I. (2) What was the Great Depression?  
- A period lasting from 1929-1941  
- The longest, deepest and most damaging economic downturn in the 20th Century  
- A time in which Americans re-assessed the government’s role in creating a just, equitable and fair society

II. (3) Causes of the Great Depression (brainstorm with students)  
A. Over reliance on consumer credit  
   During the 20s businesses began to extend credit to consumers. People were thus able to make purchases and pay them off over time. For a time this countered the lack of spending power the average worker had, but eventually credit spending would have to stop and then people would consume less. Much of the twenties prosperity was thus built on an illusion. Uneven distribution of wealth.  
B. (3.2) Sick industries  
   As noted earlier, large segments of the economy were in recession throughout the 20s - including railroad, mining and agriculture.  
   In many regions that relied on these industries, unemployment was already high in the twenties.  
C. (4) Lack of regulation/ineffective government intervention  
   Failure to enforce anti-trust laws encouraged corporate consolidation and thus high prices. High prices further depressed consumer spending.  
   Failure to regulate banks and stock trading led to financial recklessness and speculation. (speculation is investment made on the assumption of increasing value often with the goal of high profits) This led to the collapse of the US banking system and a reduction in the money stock of the US (banks stopped lending - also known as a credit freeze). This caused prices to contract and manufacturers to produce less and lay people off.  
   In addition the Federal reserve Bank pursued policies which made credit harder to get, which compounded the problems of the credit freeze  
D. (5) Tariff policies that decreased markets for US goods  
   During the twenties the US government maintained high tariffs (Fordney McCumber, 1922; Smoot Hawely, 1930) which reduced foreign trade and potential markets for American made goods abroad.  
E. (6) The Stock Market Crash  
   The stock market crash did not cause the Depression, but rather was a reaction to the economy’s underlying weaknesses.  
   1. The Bull Market of the 1920s (6.2-4)  
      A big part of why many considered the twenties roaring was because of the stock market.  
      Stock prices increased during the twenties at twice the rate of industrial production.  

where the trend is price increases are called bull markets.

Many believed stock price increases were part of a permanent trend “Everyone ought to be rich” proclaimed a Lady’s Home Journal Article in 1927.

But only about 3% of the population owned any stock.

2. Speculation and buying on margin

Belief that prices would continue to rise fueled speculation. Investors often bought on margin, sometimes putting only 10% of their own money into a purchase.

So profitable was the market, that many banks and corporations invested money in brokerages who then loaned the money to investors buying stock largely on credit.

This guaranteed that when the markets fell, the ripple affect would be huge. Individual investors, banks (and their depositors) and businesses with investment in the market were all affected.

Finally, the stock market had a huge psychological affect on Americans. The markets were seen (erroneously) as a measure of overall economic health, and as markets turned down, people reigned in their spending.

F. (7.1) Unequal distribution of wealth

In a consumer driven economy, the purchasing power of the great mass of Americans is critically important to the health of the economy. If average people can’t buy things, the economy will suffer. That is exactly what happened by the end of the 1920s.

Have students look back in their notes and recall how much ordinary people made during the 20s

Wages had been held down in part because of government policies during the 20s that opposed unions and collective bargaining.

(7.2-3) By 1929, 1/2 of 1% of American Families owned 32.4% of the entire net wealth of the nation.

(8) At the same time the bottom 40% of American Families owned only 12% of the nation’s net wealth

(9) Approximately 1/2 of the nation’s population lived at subsistence level or lower.

80% of families had no savings.

Ask students why the vast wealth of the rich could not support the economy.

(10) “Mass production made mass consumption a necessity . . . the increasing wealth of the 1920s flowed disproportionately to the owners of capital. Workers’ incomes were rising, but not at a rate that kept pace with the nation’s growing industrial output. Without broadly distributed purchasing power, the engines of mass production would have no outlet and would eventually fall idle.”
III. Impact of the Great Depression
   A. Economic Impact
      1. GDP contraction

      GDP is the measure of the value of all goods and services produced in a country in one year. Healthy economies grow between 2-4% per year.

      (12.2) Between 1929 and 1932 the US GDP fell by nearly 1/3
      In real terms, this meant steel mills in 1932 operated at 12 percent of their capacity. The auto industry operated at 20% capacity. Across the nation, factories were idled (recall Kennedy quote above).

      2. (13) Unemployment
      Between the end of 1932 and the beginning of 1933 an average of 100,000 Americans lost their jobs each week.

      By 1933 the US unemployment rate stood at over 25%. Some regions had it particularly hard. The unemployment rate in Detroit in 1932 was close to 50%.

      Note that the unemployment rate was at or above 15% (with one brief exception) for ten years and from mid 1931 to early 1935 the rate did not drop below 20%.

      How would unemployment impact families? Have students brainstorm responses.

      Self blame
      Suicide
      Loss of male authority in household

      3. (14) Bank/business Failures
      In 1930 and 31 alone, over 3,300 banks failed in the the United States resulting in the loss of billions of dollars of depositor money.

      One bank, The NewYork based Bank of the United States, collapsed in December of 1930. It held the savings of 400,000 people and when it failed losses totaled over $286 million. Most of those were small accounts of ordinary people (many were immigrants).

      Bank failures meant not only as loss of deposits, but less overall access to credit, which in turn lead to further economic contraction as businesses could not secure needed capital.

   B. Human Impact (activity - letters and photographs of the great depression)

IV. The Dust Bowl
Since World War I, farmers had stripped most of the native vegetation from marginal land on Great Plains (the Dakotas to Texas) to grow wheat. Unlike crops in the central valley, this wheat was watered with rainfall not irrigation. When a prolonged drought hit the plains in 1932, crops dies and no vegetation was left to hold the topsoil. For the next 6 years, windstorms blew away millions of tons of topsoil rendering the land useless for farming.
Farmers by the Hundreds of thousands abandoned their land and migrated west looking for work.

This tragedy was immortalized in John Steinbeck’s 1939 book, *The Grapes of Wrath*.

(Play PBS Dust Dowl video - http://www.pbs.org/kenburns/dustbowl/ video does not stream)

V. (16) Hoover’s Response to the Great Depression
(16.2) Hoover Beat Democrat Al Smith (Electoral 444 to 87, popular 58.2% to 40.8) in a bitter campaign in 1928 in which anti-Catholic and anti-immigrant rhetoric was used against the democratic candidate. Hoover promised a continuation of the prosperity of the 1920s (16.3).

The Crash occurred just 7 months of Hoover’s inauguration and within a year the nation was in the throws of the Depression.

Hoover did not ignore the Great Depression - but his response was hampered by his philosophy.

He was also not indifferent to suffering. As the head of the American Relief Administration in Europe he worked to bring food and aid to millions and was widely hailed as a humanitarian hero.

But as president, he believed government should not be involved in directly helping people because it would cause dependency and sap peoples self esteem and he feared budget deficits that might result from such government spending. He sought to keep the government out of relief efforts and instead focused on mobilizing private charity and volunteerism on private charity and volunteers.

A. (17.1) Charity and Volunteerism

(17.2) Initially Hoover believed that for the government to step in and offer direct aid would demoralize people and make them dependent. He vetoed several early attempts to provide direct relief to the unemployed.

One of his first responses was to encourage coordination of private charities and voluntary efforts cure the ills of the Great Depression.

(17.3) He created the President’s Organization for Unemployment Relief to help raise private funds for voluntary relief agencies. This failed because of the sheer magnitude of the problem.

(17.4) Hoover also created the Federal Farm Board in 1929 to promote voluntary efforts to raise farm prices (without government regulations). This failed.

(17.5) Hoover tried to get corporate leaders to pledge to voluntarily maintain employment and wage levels. But in the face of slack demand, this failed also.

Reiterate that all of these early efforts relied on voluntary efforts and shunned the use of government power. Remind students of the key question.

B. (18.1) Government programs under Hoover

Toward the Middle of his administration Hoover realized that the government would have to play a larger role.
1. (18.2) The Reconstruction Finance Corporation was created in 1932. It offered billions of dollars in loans to companies and banks in hopes that this would “trickle down.” This failed because demand remained slack. Later the RFC financed public works projects such as the Hoover dam and low cost housing.

2. (18.3) The Home Loan savings board (1932) offered money to banks and savings and loans to try to prevent failures

Key – These programs were piecemeal and did not impact the lives of ordinary people. Hoover was more willing to help banks and businesses than people. In 1932 Hoover turned down a request by the city of Chicago for aid to help it pay teachers and municipal workers. That same year he approved a 90 million loan to rescue the cities central bank.

It was not until late 1932 that Hoover authorized the RFC to make direct relief payments to the states. By then it was too little too late.

3. (18.4) Revenue Act of 1932

The Programs implemented by Hoover cost a lot of money and created the largest peacetime deficit in US History.

Hoover believed the budget needed to be balanced to do this he raised taxes on all income brackets through the Revenue Act of 1932. This had the effect of slowing the economy even further.

C. Style and the Presidency - Hoover v. FDR (19.1-3)

The election of 1932 would not only be a referendum on Hoover’s policies, it would also highlight two very different styles of leadership.

The two speeches you will listen highlight how differently the candidates presented themselves. The first is an excerpt from Hoover’s acceptance of the Republican nomination in August , 1932 and the second is the beginning of FDR’s first inaugural address in March 1933.

Go over questions on handout.

Hoover seemed distant, aloof and unconcerned with the problems of ordinary Americans (something that was reinforced by his response to the Bonus Army. When veterans from World War I occupied washington seeking relief, Hoover brought the army out to disperse them). This combined with the dismal state of the economy almost guaranteed his loss to FDR in the 1932 election.

FDR and Hoover - A comparison (activity)

a. FDR - Described as “Motivating, confident, truthful, determined, powerful, fired up, focused on ‘we’”

b. Hoover - described as “Monotone, serious, unmotivational, plain, arrogant, focused on ‘I’”
c. People believed that FDR was genuinely concerned with them, this compared favorably with Hoover, who seemed distant and detached. One observer said of Hoover, “If you put a rose in his hand, it would wilt.”

V.(20.1) Franklin Delano Roosevelt and the New Deal

A.(20.2) Biography of FDR:
1. Born to a wealthy family
2. Educated at Harvard
3. He had served under Wilson as undersecretary of the Navy
4. He had been stricken with Polio in 1921 and the disease left him partially paralyzed.
5. FDR was a reforming governor of New York first elected in 1928
6. His wife (Eleanor Roosevelt) was a democratic social reformer and was the first political spouse to play an active role in her husband’s campaigns

B.(20.3) The Election of 1932
1. Hoover stood almost no chance of winning
2. By the election unemployment stood at nearly 25%
3. When WWI 100,000 veterans had marched on Washington in June/July 1932 to demand relief (the bonus army) (21) Hoover had called out the army to suppress the uprising. His commander, Douglas McArthur exceeded Hoover’s orders and led cavalry and tanks against the unarmed demonstrators and set fire to their camp. At least one person died. For many Americans, this was proof that Hoover did not care.
4. (22) While FDR did not make his plan specific, he promised Americans a New Deal. After the disaster of the Bonus Army and the continuing suffering brought by the Depression, FDR won in a landslide (slide)

C.(23) Roosevelt’s style
1. FDR’s style played a major role in his success.
2. FDR put forth an optimistic image that reassured many Americans
3. FDR was the first president to make effective use of the radio as a means of communication with the American public
4. Fireside chats - nationally broadcast radio addresses - were meant to reassure, teach and motivate the American public to unify in support the New Deal
5. FDR used these addresses to speak directly to individual Americans
6. FDR’s first fireside chat was delivered on March 12, 1933 following FDR’s order to close all banks for 1 week to stem the growing panic.

In the first Hundred days, the president used fireside chats, short radio addresses, in which the President spoke directly to the American people to explain what he was doing and why he was doing it. His goals were threefold - to teach Americans about what was happening, to explain his administrations actions and to ask the American people for their support.

His first fireside chat was given on Sunday March 12, 1933 to explain his responses to the banking crisis. By late February of 1933, bank failures greatly escalated as a result of a panic. One of FDR’s first actions in office was to declare a national holiday between March 5 and March 12 so that the panic could be stopped and sound banks sorted out from unsound ones. As you listen, underline and label the places where FDR reassures the people, teaches the people and makes calls for unity - for Americans to come together and solve the problems posed by the current crisis.
D. (24) The Hundred Days
FDR took office without a specific plan to solve the problems of the Great Depression, but with a mandate (massive approval from the voters) and Democratic majorities in both houses of Congress.

FDR moved quickly. In the first 100 days of his presidency he proposed and Congress passed dozens of new laws designed to ease the effects of the Great Depression.

(24.2) Major Laws passed in the first hundred days of the Roosevelt administration:

- Emergency Banking Act
- Agricultural Adjustment Act
- National Industrial Recovery Act
- Federal Emergency Relief Act
- Home Owners Loan Act
- Glass-Steagall Act
- Tennessee Valley Authority Act
- Civilian Conservation Corps Act
- Securities Act

From this point forward, president’s have been judged by what they accomplish in their first three months in office (for better of worse)

1. Relief - Provide Americans with immediate relief of their suffering
2. Recovery - Programs designed to create jobs and “prime the economic pump”
3. Reform - Laws designed to fix the problems with the American financial system that led to the Great Depression in the first place

E. (27.1) FDR’s three part strategy
1. (27.2) Relief - Provide Americans with immediate relief of their suffering. This often took the form of direct cash payments or other direct assistance.
2. (28-29) Recovery - Programs designed to create jobs and “prime the economic pump”. Recovery programs sought to get money back into the hands of consumers.
3. (30) Reform - Laws designed to fix the problems with the American financial and economic system that led to the Great Depression in the first place. Examples include programs designed to (30.2) stabilize banks, (30.3) regulate the stock market and (30.4) provide workers’ rights

(31) Relief Recovery and reform activity

F. (34) Critics of the New Deal
1. (35) Critics on the Left
   a. Huey Long
     Democratic governor of Louisiana

     Initially supported the New Deal, but saw political opportunity for himself
Formed the Share Our Wealth Society which advocated confiscating wealth from the rich to pay for social services

Assassinated in 1935

(36) Father Coughlin
A Catholic Priest with a national radio program.

He advocated a guaranteed national wage and a nationalization of Banks.

His radio program often railed against the Jews and was hugely popular amongst the urban working class

(37) Francis Townsend
Didn’t think the early New Deal went far enough to protect the elderly

Called for Old Age Pensions for all people over 60.

Helped motivate the Social Security Act

2. **(38.1) Critics on the Right**
   a. **(38.2) The American Liberty League**
      Accused FDR of being a socialist and wanting to destroy business
   
   b. **(38.3) The Supreme Court and the New Deal**
      Struck down many New Deal programs. In 1937, FDR tried to get Congress to let him add new Justices to the court (Court packing), but Congress refused.
   
   c. **(38.4) Herbert Hoover**
      Hoover was ideologically opposed to the New Deal and worked to defeat FDR in 1936. The article is an excerpt from his speech at the 1936 Republican Convention. He has three main arguments against the New Deal:

      1. The New Deal move America toward the European style dictatorship (fascism, socialism) Because it does the same things that such regimes did in Europe

      Promises “of utopia to those in distress” (1)
      Fostered “class hatred”(2) - Discuss what is meant by class hatred
      Demanded “action” in terms of a “planned economy” (3), the “regimentation of industry and business” (4), putting “the government in business” (5), creating vast organizations” (6) - Discuss each of these as appropriate

      This will lead to a loss of freedom . . .

      2. The New Deal has violated the Constitution and destroyed the system of checks and balances which has eroded our traditional freedom

      The Supreme court has declared 10-12 New Deal programs unconstitutional (7), “These acts were a violation of the rights of men and self government” (8), Congress is no longer checking the power of the President (9)

      **Either we have a society based on ordered liberty and the initiative of the individual,
or we shall have a planned society that means dictation” (15)**

And Bankruptcy

3. The New Deal will bankrupt the Nation. “Billions have been spent to prime the economic pump” (10), taxes are being raised to pay for this spending (11), The current generation’s grandchildren will have to pay the debt (12) Freedom has turned into slavey to pay for the “follies of government” (13), Debt from ND is worse than for WWI (14)

VI. The Impact of the Great Depression and New Deal on the Diverse American Population
   A. Women
   B. African Americans
   C. Native American
   D. Mexican Americans
   E. The New Deal coalition and the election of 1936

7. Was the New Deal Successful?