

The Great Depression

- Several factors caused the Depression
 - **Uneven distribution of income in 1920's**
 - Biz owners & stockholders held onto profits
 - Didn't pass profits on to workers as wage hikes
 - *Rich got richer – poor got poorer*
 - American production outpaced consumer demand
 - **Easy credit**
 - People fell into debt with availability of installment plans and buying stock on margin
 - Farmers had same problems
 - **Unbalanced foreign trade**
 - U.S. protected domestic companies with tariffs
 - **Hawley-Smoot Tariff Act (1930)** highest in U.S. history
 - Foreigners goods dropped off – so did purchases of U.S. good by foreign countries
 - Trade war – U.S. businesses end up getting hurt
 - **Mechanization of U.S. factories put many people out of work**
 - Less employed workers meant less people bought goods
- **Between 1929 & 1932 – 85K businesses shut down**
 - **400K farms** lost to foreclosure or bankruptcy
 - **1/4 of U.S. banks failed** – 9 million savings accts. Vanish
 - **1/4 of U.S. workforce became unemployed**
- **People were pretty much on their own**
 - No direct govt. relief programs (welfare, Soc. Sec., etc.)
 - Many people reduced to going through garbage or begging

- Also rise of **hobos** – ride trains X-country looking for work
- **People felt shame, humiliation in poverty – suicide rate up**
- **When unemployment got high, women were expected to step aside so that men could take the available jobs**
 - Men were the “providers” for their families
 - Even though 13% of U.S. women were sole providers for families
- **Children’s programs (schools, health programs) often the first cut**
- **Farmers in Dust Bowl ravaged by drought**
- **People in general had to learn to live on a lot less.**
 - WWI vets that were promised bonuses for their service demanded early payment (bonuses were to be paid in 1945)
 - 17K vets marched on Washington D.C. in 1932 – the **Bonus Army**
 - They set up camp on outskirts of D.C.
 - Lobbied Congress for early payment – would help relieve suffering caused by Depression
 - Senate refused to approve payment
 - U.S. troops led by MacArthur and Eisenhower had to chase the Bonus Army from their camps
- **Hoover Admin believed that govt. should not interfere with the economy** – problems were market’s way of correcting gap between supply and demand
 - **Hoover eventually acted – tried to build confidence**, asked biz not to lay off workers, asked farmers to reduce production, etc.
 - Authorized some fed. building projects (Boulder Dam) to create jobs

- Created the **Reconstruction Finance Corp.** to give loans to banks & biz to get them back on their feet
 - Too little, too late
 - *Demo dominated Congress hoped people would blame the Depression on Hoover & Reps. & vote Demo in '32*
- Hoover did not believe in big govt. intervention in Depression
 - **Rugged Individualism** – individuals & local govt. should take care of social problems
 - Hoover believed govt. handouts would hurt people's self respect – individual effort & charity were the best cures
- **The Demos nominated FDR for Prez in 1932**
 - He accepted the nomination & promised Americans a **"New Deal"**
 - Hired a group of advisors known as the **"brain trust"** to develop economic & social programs
 - Confident, optimistic FDR easily beat tired, gloomy Hoover
- FDR refused to take part in any actions to end the Depression before he was officially sworn in
 - Further hurt Hoover's image – helped FDR's – **"the deliverer"**
- Inaugural address revealed his confidence
 - **"The only thing we have to fear is fear itself"**
- **FDR had suffered paralysis from polio in 1921**
 - Worked hard to regain ability to walk
 - Out of respect for FDR, the press rarely photographed him while in his wheel chair
- **FDR created an effective, bi-partisan (from both parties) cabinet that worked well together**

- Used experts from numerous professions to solve problems facing the nation
 - One of the best – **Harry Hopkins** – advocated **work relief rather than \$ relief**
 - Working provides \$ for needs & gives confidence & self-respect
 - **Frances Perkins**, Sec. of Labor, became the **1st female cabinet member in U.S. history**
- **FDR's most important friend & advisor** was his wife, **Eleanor** (actually his cousin – niece of Teddy Roosevelt)
 - A very active First Lady – especially in women's issues
 - Very committed to bringing an end to the Depression
- **FDR's 1st act as Prez** was to order a **bank holiday** (3/6/33)
 - **Closed them to stop runs on the banks**
 - *3/9/33 – Emergency Banking Relief Act passed in emergency session of Congress – banks must be inspected & found to be healthy before reopening*
 - Banks were scheduled to reopen 3/12/33
- In order for his banking plan to be successful, FDR had to convince Americans that it was safe to put their money back into the banks
 - Addressed the nation in the 1st of his **"fireside chats"**, radio speeches in which FDR spoke in calm, reassuring tones as if he were speaking directly to each listener
 - FDR 1st Prez to use radio regularly
 - People listened and returned their money – the Depression had reached its deepest point
 - Now was the time for FDR to begin his plan for the recovery of the nation – The New Deal