide depression deepened.

Political Repercussions

Hoover's Response Herbert Hoover was president during the worst years of the *Great Depression*, 1930–1932. His attempts to revive the economy included the following:

- ★ cutting taxes to encourage consumerism
- ★ greatly increasing government expenditure on public projects—dams, highways, harbors, and so forth
- ★ persuading Congress to establish the *Federal Farm Board* (1929) to buy farm goods and keep up prices
- ★ persuading Congress to establish the *Reconstruction Finance Corporation* (1932) to fund banks, railroads, and insurance companies threatened with bankruptcy (Hoover's most successful program)
- ★ declaring a **debt moratorium** (temporary halt on the payment of war debts) to fight the worldwide spread of the depression.

"Rugged Individualism" Hoover did not believe that government should directly aid the poor. His creed was "rugged individualism"—decisions by businesses and individuals on how best to help themselves. Moreover, he felt that when businesses succeed, everyone benefits indirectly from profits that "trickle down" to wage earners.

IMPACT OF THE DEPRESSION

Unemployment

In 1932, 12 million workers—25 percent of the labor force—were unemployed. The employed worked for much lower wages than in the 1920s. Prices paid to farmers were desperately low. Factories produced only half of their 1929 out-

put. About 5,000 banks had closed their doors, forever cutting off depositors from their savings.

"Bonus Army" In the summer of 1932, 17,000 unemployed veterans of World War I marched to Washington, D.C. They wanted the government to pay them immediately bonuses owed to them at a later time. The "*Bonus Army*" set up shacks near the Capitol. When the protesters ignored Hoover's order to leave, he sent federal troops to break up their encampment.

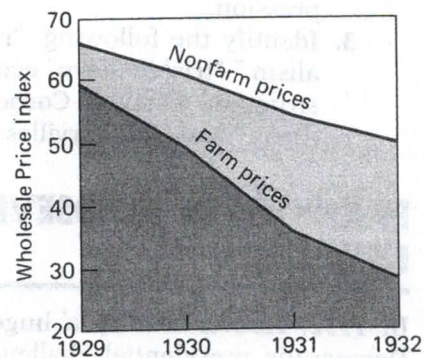
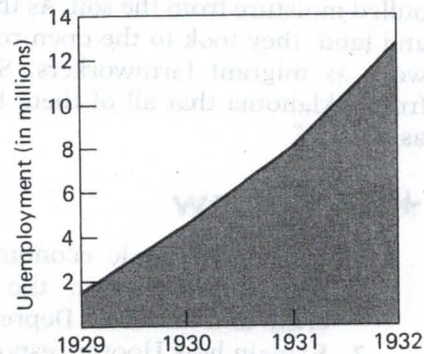
Desperate Conditions Jobless people who became homeless slept in tents and shacks clustered in areas called "**Hoovervilles.**" They also hid in railroad boxcars and traveled in search of jobs or handouts. Men and women sold apples on city street corners.

Women and Minorities

As the depression deprived women of job opportunities, they again concentrated on family needs.

African Americans suffered the full impact of the depression. Last to be hired, they were usually first to be fired.

Falling Prices and Rising Unemployment, 1929–1932





New York City depression scenes: "Hooverville" in Central Park and (inset) people receiving mission handouts of bread and coffee, 1930

Native Americans continued to live in poverty on reservations.

Nativist distrust of immigrants and opposition to immigration continued as jobs became scarce.

The land of Great Plains farmers turned into a *Dust Bowl*, for several reasons—poor farming practices, long drought, and high winds that pulled moisture from the soil. As they lost income and land, they took to the open road looking for work as migrant farmworkers. So many came from Oklahoma that all of them became known as "Okies."

★ In Review

1. Summarize basic economic weaknesses that contributed to the stock market crash and the Great Depression.
2. Explain how Hoover responded to the depression.
3. Identify the following: "rugged individualism," "trickle-down" economics, Reconstruction Finance Corporation, "Bonus Army," and "Hoovervilles."

FRANKLIN D. ROOSEVELT'S NEW DEAL

In 1932, Hoover lost by a huge margin to his Democratic presidential challenger, Franklin D.

Roosevelt. Roosevelt's plan was to help people directly by giving them government jobs. Federal paychecks would give them hope and purchasing power, which would put money back into the economy.

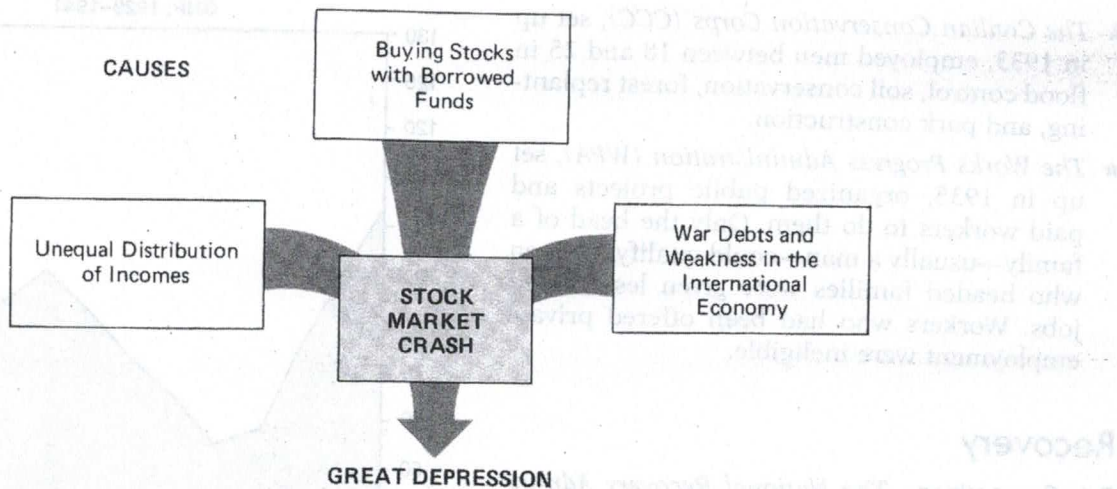
Roosevelt tried out many ideas for solving the economic crisis. During his first and part of his second term (1933–1938), he favored programs that came to be known as the *New Deal*.

Roosevelt and his advisers—the "brain trust"—had three main goals—*relief, recovery, and reform*. Relieve the misery of the poor and unemployed, bring about the recovery of business, and reform the economic system to prevent mistakes in the future like those that had caused the depression.

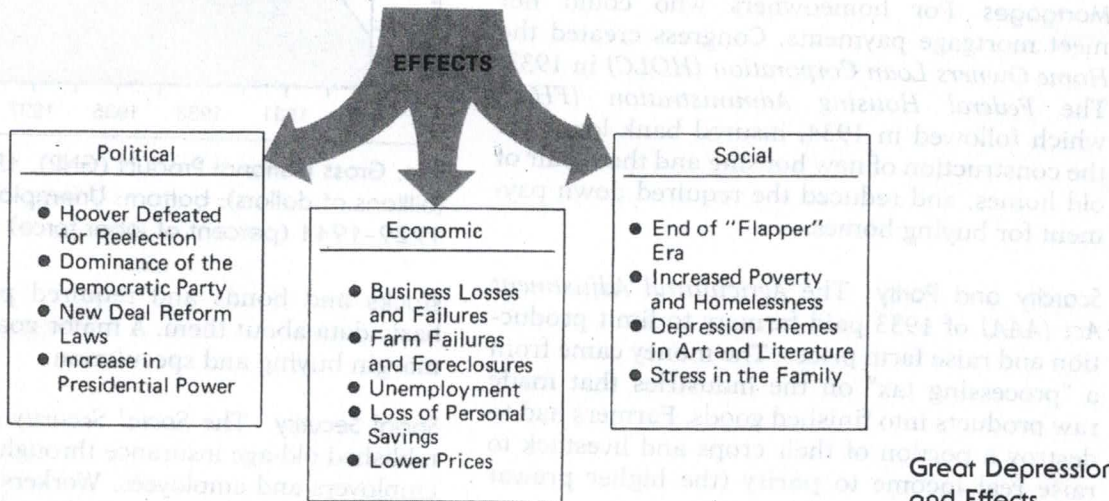
Relief of Suffering

In Roosevelt's first three months in office—almost one hundred days—more important laws were enacted than during all of the 1920s. The times called for bold measures, and the Democratic majority in Congress gave the president almost all that he asked for. The laws passed during these *Hundred Days* had a long-lasting effect on the country.

"Bank Holiday" After the stock market crash, many lost faith in banks and withdrew their money. Banks could not produce all the cash called for and failed. In 1933, Roosevelt declared



Food for the unemployed



Great Depression: Causes and Effects

a nationwide "bank holiday." Congress passed the *Emergency Banking Act*, which allowed sound banks to reopen. The drain on banks stopped and public confidence was restored.

Federal Emergency Relief Act The *Federal Emergency Relief Act* (1933) created the *Federal Emergency Relief Administration (FERA)*. It gave fed-

eral money to the states to set up projects that gave people jobs.

Strategies Against Unemployment

★ The *Public Works Administration (PWA)*, set up in 1933, put people to work building roads, bridges, libraries, hospitals, schools, court-houses, and other public projects.

- ★ *The Civilian Conservation Corps (CCC)*, set up in 1933, employed men between 18 and 25 in flood control, soil conservation, forest replanting, and park construction.
- ★ *The Works Progress Administration (WPA)*, set up in 1935, organized public projects and paid workers to do them. Only the head of a family—usually a man—could qualify. Women who headed families were given less skilled jobs. Workers who had been offered private employment were ineligible.

Recovery

Fair Competition The *National Recovery Administration (NRA)*, set up in 1933, encouraged business and labor to draw up codes of fair practices—maximum work hours, minimum wages, productivity, and prices. The codes were to help businesses control production and raise prices, and help labor by putting people to work and raising wages. The NRA gave workers the right to form unions.

Relief

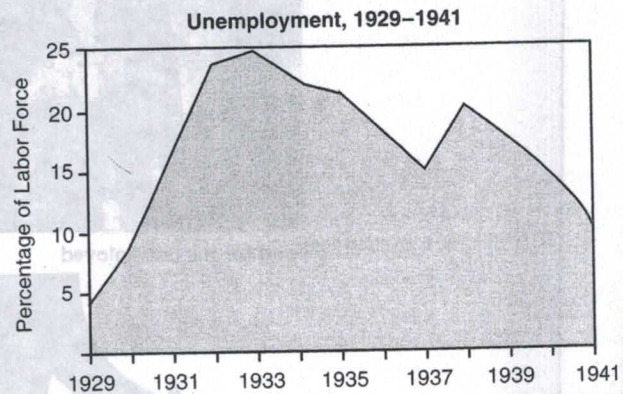
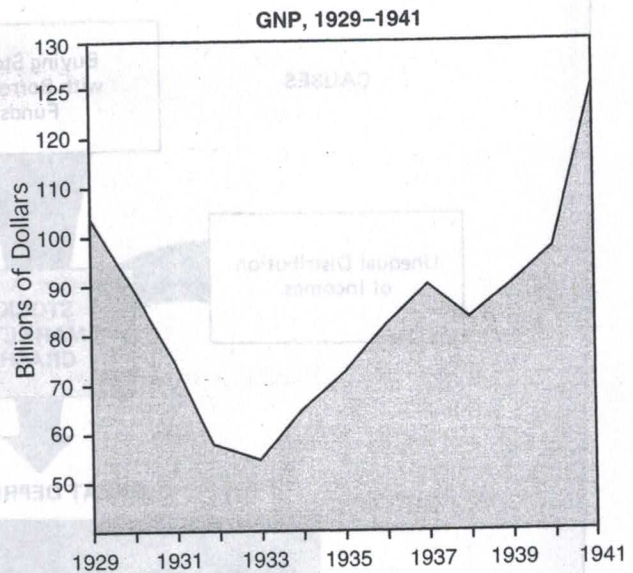
Mortgages For homeowners who could not meet mortgage payments, Congress created the *Home Owners Loan Corporation (HOLC)* in 1933. The *Federal Housing Administration (FHA)*, which followed in 1934, insured bank loans for the construction of new housing and the repair of old homes, and reduced the required down payment for buying homes.

Scarcity and Parity The *Agricultural Adjustment Act (AAA)* of 1933 paid farmers to limit production and raise farm prices. The money came from a “processing tax” on the industries that made raw products into finished goods. Farmers had to destroy a portion of their crops and livestock to raise real income to **parity** (the higher prewar price level for farm products).

Search for Effective Reform

Banking The *Glass Steagall Act* (1933) created the *Federal Deposit Insurance Corporation (FDIC)*, which backed and insured bank deposits up to a certain amount, thus making them risk-free.

Stock Market The *Securities and Exchange Commission (SEC)* of 1934 regulated the pricing of



Top: Gross National Product (GNP), 1929–1941 (billions of dollars); bottom: Unemployment, 1929–1941 (percent of labor force)

stocks and bonds and required publication of basic data about them. A major goal was to curb margin buying and speculation.

Social Security The *Social Security Act* (1935) established old-age insurance through a joint tax on employers and employees. Workers thus received a monthly income at age 65. The act also gave laid-off workers compensation while they job-hunted and provided grants to the states for the care of the disabled, the blind, and dependent children.

Labor and Unions The *Wagner Act* (1935) guaranteed workers the right to unionize and engage in **collective bargaining** (process by which workers and employers work out differences about wages, hours, and working conditions). The *National Labor Relations Board* could force

employers to deal fairly with a union representing the majority of workers. Firing anyone for joining a union was illegal. From 1935 to 1940, more than five million workers joined unions, doubling total union membership.

The *Fair Labor Standards Act* (1938) set minimum wages (increased from 25 to 40 cents an hour) and maximum hours (reduced from 44 to 40 hours a week) in industries engaged in interstate commerce. Time and a half was to be paid for overtime. Children under 16 were prohibited from working in such industries.

In 1935, the most powerful union within the A.F. of L. was the *United Mine Workers*. Its leader, John L. Lewis, objected to A.F. of L. policy of favoring skilled crafts workers over the less skilled workers. He favored **industrial unions**, which represented unskilled and skilled, white and African American, and organized what became in 1938 the *Congress of Industrial Organizations* (C.I.O.). In 1938, it became a separate union.

Unions in the C.I.O. devised "sitdown strikes," in which workers occupy a factory and refuse to work or leave until demands are met. One such strike shut down General Motors automobile factories in the winter of 1936 and 1937. The company yielded to most of the union's demands.

Model Yardstick

The lands watered by the Tennessee River were often flooded. Farmers had no electric power and were desperately poor. In 1933, Congress created the *Tennessee Valley Authority* (TVA) to accomplish the following goals:

- ★ build dams to control floods
- ★ build power plants and provide electricity
- ★ charge fair prices for TVA-generated electricity
- ★ build reservoirs to hold needed water.

Many viewed TVA as a model for Roosevelt's plan of relief, recovery, and reform. Throughout the region, people experienced relief in the form of TVA jobs, recovery in the form of electric power, and reform through flood control and water conservation.

NEW DEAL CONTROVERSIES

Constitutional Issues

Supreme Court and the NRA In *Schechter Poultry Corp. v. United States* (1935), a chicken-raising

company challenged the law that had created the *National Recovery Administration* (see page 158) by arguing that industry codes under this law gave legislative power to the executive branch. The Court agreed and declared the act unconstitutional.

Supreme Court and the AAA In 1936, the Court considered whether a processing tax could be collected to pay farmers under the *Agricultural Adjustment Act* of 1933 (see page 158). When the Court ruled against the tax and the law, Congress passed a new *Agricultural Adjustment Act* (1938). It (1) replaced the tax with direct federal payments to farmers, (2) tried to stabilize farm prices by storing surplus produce and releasing it in times of scarcity, (3) provided for soil conservation, (4) allowed marketing quotas for certain crops, and (5) insured wheat crops against natural disasters.

Election "Mandate"

Before the 1930s, Republicans had usually been in the majority. Democrats had relied on Southerners for support—and they were usually conservative in everything except anti-Republicanism. The New Deal, however, appealed to many Northerners—industrial workers, immigrants, African Americans, ethnic Americans, and liberals. It also appealed to the farmers it had helped. These groups formed a majority, and Roosevelt was reelected in 1936 by a landslide.

"Court-Packing" Proposal Angered by the Supreme Court's anti-New Deal decisions, Roosevelt proposed increasing the number of justices from 9 to 15—in effect, enabling him to appoint six politically sympathetic justices. Conservative critics accused Roosevelt of trying to "pack" the court, and Congress defeated his plan in 1937.

Third-Term Controversy In 1940, Roosevelt was elected to a third term and in 1944, to a fourth. Republicans accused him of breaking the two-term tradition. After Roosevelt's death in 1945, Congress proposed the Twenty-second Amendment limiting future presidents to two full terms. It was adopted in 1951.

Opposition to the New Deal

Conservative business leaders and politicians in both parties criticized Roosevelt. Such New Deal



"The Spirit of '37": FDR berating the Supreme Court for opposing the New Deal.

programs as the TVA, they complained, undermined free enterprise. "Creeping socialism" was being substituted for the "rugged individualism" that had made the United States great.

While conservatives voiced strong opposition to Roosevelt and his programs, radical groups who wanted to do away with free enterprise in part or altogether also targeted him:

★ *Alfred E. Smith.* Alfred Smith was a Roman Catholic Democrat who had run for president against Herbert Hoover. At first, he supported Roosevelt. By 1934, however, Smith turned against the president and his New Deal and helped form the Liberty League, a conservative antilabor organization.

★ *Huey Long.* The most serious challenge to Roosevelt's leadership came from Huey Long, governor of Louisiana. Long called for the rich to give up their fortunes to provide every American family with \$5,000. Through this "Share Our Wealth" program, each family would also be guaranteed an annual income of \$2,500. (These were considerable sums at the time.) Long was assassinated in 1935.

★ *Father Charles Coughlin.* Father Coughlin, a Roman Catholic priest, used **racism** (preju-

dice and discrimination based on the supposed superiority of some groups over others) to attack the New Deal on national radio. He accused Jews of controlling banks worldwide and causing the depression. Though false, such charges gained Coughlin some popularity until the Catholic Church removed him from the radio.

★ *Dr. Francis Townsend.* Dr. Townsend, a California physician, won a following by proposing to provide \$200 monthly to each unemployed citizen over 60. The recipients would have to spend the money within the same month. Although impractical, Dr. Townsend's plan was a forerunner of Social Security.

★ *Radical Reformers.* Norman Thomas, a Socialist, ran for president in 1928, 1932, and 1936. Thomas wanted changes more radical than New Deal reforms, and he thought that such changes could be achieved peacefully, through elections.

Communists, who were more extreme, felt that only a violent revolt of the working class would bring about reform.

Support for the New Deal

Defenders of the New Deal argued that Roosevelt had saved democracy and free enterprise. His programs of economic relief had prevented extremists from tearing the nation apart. Moreover, New Deal reforms (Social Security, regulated banking, minimum wages) extended reforms of the Progressive Era. They were intended to avoid some bad effects of capitalism (bank failures, economic insecurity, possible depressions) while preserving good effects (freedom of choice, inventiveness, economic growth).

THE ROOSEVELTS: KEEPING THE PEOPLE IN MIND

FDR as Communicator

In 1920, Roosevelt had become crippled by infantile paralysis. Nevertheless, he seemed a pillar of strength to many Americans, who drew confidence from his statement (in the first inaugural address) that "... the only thing we have to fear is fear itself. . . ." To explain his New Deal programs to as many as possible and calm their anxieties, he gave regular radio "fireside chats."

Eleanor Roosevelt

FDR's wife, Eleanor Roosevelt, championed liberal causes. Acting as the president's eyes and ears, she visited areas hard-hit by the depression. Speaking out boldly on public issues, she came to symbolize the "new woman"—active in national and world affairs.

New Deal and Women

Women of the 1930s achieved fame in various fields. Amelia Earhart was the first woman to fly a plane across the Atlantic. As secretary of labor, Frances Perkins became the first woman in the cabinet, administered many New Deal relief programs, and helped abolish child labor.

New Deal and African Americans

"Among American citizens there should be no forgotten man and no forgotten races." Thus, Roosevelt expressed his awareness of how the government had long neglected blacks. New Deal programs provided African Americans with what they most needed—jobs.

Roosevelt organized a "Black Cabinet" of distinguished African American leaders, such as Robert Weaver, an expert on urban housing, and Mary McLeod Bethune, an expert in education.

When African American opera singer Marian Anderson was denied the right to perform in a concert space in Washington, D.C., Eleanor Roosevelt invited Anderson to sing at the Lincoln Memorial. Such gestures led thousands of African Americans to become Democrats.

The Roosevelts' personal sympathies did not wipe out racism and discrimination. The industrial codes of the NRA allowed white workers higher wages than blacks. Moreover, TVA administrators were far more likely to hire whites than African Americans.

Indian Reorganization Act

In 1934, Congress passed the *Indian Reorganization Act* in an effort to improve the status of Native Americans. The government stressed tribal over individual ownership of reservation land and encouraged the preservation of Native American culture. Reservation schools began to stress scientific farming. Nevertheless, Native Americans were still desperately poor and had few job opportunities on or away from the reservations.

CULTURE OF THE DEPRESSION

Literature, Drama, and Music

During the 1930s and 1940s, novelist William Faulkner created characters who exemplified social tensions in Southern society. So did playwright Lillian Hellman, who, in addition, treated both domestic and international social issues of the time.

The Great Depression inspired John Steinbeck to depict American people's struggles against hardship. His novel *The Grapes of Wrath* (1939) creates an unforgettable picture of Oklahoma sharecroppers ("Okies"), who set out for the fruit orchards of California. Steinbeck's novel shows these people pitted against cruel and impersonal economic forces.

The WPA hired writers, artists, actors, and musicians to write, paint, and perform. One historical WPA project involved interviews with former slaves and the children of slaves in order to better document slavery in America.

The "hot jazz" of the Roaring Twenties gave way to the "swing" of the 1930s. Band leaders such as Glenn Miller led white musicians playing music mostly by white composers. Benny Goodman's band included such great African American musicians as vibraphonist Lionel Hampton and pianist Teddy Wilson.

During this period, however, most bands were segregated. The bands of Cab Calloway, Duke Ellington, and Count Basie played music by African American composers.

Popular Culture

During the depression, movies became more popular than ever. For a few cents, people could escape from their troubles and watch stars such as Shirley Temple, Clark Gable, James Stewart, and Judy Garland perform in a make-believe world of romance and opulence. Such hits as *The Wizard of Oz* (1939) satisfied people's needs for both fantasy and fun. Other classics of the time treated serious social themes.

Comic books first appeared in the United States in the 1930s. *Superman* paved the way for *Batman*, *Captain Marvel*, *Wonder Woman*, and *Spiderman*.

★ In Review

1. Explain how each of the following New Deal acts or programs contributed to re-

lief, recovery, or reform: (a) Emergency Banking Act, (b) Federal Emergency Relief Act, (c) Works Progress Administration, (d) Public Works Administration, (e) Civilian Conservation Corps, (f) National Recovery Administration, (g) Home Owners Loan Corporation, (h) Federal Housing Administration, (i) Agricultural Adjustment acts, (j) Federal Deposit Insurance Corporation, (k) Securities and Exchange Commission, (l) Social Security Act, (m) National Labor Relations Board, (n) Fair Labor Standards Act, and (o) Tennessee Valley Authority.

- Summarize the effects of the Great Depression and the New Deal on (a) labor unions, (b) women, (c) African Americans, and (d) Native Americans.
- Describe the programs of three opponents of the New Deal. Why were these ideas popular?



Chapter Review

MULTIPLE-CHOICE QUESTIONS

Refer to the graphs on page 158 to answer question 1.

- The graphs illustrate that, between 1929 and 1941, (1) the GNP and unemployment were unrelated (2) as the GNP increased, so did unemployment (3) when people found jobs, they were able to afford more goods and services (4) the Great Depression was aggravated because of industry's high productivity in the face of high unemployment.

Use the map on page 154 to answer questions 2 and 3.

- Which of the following conclusions can be drawn from the map? (1) Loans from the United States prevented a stock market crash before 1929. (2) The payment cycle helped to make the Great Depression worldwide. (3) Credit was tight and hard to get during the late

Vocabulary

- "bull market"** economic condition when public confidence in stocks causes their prices to soar
- collective bargaining** process by which workers and employers work out differences about wages, hours, and working conditions
- debt moratorium** temporary halt on the payment of war debts
- depression** severe economic decline marked by business failures, high unemployment, and low production and prices
- "Hooverville"** during the Great Depression, cluster of temporary dwellings for the homeless
- industrial union** labor union representing all workers in an industry, regardless of skills, race, or other differences
- parity** equality, as of a nation's armed forces; price for farm products based on a price in an earlier base period
- racism** prejudice and discrimination based on the supposed superiority of one group over others

1920s. (4) U.S. banks granted preferential loan rates to Germany.

- Which component is missing from the cycle on the map? (1) reparation payments to France (2) reparation payments to Germany (3) loans to Germany (4) repayments of war debts to the United States.

Use the chart on page 157 to answer questions 4 and 5.

- The belief that the 1920s were a decade of great wealth was (1) false (2) untrue for most people (3) true for rural areas (4) partially true for skilled workers.
- The chart shows that the (1) stock market crash was the most important cause of the Great Depression (2) Great Depression was mainly a result of global economic weakness (3) ease of obtaining loans coupled with "rich quick" stock schemes were the