

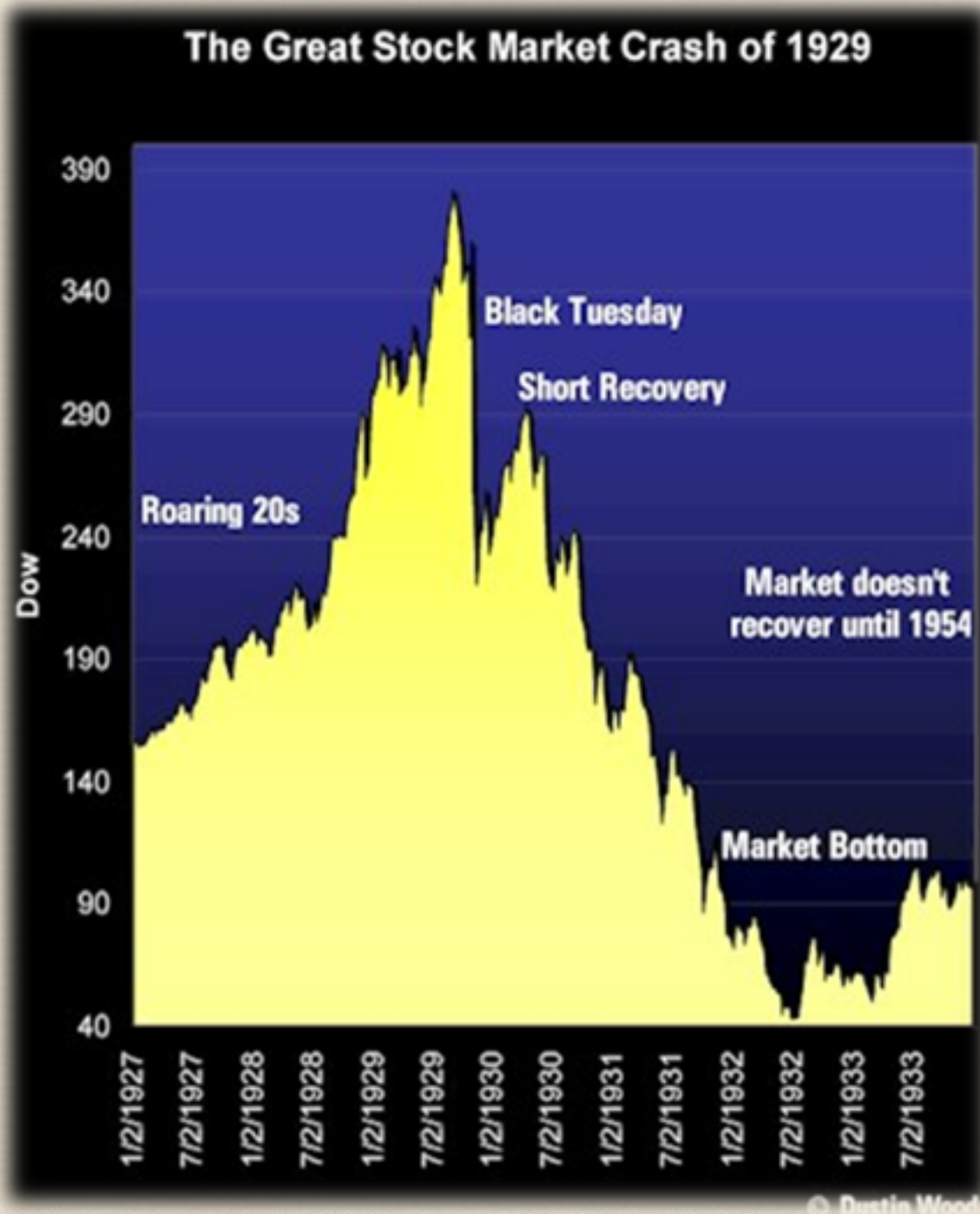
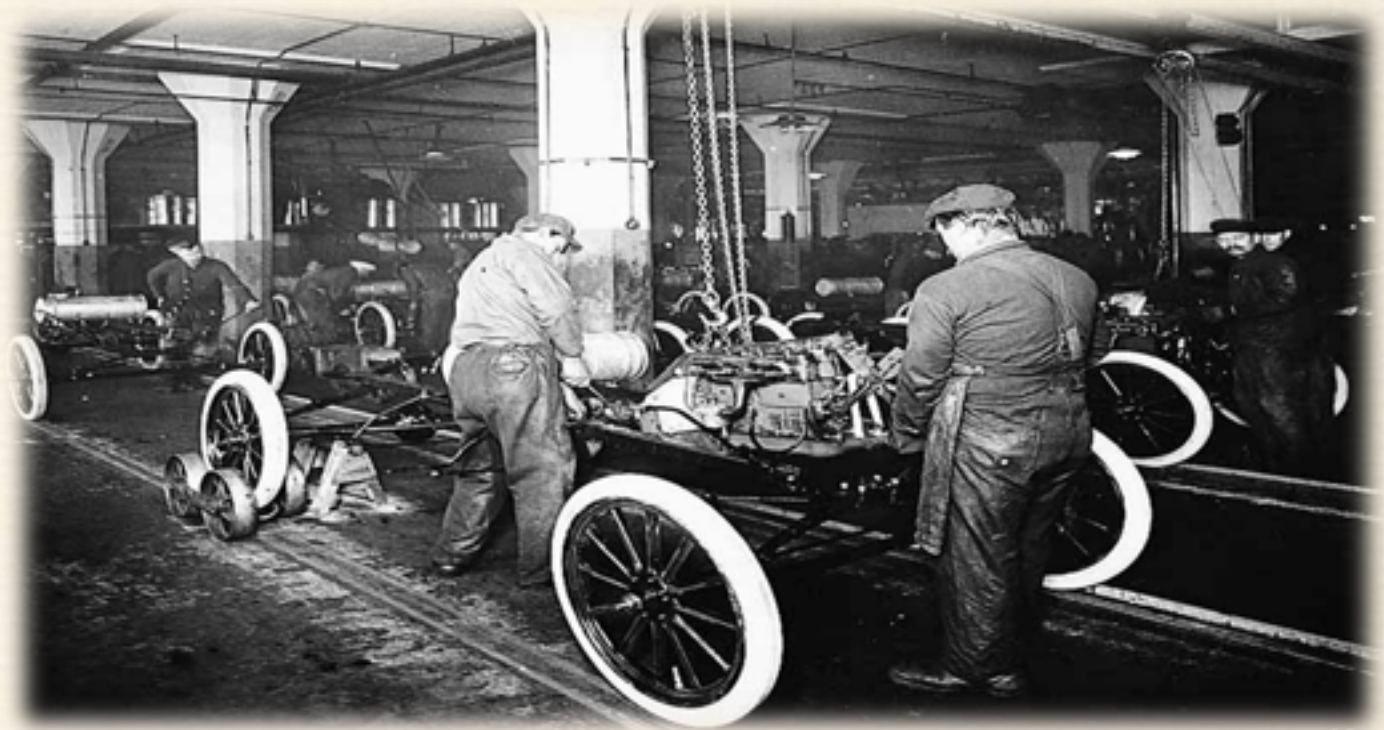
The Great Depression and the New Deal



*The Causes and Consequences of America's
most significant economic downturn*

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The 1920s had been a period of prosperity - good economic times



**Black Tuesday - Oct. 29, 1929 -
Crash of the NY Stock Exchange**
Caused panic - and an economic
depression that would last until
World War II

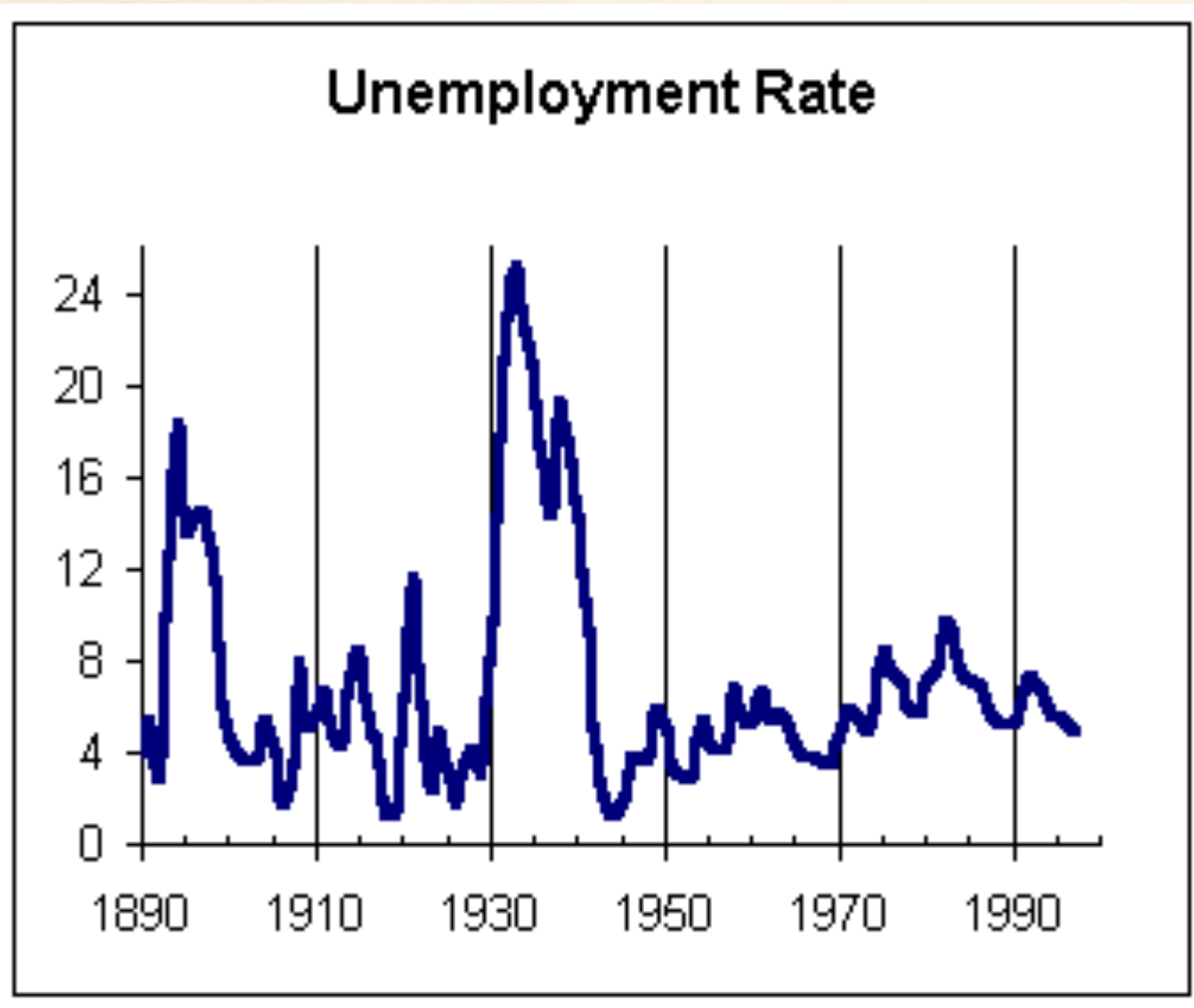
Financial Collapse

- Banks had invested in the stock market
- and lost money in the crash
- After the stock market crash, many **Americans panicked and withdrew their money from banks**
- Banks did not always have enough cash on-hand to give meet their obligations - causing them to fail (go bankrupt)
 - **In 1929 - 600 banks failed**
- By 1933 - 11,000 of the 25,000 banks in the U.S. had collapsed



Bank run 1929, Los Angeles

GNP Drops, Unemployment Soars



Between 1928-1932, the U.S. Gross National Product (**GNP**) - the total output of the nation's goods and services - **fell nearly 50%**

90,000 businesses went bankrupt

Unemployment increased
3% in 1929
to
25% in 1932

Causes of the Great Depression



Unequal Distribution of wealth

Big gap between “the rich” and common people; Farmers continue to struggle

Excessive Buying on Credit

Efforts to pay-off loans leads to underconsumption



Weak Banking System

Banks were not required to hold adequate reserves (\$)

Causes of the Great Depression

Inadequate Government Policy

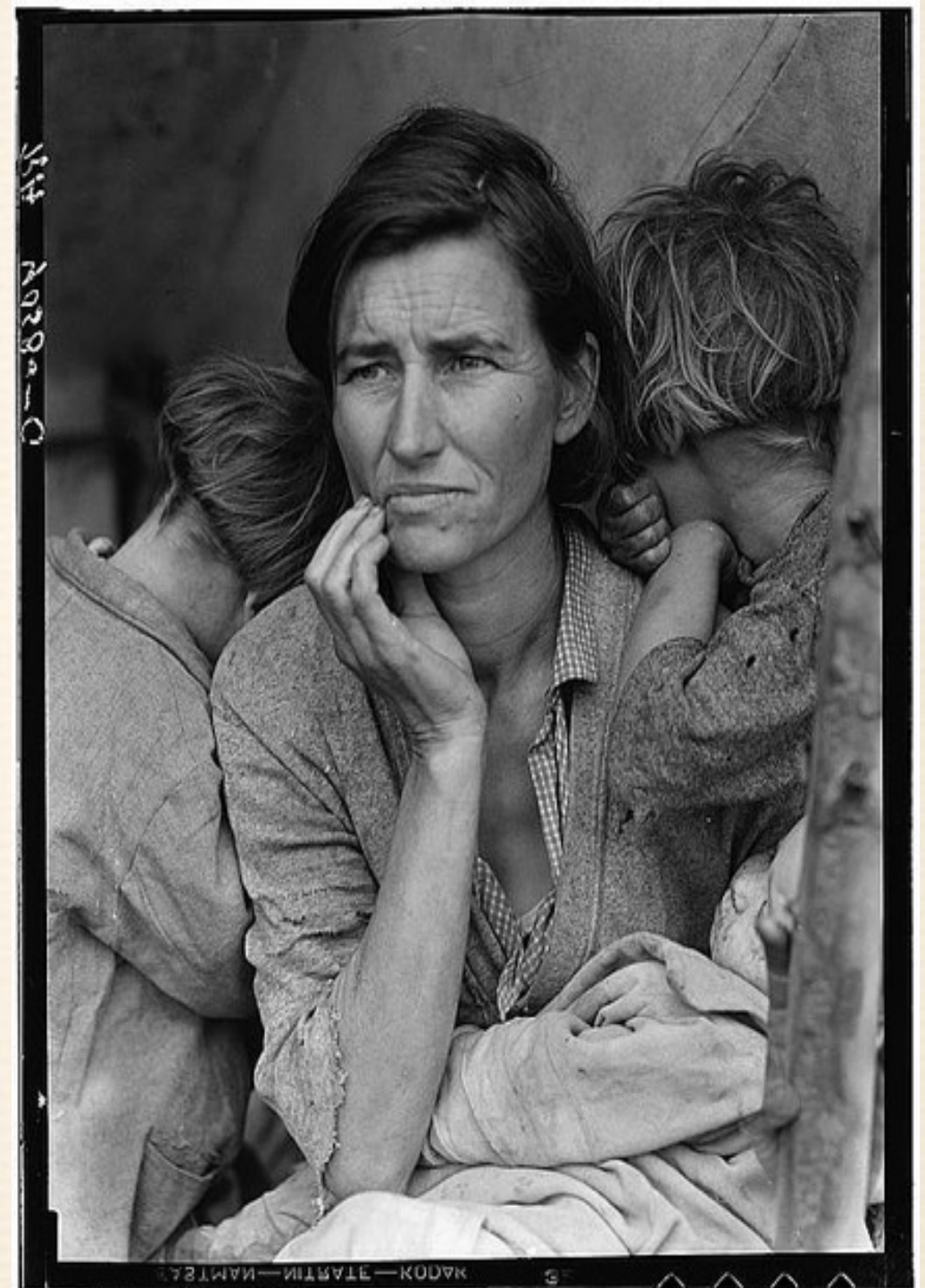
Little regulation of markets,
excessive speculation.

Tax policy favors wealthy,
lax enforcement of anti-trust laws

Weak International Economy

WW I had caused depression
in Europe.

Tariffs hurt international
trade.



The Dust Bowl

A severe drought began in the Great Plains in the early 1930s

Wind scattered topsoil, exposing sand and grit. The dust often traveled hundreds of miles

One storm in 1934 picked up millions of tons of dust, and carried it to the East Coast.

These hard times began in 1931 and lasted until 1939



Kansas Farmer, 1933



Dust storm approaching Stratford, Texas - 1934



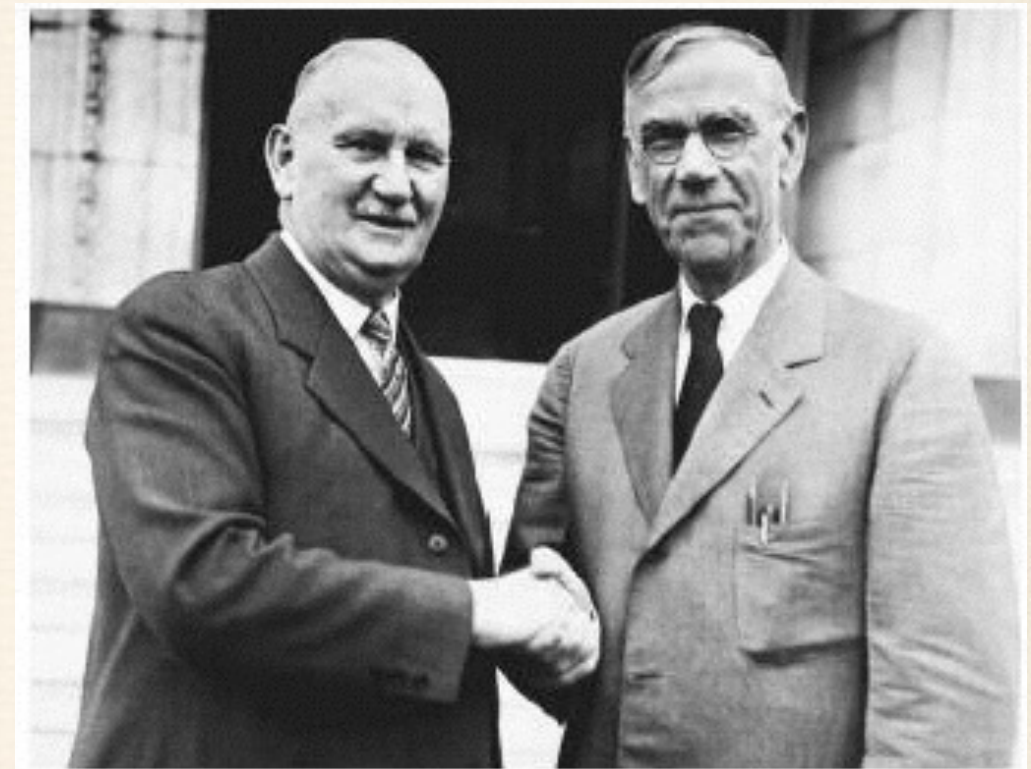
Storm approaching Elkhart, Kansas in 1937

Smoot - Hawley Tariff (1930)

Put in place the highest tariff rate in American history.

GOAL - Protect American businesses from foreign competition

European nations respond by enacting high tariffs as well - reduced trade for all nations.



**Representative Willis C. Hawley (left)
and Senator Reed Smoot**

U.S. exports to Europe fell from \$2.3 billion in 1929 to \$784 million in 1932.

U.S. imports from Europe declined from \$1.3 billion in 1929 to \$390 million in 1932

Hoover's Response to the Depression



Believed the economy would “Fix Itself”
Economic policy = laissez faire

**Encouraged Americans to buy
American-made products**
Goal - stimulate the economy

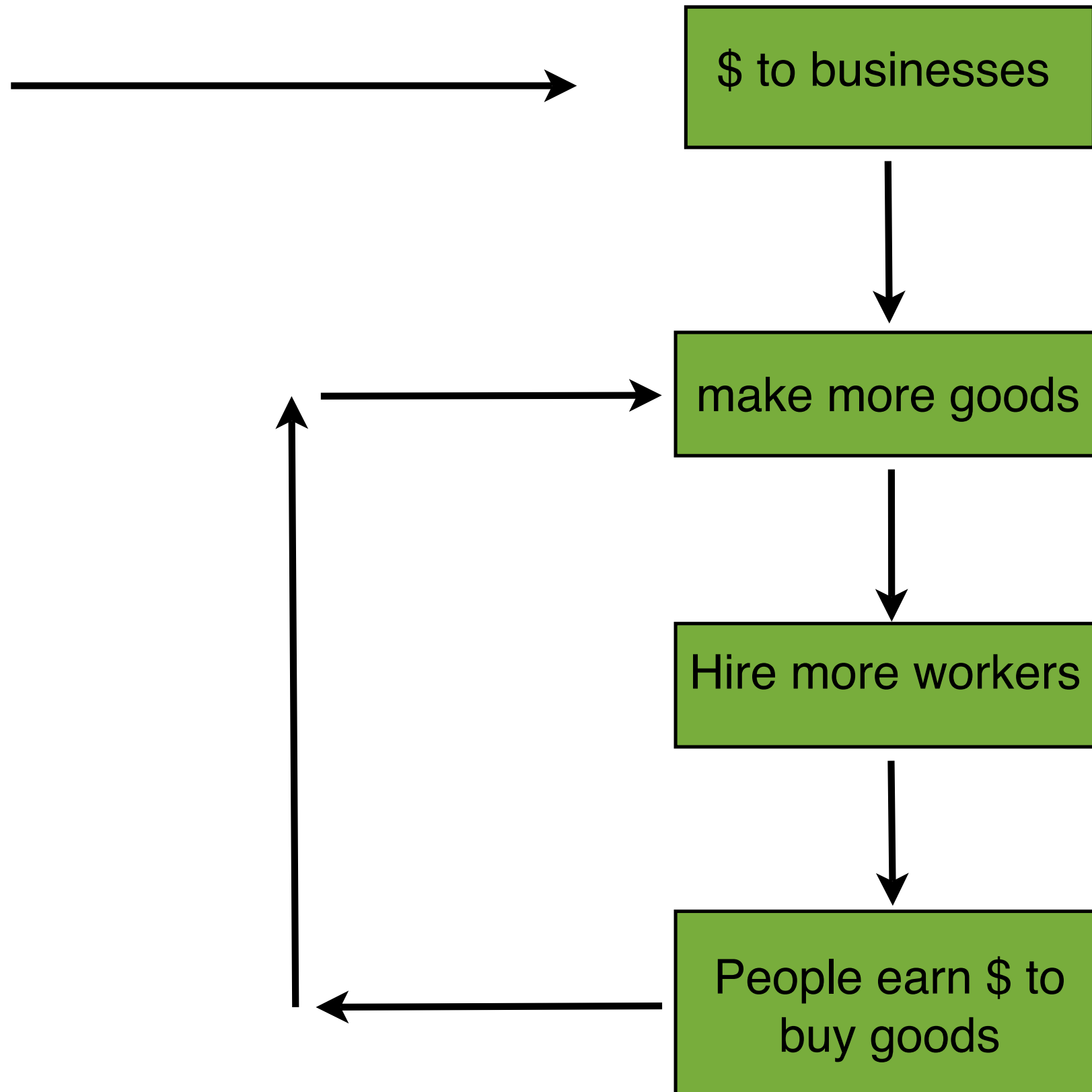
Organized private relief agencies
Hoover did not believe that the
government should provide direct
relief to people in need

**Reconstruction Finance Corporation
(1932)**

Loans to businesses

Hoover's Trickle-Down Solution

RFC



Americans React to Hoover

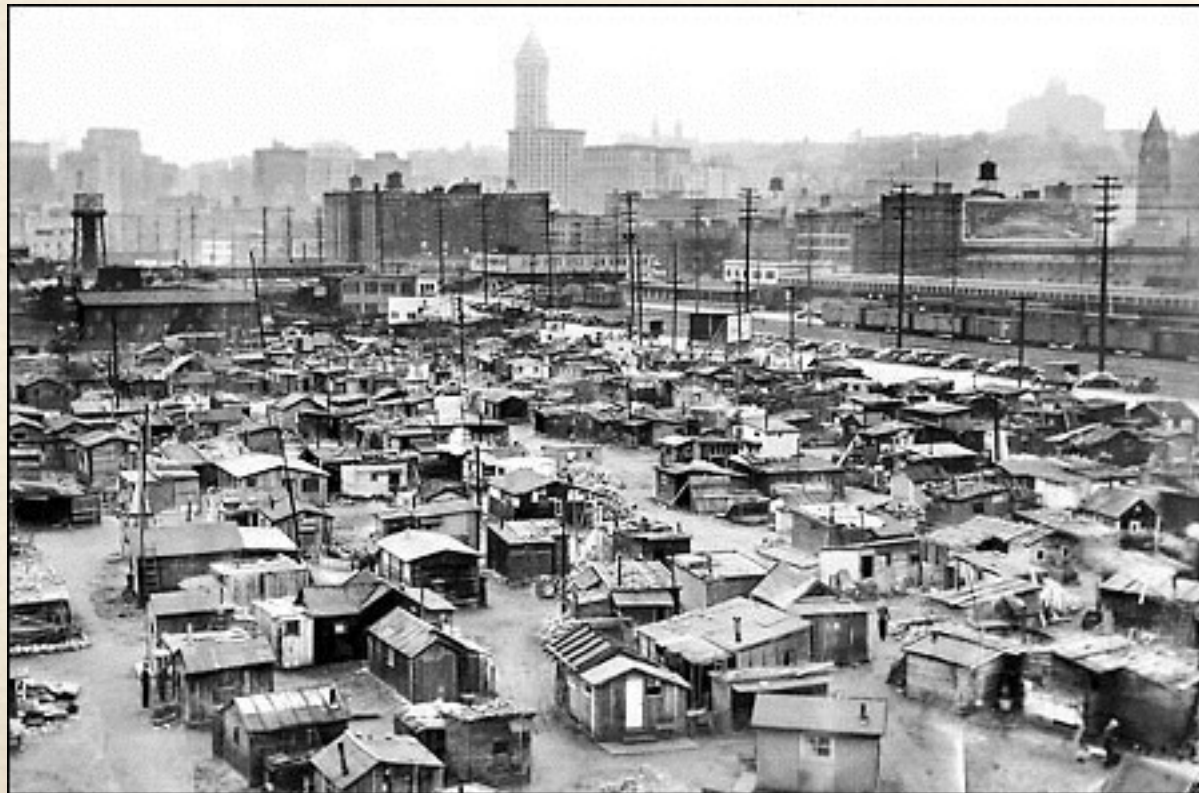


Hoover was very unpopular with the American people

Hoover did not support direct govt. aid to individuals —
Rugged Individualism

Many felt that Hoover cared more about wealthy business owners than the “common” people

Slums where the homeless lived — *“Hoovervilles”*



Hooverville - Seattle, WA.

FDR Elected President 1932

Roosevelt defeated Herbert Hoover

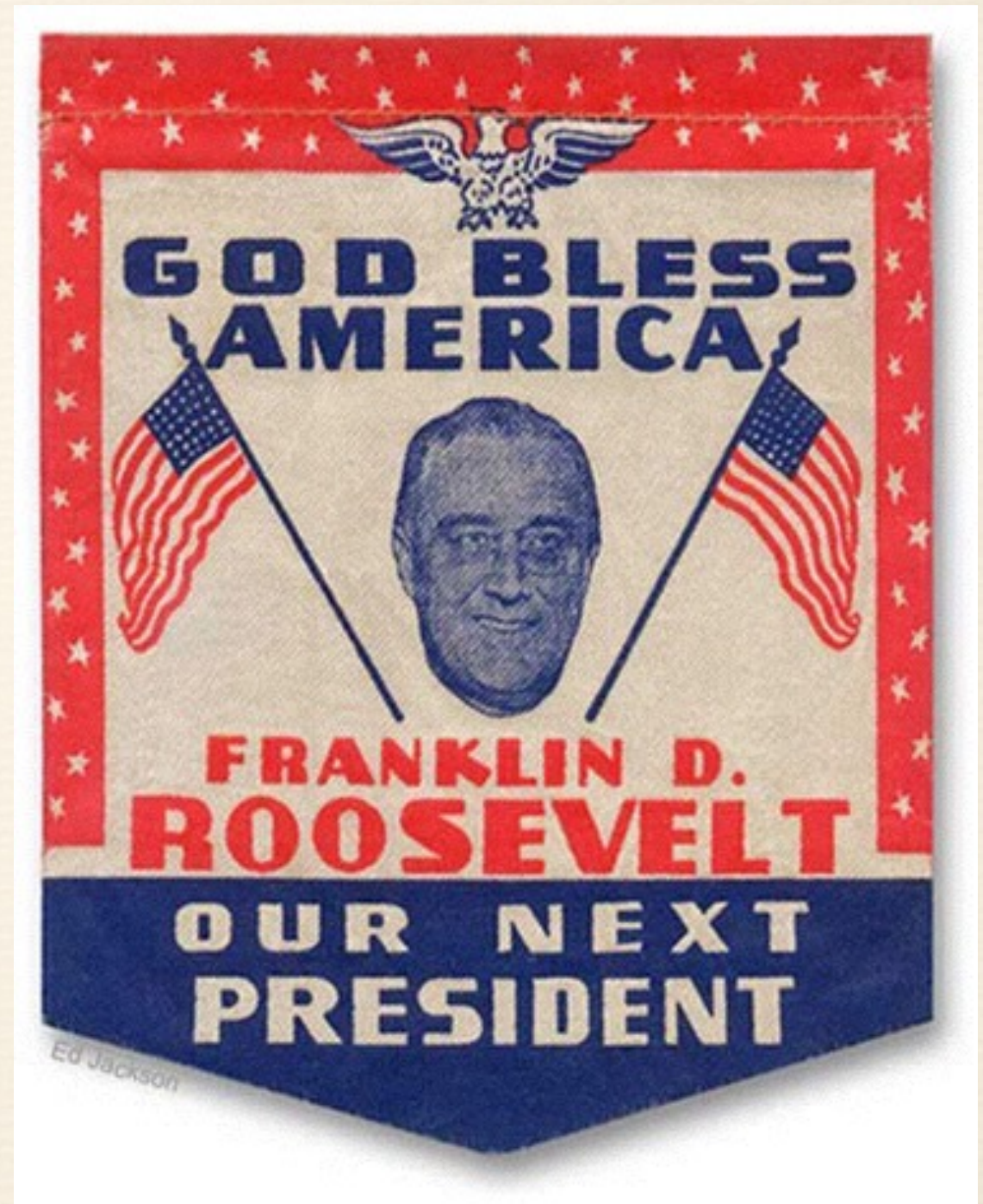
FDR promised
government action to help
end the Depression
A ‘new deal’ between the
American people and the
federal government

Goals of the New Deal

Relief (help those with needs)

Recovery (fix the economy)

Reform (to prevent another crash)







Franklin D. Roosevelt, 1889
Age 7



Franklin D. Roosevelt at Harvard, 1903
- Senior Year



**Served as Assistant Secretary of the
Navy during World War I**



**Candidate for vice president (Democratic Party) - 1920
James Blaine was the Democratic candidate for president**

Diagnosed with Polio 1921 (age 39)









Franklin Roosevelt and the New Deal

New Deal - government action to end the Great Depression

Step 1 - Fix the Banks

Bank Holiday Announced -

March 6, 1933

- Less than 36 hours after taking presidential oath, FDR orders that all banks in U.S. be shut down so that they can be inspected by the government
- Banks that are “healthy” will be allowed to re-open - Emergency Banking Act 1933
- FDR gave first “Fireside Chat” to explain what had been done, and why the banks were now safe



When banks re-opened, people once again deposited their money.
Confidence in the banks had been restored!

Franklin Roosevelt and the New Deal

**First 100 Days -
15 Major Programs**
“Alphabet Soup” -
wide variety of
programs created to
improve America’s
economy



<http://mises.ca/wp-content/uploads/2014/03/new-deal.jpg>



Name of Program		Summary
Federal Deposit Insurance Corporation (FDIC)	Reform 1933	<i>Insures Bank deposits up to \$100,000</i>
Agricultural Adjustment Administration (AAA)	Recovery 1933	Farmers paid not to grow certain crops. <i>Ruled Unconstitutional</i>
Civilian Conservation Corps (CCC)	Recovery, Relief 1933	<i>Provides jobs to young men who will carry out environmental conservation activities (ie: build parks)</i>

Public Works Administration (PWA)	1933 Relief	Provided jobs. Men built airports, schools, docks / ports, etc.
National Industrial Recovery Act (NIRA / NRA)	1933 Reform	Set prices, wages, hours, etc in various industries <i>Ruled Unconstitutional</i>
Tennessee Valley Authority (TVA)	1933 Relief & Reform	Built Dams to prevent flooding and produce electrical power in Southeast

The New Deal - More Programs



The Wagner Act (1935)

- Guaranteed labor unions the right to form
- Created National Labor Relations Board

Social Security Act (1935)

- Benefits for retired workers
- Unemployment insurance
- Benefits for victims of industrial accidents
- Aid for dependent mothers and children

Fair Labor Standards Act (1938)

- Set minimum wage (25 cents), maximum hours (44) per week and time and-a-half for working overtime
- Banned child labor in interstate commerce

FDR vs. Supreme Court

The Supreme Court was filled with justices opposed to FDR

In time, much of FDR's New Deal legislation would be challenged in court

Opponents felt that FDR, and the Executive Branch, had become too powerful

Hear Ye! Hear Ye! Hear Ye!



Supreme Court Rules Against New Deal Programs



Schechter Poultry Corp. v. U.S. (1935)

- The NRA (National Recovery Administration) was declared unconstitutional
- Federal government has the power to regulate interstate commerce [between states], but not commerce within one state.
- NRA “codes” were developed by agents of the Executive Branch. The court ruled that these “codes” were like laws, and therefore were a function reserved for the legislature

U.S. v. Butler (1936)

- The AAA (Agricultural Adjustment Admin.) was declared unconstitutional. Farming is a state issue, not a national issue

**FALL
IN!**

EXECUTIVE

LEGISLATIVE

JUDICIAL

NEW
DEAL



FDR wins Re-Election in 1936

With his easy victory, FDR felt that he had been given a mandate to continue New Deal policies

Court Packing (Re-organization) Plan

- FDR believed that the court was slowing America's economic recovery
- Wants to increase the number of justices (to **pack the court**) from 9 to 15
- There was much opposition to this plan, so FDR withdrew it

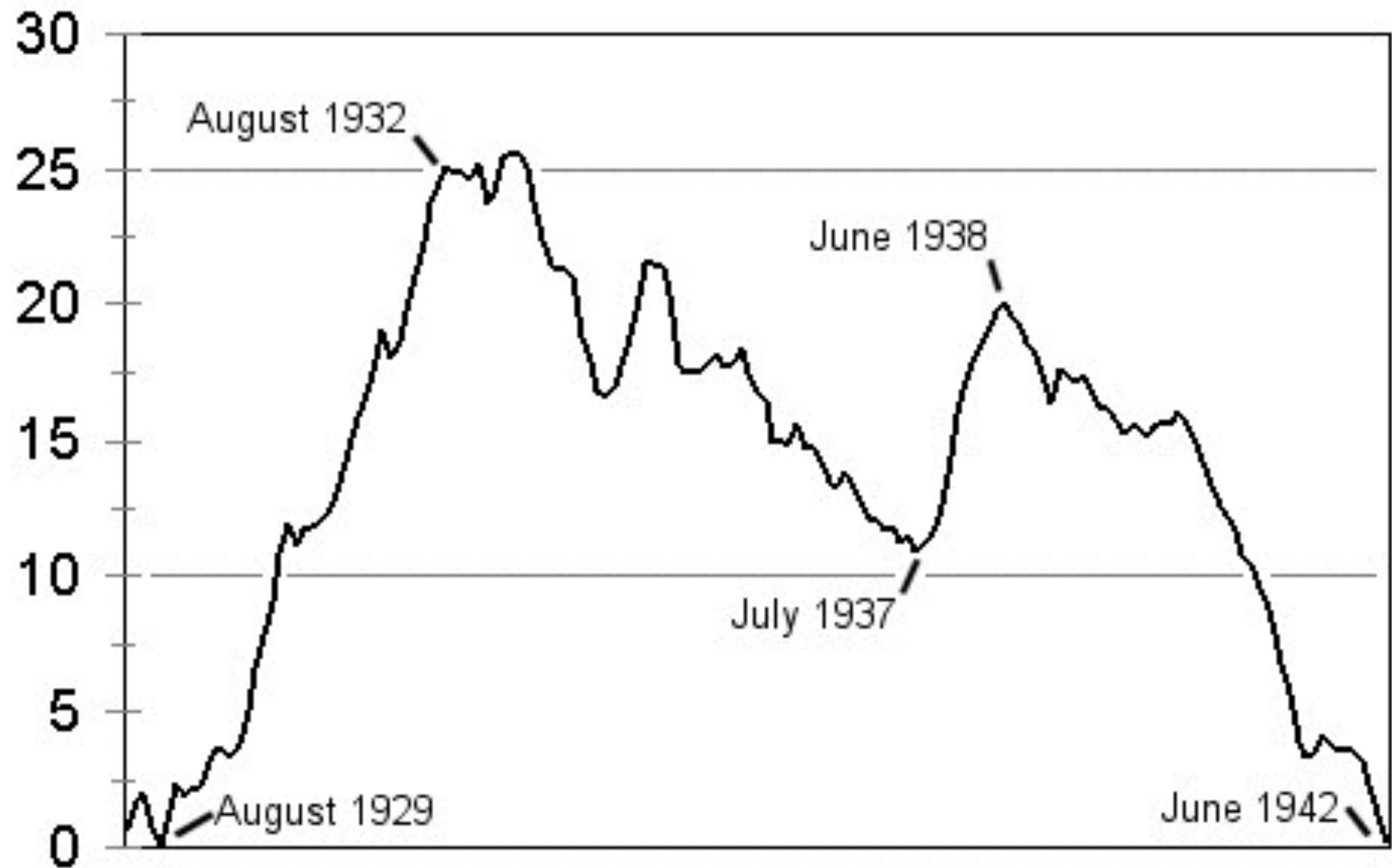
In time, sitting justices retired - FDR got to appoint new justices - (total of 8) that would approve New Deal Legislation!



<http://images2.dailykos.com/i/user/1638/1936-fdr-poster.jpg>

The Impact of the New Deal

U.S. Unemployment Rate



The Impact of the New Deal

Much more government involvement in the economy

Stronger president,
Stronger National Govt.

New Deal programs helped to stimulate the economy - reduced unemployment and eased people's fears of the future



<http://www.isgeschiedenis.nl/wp-content/uploads/oldimages/Roosevelt.jpg>

World War II “solved” America’s economic problems.

Unemployed found jobs in wartime factories and the military