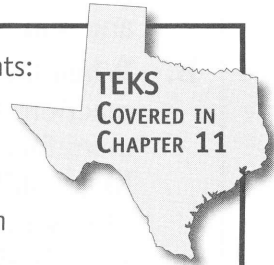


THE GREAT DEPRESSION AND THE NEW DEAL



- **History 2(D)** Explain the significance of the following years as turning points: 1929 (the Great Depression begins)
- **Geography 12(A)** Analyze the impact of physical and human geographic factors [on] the ... Dust Bowl
- **Economics 15(E)** Describe the emergence of monetary policy in the United States, including the Federal Reserve Act of 1913 and the shifting trend from a gold standard to fiat money.
- **Economics 16(B)** Identify the causes of the Great Depression, including the impact of tariffs on world trade, stock market speculation, bank failures, and the monetary policy of the Federal Reserve System.
- **Economics 16(C)** Analyze the effects of the Great Depression on the U.S. economy and society such as widespread unemployment and deportation and repatriation of people of European and Mexican heritage and others.
- **Economics 16(D)** Compare the New Deal policies and its opponents' approaches to resolving the economic effects of the Great Depression.
- **Economics 16(E)** Describe how various New Deal agencies and programs, including the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, and the Social Security Administration, continue to affect the lives of U.S. citizens.
- **Government 19(A)** Evaluate the impact of New Deal legislation on the historical roles of state and federal government.
- **Government 19(B)** Explain constitutional issues raised by federal government policy changes during times of significant events, including the Great Depression.
- **Government 20(B)** Evaluate the impact of relationships among the legislative, executive, and judicial branches of government, including Franklin D. Roosevelt's attempt to increase the number of U.S. Supreme Court justices
- **Culture 26(D)** Identify the political, social, and economic contributions of women such as Eleanor Roosevelt to American society.

In this chapter, you will learn how the prosperity of the 1920s was suddenly cut short by the Great Depression. Under President Franklin D. Roosevelt, the federal government intervened on a massive scale to revitalize the economy.

KEY TERMS AND PEOPLE IN THIS CHAPTER

- | | | |
|-------------------------|----------------------------|------------------------------------|
| ■ Great Depression | ■ "Hoovervilles" | ■ Civilian Conservation Corps |
| ■ Herbert Hoover | ■ Fireside Chats | ■ Federal Reserve |
| ■ Franklin D. Roosevelt | ■ Eleanor Roosevelt | ■ Gold Standard |
| ■ John Steinbeck | ■ Relief, Recovery, Reform | ■ Fiat Money |
| ■ Dorothea Lange | ■ National Recovery Adm. | ■ Twenty-second Amendment |
| ■ Dust Bowl | ■ Banking Crisis | ■ <i>Schechter Poultry v. U.S.</i> |
| ■ New Deal | ■ Agric. Adjustment Acts | ■ Court-packing Plan |

— IMPORTANT IDEAS —

- A. The **Great Depression** had several causes. Manufacturers were producing more goods than consumers could buy. People were speculating in the stock market and real estate, driving up prices. Tariff barriers reduced international trade.
- B. When the **New York Stock Market** crashed in October 1929, it set off a chain reaction. Investors lost savings; companies could not sell stocks to raise money; manufacturers closed factories; prices dropped; and unemployment grew. Make-shift shanty homes, known as “**Hoovervilles**,” grew up on the outskirts of towns. Many people relied on soup kitchens for food. **Dorothea Lange** and **John Steinbeck** depicted the human suffering of the Great Depression.
- C. On the Great Plains, a spell of dry weather in the 1930s turned the soil into dust. Farmers had to leave the “**Dust Bowl**.” Many farmers migrated to California.
- D. About half a million Mexican-American workers were forcibly sent back to Mexico because of the **Mexican Repatriation** program.
- E. The **supply of money** in the economy affects the rate of economic activity. Some economists believe the **Federal Reserve Board** reduced the money supply during the Great Depression when it should have expanded it.
- F. During the Great Depression, women often had the job of holding things in the family together when their husbands were unemployed. First Lady **Eleanor Roosevelt** addressed women directly in her book, *Its Up to the Women*.
- G. Most Americans felt **President Hoover** did too little, too late to combat the Great Depression. He cut taxes and established the **Reconstruction Finance Corporation** to make loans to banks and businesses. But he failed to provide direct emergency relief since he feared undermining American’s “**rugged individualism**.”
- H. Roosevelt’s **New Deal** consisted of measures of **Relief, Recovery, and Reform**. For relief, he declared a **Bank Holiday**, made emergency loans to home owners, and gave the unemployed jobs through work-relief projects. For recovery, he sought to “**prime the pump**” by putting money into the economy to get it going. He established voluntary codes for businesses to follow, and passed legislation to keep farm prices up. For reform, Roosevelt proposed **Social Security**, a program with insurance for the unemployed or retired, in order to provide a safety net. He also introduced the **FDIC** to protect bank deposits and the **Securities and Exchange Commission** to prevent fraud on the stock market.
- J. There were many critics of the New Deal. **Father Conklin, Francis Townsend** and **Huey Long** proposed giving government money directly to the needy.
- K. The U.S. Supreme Court overruled part of the New Deal in *Schechter v. U.S.*, on the grounds that Congress could not give the President powers that were not granted directly or indirectly in the Constitution. Roosevelt developed a **Court-packing Scheme**, where he proposed that the President appoint an additional Justice to the Court for each one over the age of 70½. This plan was rejected by Congress and the American public as an attempt to upset the traditional balance of power that existed in American government.

ESSENTIAL QUESTIONS

- What were the causes of the Great Depression?
- Why was Herbert Hoover unable to cope with the Great Depression?
- What were the effects of the Great Depression?
- How did the New Deal offer a new approach to confronting the Depression?

THE GREAT DEPRESSION, 1929-1940

Economies historically pass through good and bad periods that regularly repeat themselves. These up-and-down periods of business activity are referred to as the **business cycle**. The bad times are called **depressions** — characterized by business failures, high unemployment, and falling prices. The **Great Depression** was the worst depression in our nation's history.

CAUSES OF THE GREAT DEPRESSION

A variety of factors caused the economy to move from the prosperity of the 1920s to the severe depression of the 1930s.

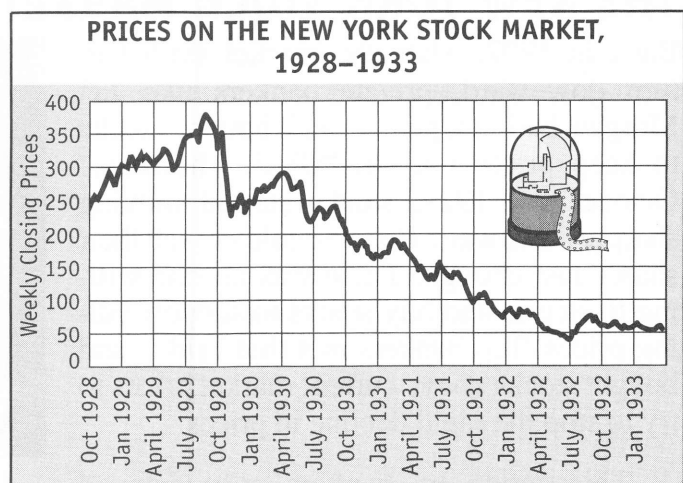
OVERPRODUCTION

The 1920s had witnessed rapid economic expansion as manufacturers made and sold new products like cars, radios, and refrigerators. Many consumers, however, lacked the money to buy these goods. Manufacturers were soon producing more goods than they could sell.

SPECULATION

In the 1920s, stocks soared in value. As you learned in Chapter 10, many people bought stocks hoping to “get rich quick.” This drove stock prices ever higher. Each day the speculative boom on the stock market saw more people investing in Wall Street. By 1929, stock prices had tripled since 1920.

Buying on Margin. In the 1920s, stocks could be purchased for a 10% down-payment, called a **margin**. The rest of the price was financed by a loan from the stock broker. It was similar to making a purchase on the installment plan. The buyer paid only 10% of the stock's value and promised to pay the rest when the stock was sold.



If the stock's price fell, the purchaser was still responsible for the whole price he or she had promised to pay. As long as the stock prices kept going up, this was not a problem. But if prices dropped, buyers on margin often did not have enough of their own money to cover such losses. People also invested in real estate with similar hopes of getting rich quickly. The frenzy of stock market and real estate speculation created an atmosphere of easy money.

SHAKY BANKING

Banks generally collect money from depositors and then invest these funds in businesses. This enables them to earn money to pay **interest** on deposits. The vast majority of American bankers in the 1920s were honest and followed established banking practices. But some bankers invested their depositors' money in unsound investments. The government failed to effectively regulate either the banking system or the stock market. Consumers also bought more than they could afford. This vast over-extension of credit made the entire American economy extremely vulnerable.

RESTRICTED INTERNATIONAL TRADE

American tariffs protected American markets, but they made it hard for producers to sell abroad since other countries retaliated by setting up high tariffs of their own. In 1930, President Hoover signed the highest tariff in U.S. history. The shrinking of world trade contributed to the Great Depression.

THE GREAT DEPRESSION BEGINS

When the New York Stock Market crashed in 1929, it set off a chain reaction that toppled the American economy and quickly spread to the rest of the world.

THE NEW YORK STOCK MARKET CRASH

Back in 1907, when the market started to turn downward, private bankers like J.P. Morgan had stepped in and bought stocks to keep prices up. On "Black Thursday," October 24, 1929, stocks started moving sharply downward. People could not sell their shares fast enough. There was no one willing to step in and buy stocks to support falling prices. Top bankers met that Friday and bought stocks above current market prices to try to stop the rapid decline in prices.

This action by bankers only delayed the collapse by a few days. On October 29, known as "**Black Tuesday**," the dam burst. Stock prices kept falling faster and faster. Prices were soon at all-time lows. The market had crashed.



Crowds gather near the New York Stock Exchange as stock prices tumble.

FROM WALL STREET TO MAIN STREET

After the stock market crash, corporations could no longer raise funds. People who lost their money in the stock market could not repay their loans or rents, leading to bank failures. Thousands of people lost their life savings.

In this new economic climate, the demand for goods decreased. As prices fell, factories closed, and workers lost their jobs. Demand was reduced still further, causing prices to fall even more. Other factories closed, and the country became caught in the grips of a vicious downward spiral. People could not pay their rents or mortgages, and people lost their homes. There was no one to buy the foreclosed houses and home prices plummeted downward. Without any kind of “safety net,” such as unemployment insurance, hundreds of thousands of American workers found themselves living on the street or in makeshift shacks.

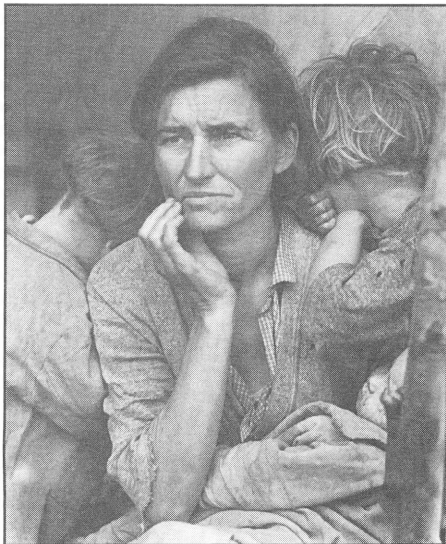


Many Americans lost their homes in the Depression.

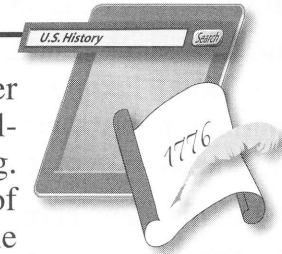
THE HUMAN IMPACT OF THE DEPRESSION

The Great Depression was a national nightmare. During the 1920s, many Americans had started to equate their self-worth with their material possessions. When the Great Depression struck, people felt worthless. The reality of economic chaos and confusion replaced the nation’s traditional optimistic outlook. People waited for events to turn, spinning in circles as they fought for their daily survival. Businesses failed, farmers lost their farms, banks failed, and millions of people were out of work. There was no unemployment insurance or bank deposit insurance. Private charities were overwhelmed. People were homeless and went hungry. Millions depended on soup kitchens for their food.

Writers like **John Steinbeck** and photographers like **Dorothea Lange** recorded the misery of the Great Depression.



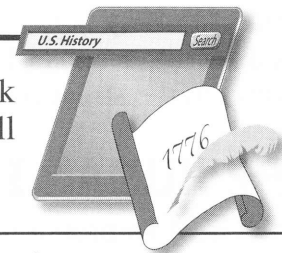
ACTING AS AN AMATEUR HISTORIAN



As a child, **Dorothea Lange** had suffered from polio, and her father left her family when she was only twelve. Her childhood difficulties seemed to give her a deep sense of other people's suffering. When she was hired by the government to photograph the effects of the Great Depression, her images revealed her compassion for the poor and destitute she saw around her.

How do the two images by Lange on the bottom of the previous page capture the suffering experienced by many Americans during the Great Depression?

ACTING AS AN AMATEUR HISTORIAN



Although many historians point to the 1929 New York Stock Market Crash as a major cause of the Great Depression, not all experts share this view:

"Much mythology surrounds these dramatic events in 1929. Perhaps the most [enduring] misconception portrays the Crash as the cause of the Great Depression. The disagreeable truth is that [historians] have been unable to demonstrate an appreciable cause-and-effect link between the Crash and the Great Depression. So, legend to the contrary, the average American — a description that in this case encompasses at least 97.5 percent of the population — owned no stock in 1929. Accordingly, the Crash had little direct economic effect on the typical American. The Depression, however, would be another story."

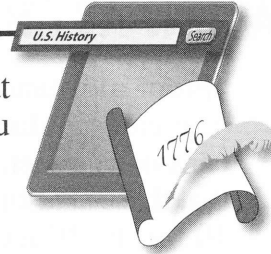
— David Kennedy, *Freedom from Fear* (1999)

"Most academic experts agree on one aspect of the crash: It wiped out billions of dollars of wealth in one day, and immediately depressed consumer buying. 'If you look at sales of consumer goods, particularly radios or automobiles, you will see they fell dramatically,' said Economics Professor John Galbraith. 'The crash had the impact of glass shattering, and while other more essential factors took over as the Depression wore on — universal fear, the slump in agricultural production because of drought, the decline in business investment — it is hard to argue that the collapse of the market did not start things in motion.'"

— Albert Scardino, *Did the '29 Crash Spark the Great Depression?* (1987)

- ★ How do the views of these writers on the relationship of the Stock Market Crash to the Great Depression compare?
- ★ Which writer do you most agree with? Explain your answer.

ACTING AS AN AMATEUR HISTORIAN



In 1932, a young lyricist named E.Y. Harburg wrote the song that became the anthem of the Great Depression, “Brother, Can You Spare a Dime?”:

“They used to tell me I was building a dream, and so I followed
the mob,
When there was earth to plow, or guns to bear, I was always there right on the job.
They used to tell me I was building a dream, with peace and glory ahead,
Why should I be standing in line, just waiting for bread?

Once I built a railroad, I made it run, made it race against time.
Once I built a railroad; now it’s done. Brother, can you spare a dime?
Once I built a tower, up to the sun, brick, and rivet, and lime;
Once I built a tower, now it’s done. Brother, can you spare a dime?”

- ★ The song lists several accomplishments of the singer: “I built a railroad,” “I built a tower.” What point was the songwriter trying to make?
- ★ One key phrase seems to summarize Harburg’s message: “Brother, Can You Spare a Dime.” Why does that phrase continue to “speak” to listeners even today?

THE DUST BOWL

During the 1930s, farmers on the Great Plains faced a natural disaster as well as financial disaster. Since the 1870s, farmers had been tilling the Great Plains, cutting the grasses covering the topsoil, and tapping underground water supplies. A series of droughts (*long periods without rain*) in the early 1930s dried up crops and topsoil, turning the soil to dust. The ground cover that had held the soil in place was now gone. Lasting for a decade, heavy winds carried topsoil across hundreds of miles, burying homes and destroying harvests. Unable to grow enough to pay their bills, farmers were forced to abandon their farms. Many farmers moved west to California. Over one million farmers were driven from their lands by the “**dust bowl**.”

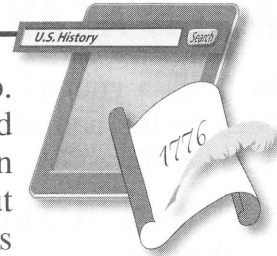


A farm buried under a sea of dust.

John Steinbeck wrote a series of articles on these **Oakies** — farmers from Oklahoma who moved to migrant worker camps in California. In 1936, Steinbeck published *The Harvest Gypsies*, a series of articles first printed in the *San Francisco News*, based on his own research on migrant workers living in California during the Great Depression. This research later provided the background for his famous novel, *The Grapes of Wrath*.

ACTING AS AN AMATEUR HISTORIAN

“From a distance the squatters’ camp looks like a city dump. You can see dirty rags and houses built of weeds, of flattened cans or of paper. It is only on close approach that it can be seen that these are homes. Here is a house built by a family. It is about 10 feet by 10 feet, and it is built of corrugated paper. The walls are tacked to a wooden frame. The dirt floor is swept clean, and along the irrigation ditch or in the muddy river the wife scrubs clothes without soap and tries to rinse out the mud in muddy water. The spirit of this family is not quite broken, for the children still have clothes, and the family possesses three old quilts and a soggy, lumpy mattress. Money for food cannot be used for soap or clothes. With the first rain the house [becomes] a brown, pulpy mush; in a few months the clothes will fray off the children’s bodies while the lack of nourishing food will subject the family to pneumonia when the first cold comes.”



What surprises you most about this account of the condition of the migrants living in California during the Great Depression? Explain your answer.

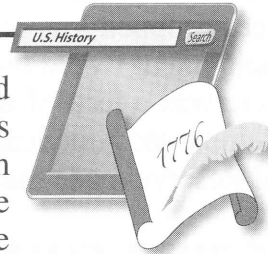
MEXICAN REPATRIATION

The Immigration Acts of the 1920s had imposed quotas on immigrants from Europe but not from Mexico or the rest of the Americas. Mexicans freely entered the United States so long as they passed a medical and literacy test (in Spanish) and paid a small tax. Many came to escape the turmoil in Mexico caused by the Mexican Revolution. In the United States, they were generally willing to accept back-breaking work for low wages. Many settled in “barrios” (*Mexican-American neighborhoods*) in California, Texas or the Southwest. In Texas, Mexican Americans were barred from attending “white” public schools. They also faced other acts of prejudice.



Mexican Americans faced segregation in the South just like African Americans.

With less demand for labor during the Depression, white American farmers were in desperate need of work and sought jobs filled by Mexican-American immigrants. As public hostility to Mexican immigrants grew, it became more difficult for Mexicans to enter the United States. Only 33,000 were granted visas for the entire decade, compared to half a million in the 1920s. President Hoover authorized a special **Mexican Repatriation Act** to send Mexican-American immigrants back to Mexico. More than half a million Mexican Americans were forcibly sent back to Mexico during the Great Depression. Many of them may have been lawful American citizens who became separated from their families.

ACTING AS AN AMATEUR HISTORIAN

“Employers pushed repatriation efforts as private charities and government agencies provided railroad transportation for tens of thousands of Mexicans to their ‘homeland.’ ‘[Immigration officials] put all the people in the boxcars instead of inside the trains,’ a witness recalled. They were in here illegally but the moral part of it, the separation and putting them in boxcars, I’ll never forget it as long as I live.’

Many of the ‘repatriates’ were children born in the United States. The Los Angeles Chamber of Commerce estimated that 60 percent of the ‘repatriated’ children were American citizens without much hope of ever coming back to the United States.

Repatriation was an employment program for whites — a way to remove surplus Mexican laborers and preserve the few remaining jobs for white workers. Even as they supported repatriation, however, employers viewed the action as temporary The border existed only when Mexican labor was not needed.”

— Professor Ronald Takaki, *A Different Mirror: A History of Multicultural America* (1993).

- ★ What are this historian’s feelings about the Mexican Repatriation program? Explain your answer.
- ★ Suppose you were a lawyer who had to argue before the U.S. Supreme Court either for or against the Mexican Repatriation program. Write a brief (*a short written argument*) for either side.

HOOVER FAILS TO HALT THE DEPRESSION

In the months leading up to the Presidential election of 1928, Herbert Hoover had conducted a study of American society. He had hoped to use this information to promote national economic development and to relieve poverty. But by 1932, the leader who had once been one of the most respected men in the nation had become one of the most despised. Hoover’s name became identified with the Great Depression. Despite the spiraling economic catastrophe, President Hoover had remained true to his conviction in *laissez-faire* capitalism.

HOOVER’S PHILOSOPHY

Despite rising unemployment, Hoover had rejected demands for the federal government to provide direct payments to the unemployed and needy. He believed that this would reduce the incentive to work, undermining Americans’ “rugged individualism.” Instead, Hoover believed that voluntary private organizations should provide such emergency relief. Hoover believed it was not the role of government to step in for voluntary philanthropy.

Following the advice of most leading economists of his day, Hoover believed that when prices dropped low enough, people would resume buying, production would pick up, and employment would increase again. Unfortunately, his predictions turned out to be incorrect. There was a lack of **aggregate** (*total*) **demand**, preventing the economy from recovering. Unemployed Americans could not buy more goods, no matter how little they cost. The Federal Reserve made matters worse by reducing the money supply rather than increasing it.

HOOVER FINALLY RESPONDS

Hoover cut taxes, increased federal spending on public projects, and directed a federal agency to buy surplus farm crops. In 1932, Hoover established the **Reconstruction Finance Corporation** to give emergency loans to banks and businesses, believing that cheap loans would spur business. He thought this expansion would eventually “trickle down” to the average American. However, Hoover’s policies were seen as too little, too late.

Americans found Hoover’s lack of leadership frustrating. Many families lost their homes because they were unable to pay their mortgages. Some families were lucky enough to move in with friends or family. Others were forced to take up residence in shacks as their only form of shelter. Shanty towns of the homeless and unemployed, called “**Hoovervilles**,” sprang up on the outskirts of cities. Between 1929 and 1933, about 100,000 American businesses failed. By 1932, at the end of Hoover’s term, unemployment had reached 13 million people — nearly 25% of the nation’s work force.

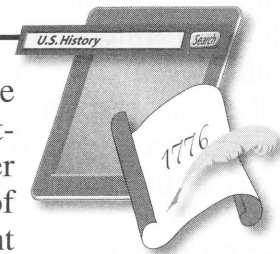


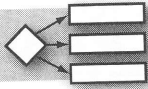
A typical “Hooverville.”

ACTING AS AN AMATEUR HISTORIAN

Imagine you are a young person from a middle-class family at the beginning of the Great Depression. Your family has lost its investments in the stock market and its savings in the bank. Your father has also recently lost his job at a company that has gone out of business. Your parents have no money to pay the mortgage or rent on your home.

- ★ Write a letter to your best friend explaining your worries and what you think might happen to your family.
- ★ Research how the causes of the Great Depression compare to the causes of the recent financial downturn in the U.S. economy. What factors were similar to both? Which aspects were different?

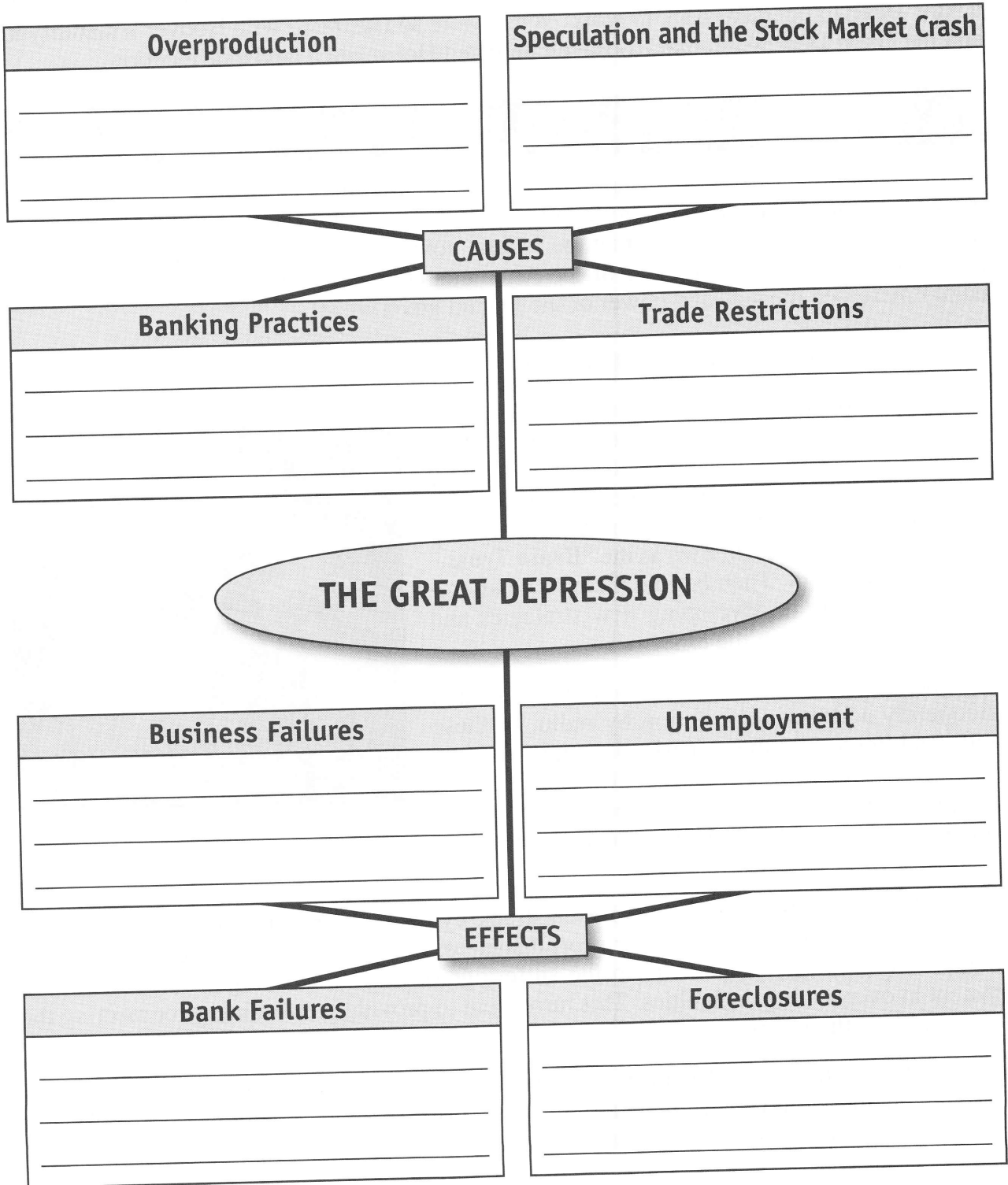




LEARNING WITH GRAPHIC ORGANIZERS



Complete the graphic organizer below by describing the principal causes and effects of the Great Depression.



FRANKLIN ROOSEVELT AND THE NEW DEAL

During the Great Depression, the greatest problem facing Americans was widespread unemployment. **Franklin D. Roosevelt**, the Governor of New York, was nominated as the Democratic candidate in the Presidential election of 1932. Roosevelt promised Americans a **New Deal**, to put them back to work. Voters were so frustrated with Hoover's inability to end the Great Depression that Roosevelt defeated Hoover in a landslide election.

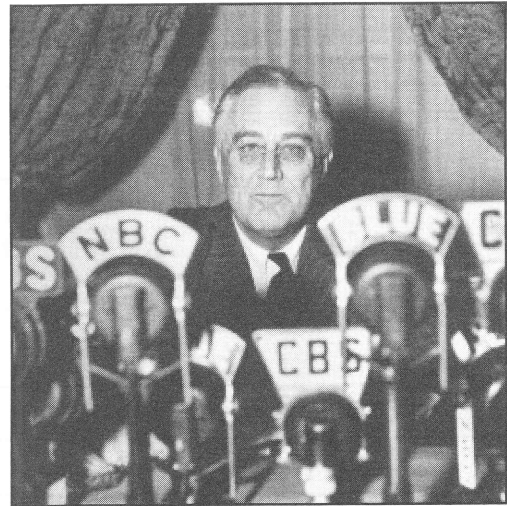
ROOSEVELT'S PHILOSOPHY AND STYLE

Roosevelt's New Deal was a major turning point in American history. The New Deal marked an end to the view that government and the economy should be completely separate. It established the principle that the federal government bears the chief responsibility for ensuring the smooth running of the American economy. The New Deal also permanently increased the size and power of the federal government.

A NEW STYLE OF LEADERSHIP

President Roosevelt saw the Depression as a national emergency. He believed it was the President's task to find a way back to prosperity. Roosevelt brought a new style of leadership to the Presidency. He assembled a group of talented people from leading American universities, known as the "**Brain Trust**," to serve under him. Then he told them to be as creative as possible in developing new strategies and programs to deal with the crisis.

Roosevelt was an excellent communicator and frequently addressed the nation by radio. In these radio addresses to the American people, known as "**fireside chats**," he explained his policies in simple conversational terms. Roosevelt presented himself as an optimist in order to restore public confidence.



Roosevelt speaks during a "fireside chat."

At the age of 39, Roosevelt had been struck by polio. He had become unable to walk except with the use of crutches for short distances. His experiences in overcoming polio made him uniquely sympathetic to the sufferings of others, and taught him to be more patient in overcoming difficulties. This turned out to provide great training for meeting the challenges of the Depression.

The President's wife, **Eleanor Roosevelt**, served as his eyes and ears by traveling throughout the country, and later around the world. A political activist, she spoke out strongly for women's rights, the cause of peace, and the poor.

WOMEN IN THE GREAT DEPRESSION

Women often experienced the Depression as mothers and homemakers. While men tried to find new jobs, women had the quiet but demanding task of making ends meet — cooking, cleaning, and caring for children.

In 1933, Eleanor Roosevelt rallied women with her book, *It's Up to the Women*. She called on them to pull their families through the crisis: “The women know that life must go on and the needs of life must be met and it is their courage which, time and again, have pulled us through worse crises than the present one.”



Eleanor Roosevelt
(1884–1962)

Another prominent woman reformer, **Frances Perkins**, became the first female member of the U.S. Cabinet when she was appointed Secretary of Labor in 1933. Perkins remained at this post for 12 years, overseeing the Civil Conservation Corps and the Public Works Administration. She played a key role in the passage of the Fair Labor Standards Act, the National Labor Relations Act, and the Social Security Act.

NEW DEAL LEGISLATION: RELIEF, RECOVERY, REFORM

In his First Inaugural Address, President Roosevelt attempted to calm the American people, reassuring them that the “only thing we have to fear is fear itself.” He also blamed the selfishness of bankers and financiers for the current crisis. As soon as Roosevelt took office, he called Congress into special session. Roosevelt then pushed through legislation that would have been difficult to pass in less critical times. The President immediately began to submit a flood of measures for Congressional approval. Virtually all of the important bills he submitted in these **First Hundred Days** were enacted by Congress. Roosevelt explained these New Deal measures in terms of the three R’s — **Relief, Recovery, and Reform**.

RELIEF

Relief measures were short-term actions designed to tide people over until the economy recovered. They were especially important in the first years of the New Deal.

★ **The Banking Crisis.** If depositors feared a bank was unsound, they would remove their funds. Often, this news would spread to others, causing bank customers to also withdraw their money before it was too late. These runs on banks were widespread during the early days of the Depression. Ten thousand banks had failed during the Great Depression. To stabilize the banking situation and restore consumer confidence, Roosevelt immediately declared a **Bank Holiday**, closing all of the nation’s banks. Each bank was permitted to reopen only after government inspectors found the bank to be financially sound.

- ★ **Relief to Homeowners and Farmowners.** Many homeowners and farmers were unable to make payments on their mortgages (*money owned to a bank*). Banks seized their property and forced them out of their homes and farms. The government passed legislation making emergency loans available.
- ★ **Relief for the Unemployed.** Over one-quarter of the nation's workforce was unemployed. There was no unemployment insurance, and many of the unemployed were without food or shelter. Roosevelt favored "work-relief," giving people emergency public jobs:

Federal Emergency Relief Act (1933) funded state and local governments to provide emergency relief, and enabled millions of people to be hired on "make-work" projects.

Civilian Conservation Corps (1933) gave jobs to young men, such as planting trees and cleaning up forests. Members of the CCC lived in camps and received free food. Most of their pay was sent to their parents.

"RELIEF" LEGISLATION DURING THE NEW DEAL

Public Works Administration (1933) created federal jobs by building public projects, such as schools, roads, courts, post offices, and bridges.

Works Progress Administration (1935) (WPA) created jobs by hiring artists, writers, and musicians to paint murals, produce plays, and create other artworks.

RECOVERY

Roosevelt realized that the key to recovery was to stimulate demand. His recovery measures were designed to restore the economy by increasing incentives to produce and by rebuilding people's purchasing power.

Priming the Pump. Roosevelt believed in pouring money into the economy to get it working again. By putting government money into consumers' hands, they would spend more, increasing the demand for products. This would lead to more workers being hired, further increasing purchasing power and consumer demand.

"RECOVERY" MEASURES DURING THE NEW DEAL

National Recovery Administration (1933) asked businesses to voluntarily follow codes which set standard prices, production limits, and minimum wages. In 1935, the Supreme Court found the NRA unconstitutional because the federal government had no power to interfere with business activities conducted within a state.

Agricultural Adjustment Acts. In the first "AAA," the government paid farmers to plant less in the hope of increasing crop prices. In 1936, the Supreme Court declared the AAA unconstitutional. The second AAA (1938) succeeded in raising farm prices. Under this act, the government bought farm surpluses and stored them in warehouses until prices went up.

REFORM

Reform measures were aimed at remedying defects in the structure of the American economy in order to ensure that such a severe Depression would never strike again. Many reform measures were based on the belief that government should protect individuals against risks they could not handle on their own.

Federal Deposit Insurance Corporation (1933) insured bank deposits so that people would not lose their savings in the event of a bank failure.

"REFORM" LEGISLATION DURING THE NEW DEAL

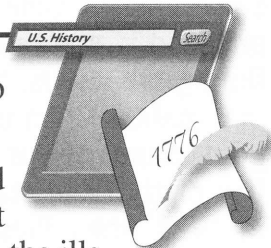
Tennessee Valley Authority (1933) built 21 government-owned dams along the Tennessee River, controlling floods and producing electricity. Some feared the "TVA" as a form of socialism.

Securities and Exchange Commission (1934) was created to watch over the stock market, prevent fraud and guard against another stock market collapse.

National Labor Relations Act (1935), often called the **Wagner Act**, gave workers the right to form unions, to bargain collectively, and to submit grievances to a National Labor Relations Board.

Social Security Act (1935) was probably the most important measure of the New Deal. It provided workers with unemployment insurance, old age pensions, and insurance if they died early. Workers and their employers each paid new contributions to fund these benefits.

ACTING AS AN AMATEUR HISTORIAN



In 1935, Secretary of Labor Frances Perkins delivered a radio broadcast to explain Social Security to the American people:

“The process of recovery is not simple. We cannot be satisfied merely with arrangements which will tide us over the present emergencies. We must devise plans that will not merely [lessen] the ills of today, but prevent, as far as it is possible, their recurrence in the future. The task of recovery is inseparable from the task of social reconstruction. Among the objectives of that reconstruction, President Roosevelt in his message to Congress placed “the security of the men, women and children of the nation first.” He went on to suggest that social insurances ... will provide safeguards against ‘misfortunes which cannot be wholly eliminated in this man-made world of ours.’

Social Security, the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), and the Tennessee Valley Authority (TVA) still affect us today. Choose one of these programs and explain how it continues to affect us.

MONETARY POLICY

In addition to his fiscal policies, Roosevelt also relied on monetary policy. **Monetary policy** refers to the government's ability to control how much money is in the economy — or the nation's **money supply**. Money is made up not only of dollars in circulation but also of bank deposits and credit. The money supply affects the overall amount of business activity. You should recall that the **Federal Reserve Act (1913)** established the Federal Reserve System, whose main role is to reduce swings in the economy by controlling the ability of banks to lend money, which affects money supply.

During an Economic Downturn. When there is an economic downturn, the Federal Reserve generally increases the amount of money in circulation. As money is pumped into the system, interest rates fall since banks wish to lend money. Businesses and individuals borrow more money because borrowing costs are less. Greater borrowing in the economy leads to increased spending. More spending in the economy stimulates greater production and employment.

During Times of Economic Prosperity. When the economy is prospering, prices rise as demand outstrips supply, workers demand higher wages, and investors pump money into speculative ventures. These rising prices are known as inflation. To reduce **inflation**, the Federal Reserve does just the opposite of what it does in hard times. It acts to reduce the money supply by limiting the amount of money available to banks. By limiting the amount of money available, interest rates go up. As a result, fewer loans are made to businesses or individuals. With tighter money, people borrow and spend less, and the pace of economic activity is slowed.

THE GOLD STANDARD AND FIAT MONEY

Since ancient times, gold and silver have provided two accepted forms of exchange. During the 1800s, the United States had a bi-metallic system of money. It was on the **gold standard** but silver was also traded. Use of the gold standard came to an end in 1933 when President Roosevelt issued an Executive Order outlawing the ownership of gold, except for jewelry. Roosevelt wanted people to rely on paper money (**fiat money**), in order to expand the money supply and stimulate economic activity.



Fiat money.

Today, most countries in the world, including the United States, use fiat money. Fiat money is printed paper currency. It has no intrinsic value, except when it is accepted as a medium of exchange.

THE IMPACT OF THE NEW DEAL ON LABOR

The greatest growth in union membership in American history took place in the 1930s as a result of the New Deal. Roosevelt sought to raise the wages of labor to help fight the Depression.

Norris-LaGuardia Act (1932) prohibited the use of injunctions against peaceful strikes.

NEW DEAL LEGISLATION FAVORABLE TO LABOR

National Industrial Recovery Act (1933) guaranteed workers the right to form unions. Employers could not refuse to hire union members. This act was declared unconstitutional in 1935, but was replaced by the Wagner Act.

Wagner Act (1935) greatly stimulated the unionization of American workers by protecting the right of unions to bargain collectively with their employers. Union membership grew rapidly with this new law.

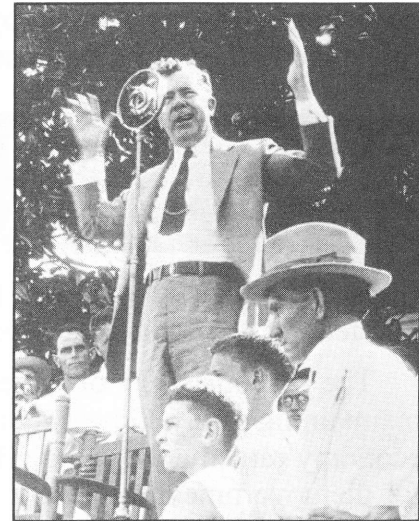
REACTIONS TO THE NEW DEAL

Although the New Deal was generally popular, Roosevelt did face criticism. Some of his critics proposed alternative approaches to dealing with the Depression. Conservative critics like the **Liberty League**, charged Roosevelt with being a “traitor to his class,” and attempting to establish a popular dictatorship.

Radical critics felt that Roosevelt did not go far enough in reforming the American economy. Dr. **Francis Townsend** wanted to give citizens over 65 years old a pension of \$200 a month, to be spent within the month. Townsend believed these pensioners would soon spend the money and this would create new jobs, bringing an end to the Depression.

U.S. Senator and former Governor of Louisiana, **Huey Long**, promised to give each American family an income of \$5,000 a year, to be paid for by taxing the rich. Long was assassinated before he was able to mount his campaign against FDR.

Father Coughlin gave radio addresses to millions, calling for the nationalization of banks and utilities. Coughlin was also violently anti-Semitic (*prejudiced against Jewish people*). Coughlin found an audience among nativists and those who distrusted Wall Street bankers. Eventually, the Catholic Church ordered an end to Coughlin’s broadcasts.



Huey Long was a fiery speaker who riled up crowds.

THE SUPREME COURT AND THE NEW DEAL

The greatest threat to the New Deal came from the U.S. Supreme Court. In 1935 and 1936, the Court ruled that both the **National Industrial Recovery Act** (NIRA) and the first **Agricultural Adjustment Act** (AAA) were unconstitutional.

The National Industrial Recovery Act gave the President the power to set up “codes of fair practices” for businesses involved in intrastate (*within a state*) commerce. The Schechter Poultry Company was convicted of failing to obey the act. They appealed their conviction, claiming the NIRA was unconstitutional. In *Schechter Poultry v. U.S.* (1937) the Supreme Court ruled that even during a national crisis, Congress could not give the President more powers than those granted in the Constitution.

ROOSEVELT’S COURT-PACKING SCHEME (1937)

After *Schechter*, Roosevelt feared that the Court might declare other New Deal legislation unconstitutional. He believed that the Justices — most of whom were over 70 years old — were out of touch with the needs of the nation. In 1937, he proposed a plan to allow the President to add a new appointment to the Supreme Court for each Justice over 70½ years old.

If adopted, the plan would have given Roosevelt the right to appoint six Justices, giving him control over the Court. His court-packing scheme was widely viewed as an attempt to upset the traditional separation of powers. Despite Roosevelt’s popularity, his court-packing scheme was condemned by the public and rejected by Congress. However, after this challenge to the Court, the Justices generally stopped overruling New Deal legislation.

THE IMPACT OF THE NEW DEAL ON STATE AND FEDERAL GOVERNMENTS

Under Roosevelt’s New Deal, the power of the federal government increased dramatically. The federal government moved beyond the regulatory role it had under the Progressives.

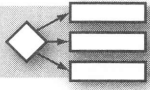
The responsibility of government became more than just preventing dishonesty and maintaining safety. Government now had a positive responsibility to make sure the national economy ran smoothly and efficiently. Agencies and agency regulations made it possible for the government to closely control its citizens’ private actions. Taxes rose dramatically to fund these new government programs.

The New Deal greatly expanded the government’s role in areas of social and economic life it had formerly not been involved with. The relationship between the government and individual citizens changed with the creation of these federal regulatory agencies. Many states also implemented their own versions of the New Deal, adding to the general increase in the involvement of government in the lives of ordinary Americans.

Although some New Deal programs were eliminated after World War II, others remained. New Deal programs established a legacy of government agencies, regulations, and procedures that continued to remain with us today.

APPLYING WHAT YOU HAVE LEARNED

In your opinion, was Franklin Roosevelt a hero to be admired or someone who wrongly overstepped his constitutional authority? Explain your answer.



LEARNING WITH GRAPHIC ORGANIZERS



Complete the graphic organizer below by summarizing the most important legislation of Roosevelt's New Deal:

Relief	Recovery
<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
NEW DEAL LEGISLATION	
Reform	
<hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	

CHAPTER STUDY CARDS

Causes of the Great Depression

- ★ **Overproduction.**
 - More products were manufactured than people could buy.
- ★ **Speculation** led to the 1929 stock crash.
 - People invested in rising stock prices.
 - Speculation in real estate holdings.
 - In October 1929, stock prices fell in a crash.
- ★ **Uneven Distribution of Income.**
- ★ **Shaky Banking Practices.**
 - Bankers invested depositors' money poorly.
- ★ **Restricted International Trade.**
 - Americans put up high protective tariffs, restricting international trade.

The Human Impact of the Depression

- ★ **No Safety Net.** High unemployment, bank failures, and foreclosures.
- ★ **Recording the Misery:**
 - **Dorothea Lange:** Recorded the misery of the people in her photographs.
 - **John Steinbeck:** Wrote about the suffering of migrant families during by the Depression in a series of articles.
- ★ **Dust Bowl (1930s).** Heavy winds carried top soil away, buried homes, and destroyed harvests. Over a million farmers were driven off their land.

FDR's Philosophy and Style

- ★ **Brain Trust.** A group of talented advisers to President Roosevelt.
- ★ **Fireside Chats.** Roosevelt used the radio to speak directly to the American people.
- ★ **New Deal:** FDR's program for lifting the nation out of the Great Depression.
 - When FDR took office, he called Congress into special session to pass this legislation.
 - Much of his massive legislative program was enacted by Congress in 100 days.
 - Consisted of programs focused on "Relief, Recovery, and Reform."

New Deal Legislation

- ★ **Relief.** Short-term actions designed to tide people over until the economy recovered.
 - **Bank Holiday.** Closed all banks.
 - Created government jobs to get people back to work.
 - Civilian Conservation Corps. (CCC)
 - Public Works Administration (PWA)
 - Works Progress Administration (WPA)
- ★ **Recovery.** Restore incentives to produce.
 - Priming the Pump.
 - National Recovery Administration (NRA)
 - Agricultural Adjustment Acts (AAA)

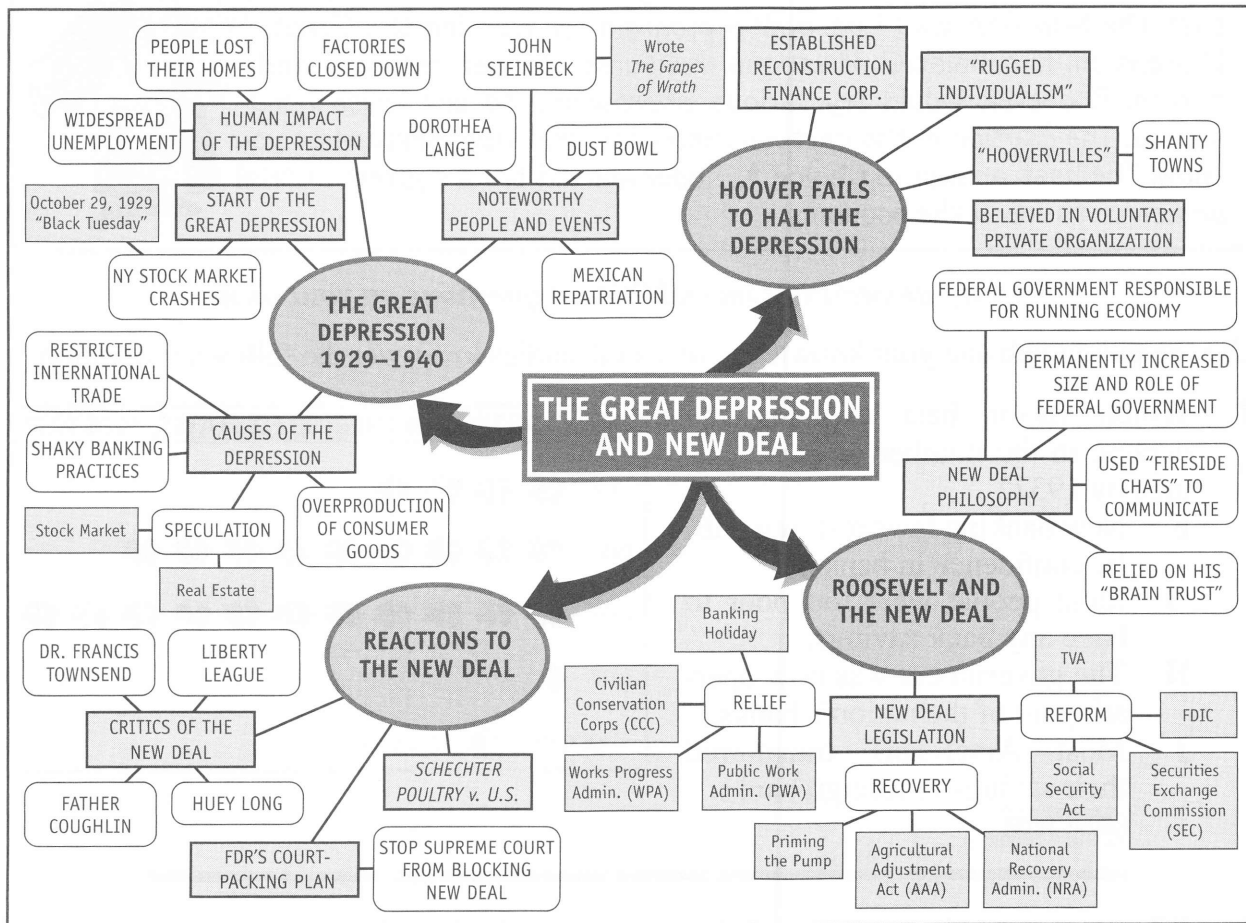
New Deal Legislation (Continued)

- ★ **Reform.** Measures to remedy defects of the U.S. economy to prevent future depressions.
 - **FDIC** insured bank deposits to restore people's confidence in the nation's banks.
 - **SEC.** A watchdog agency to watch over stock markets and prevent another collapse.
 - **Social Security Act.** Provided a safety net for workers with unemployment insurance, old age pensions, and insurance for families of those who died early; paid for by contributions by both employees and employers.

Key Individuals in this Chapter

- ★ **Herbert Hoover.** President when Great Depression began. Believed in "rugged individualism" and failed to take enough measures against the Great Depression.
- ★ **Franklin D. Roosevelt (FDR).** Elected President in 1932; introduced a New Deal program to get the economy moving again.
- ★ **John Steinbeck.** Writer during the Great Depression. Wrote *The Grapes of Wrath*.
- ★ **Eleanor Roosevelt.** A political activist, who served as the eyes and ears to her husband, President Roosevelt.

CHAPTER 11 CONCEPT MAP



CHECKING YOUR UNDERSTANDING

Directions: Put a circle around the letter that best answers the question.

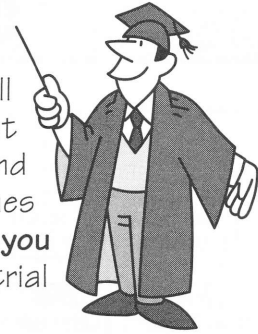
- What is the main idea of the cartoon?
 - A President Roosevelt used a system of trial and error to mend the economy.
 - B Congress and the President were unable to cope with the Great Depression.
 - C President Roosevelt always followed the recommendations of the Congress.
 - D The President and Congress constantly fought over Depression era programs.

Econ 16(D)



"Of course we may have to change remedies if we don't get results."

EXAMINE the question. This question tests your ability to understand a cartoon about Franklin Roosevelt's New Deal. You should study the cartoon carefully. **RECALL what you know.** You should recall that the New Deal was Roosevelt's program for tackling the Great Depression. It consisted of various measures of relief, recovery, and reform. Roosevelt would try various approaches to see which ones worked. The caption in the cartoon expresses this view. **APPLY what you know.** The best answer is **Choice A**. Roosevelt did try a system of trial and error to mend the economy.



Now try answering some additional questions on your own.

Use the pictograph and your knowledge of social studies to answer the following question.

- 2 Which factor best explains the decline in the number of bank failures by 1937?
- F New banking laws restored public confidence in banks.
 - G Most people were too poor to have any bank savings.
 - H The government was now operating all of the nation's banks.
 - J Most Americans transferred their savings to foreign banks.



Econ 16(E)

- 3 Which was an effect of the Great Depression on the American economy?
- A high unemployment and overproduction
 - B large business investments and low taxes
 - C too much money in circulation and high stock prices
 - D high unemployment and falling real estate values
- Econ 16(C)
- 4 Which was a guiding principle of New Deal economic policies?
- F "Rugged individualism" will end social inequality.
 - G Government must assume greater responsibility for helping the unfortunate.
 - H Pro-business tax breaks would solve the problems of the Depression.
 - J Antitrust legislation could destroy the free enterprise system.
- Govt 19(A)
- 5 What was a major cause of the Great Depression?
- A prior overproduction of manufactured goods
 - B a decrease in the supply of consumer goods
 - C an increase in demand for imported products
 - D an increase in the price of wheat on the world market
- Econ 16(B)

Use the cartoon and your knowledge of social studies to answer the following question.

Let's Harmonize!



Source: Gene Elderman, *Washington Post*,
January 9, 1937 (adapted)

- 6 The cartoonist is commenting on President Franklin D. Roosevelt's efforts to —
- F win Congressional approval for his Court-packing scheme
 - G gain Supreme Court support for his legislative program
 - H set up a retirement plan for Supreme Court Justices
 - J keep members of Congress off the Supreme Court
- Govt 19(B)

- 7 The New Deal changed American political thinking because it was based on the principle that the —
- A economy will fix itself if left alone Govt 19(A)
 - B federal government should attempt to solve social and economic problems
 - C political parties must work together to deal with national problems
 - D states should take a leadership position in solving social issues
- 8 What problem were both the Civilian Conservation Corps (CCC) and the Works Progress Administration (WPA) developed to address?
- F excessive stock market speculation Econ 16(D)
 - G high unemployment
 - H increased use of credit
 - J limited income of senior citizens
- 9 What was Roosevelt's goal in creating the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC)?
- A stimulate economic growth Econ 16(E)
 - B increase the government's tax revenue
 - C provide jobs for the unemployed
 - D restore the public's faith in financial institutions
- 10 Which economic factor contributed directly to the start of the Great Depression?
- F low worker productivity Econ 16(B)
 - G decreasing tariff rates
 - H high income taxes
 - J buying stocks on margin

Use the map and your knowledge of social studies to answer questions 10 and 11.

- 11 Based on the map, which region of the United States suffered most directly from the Dust Bowl?

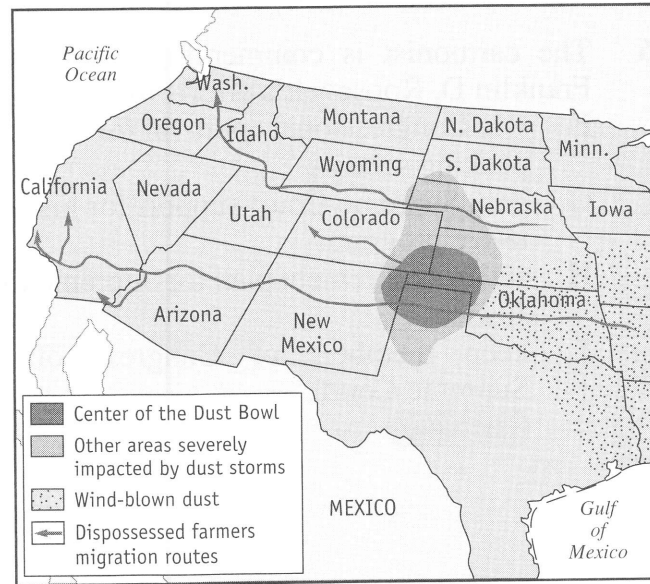
A Southwest
B Pacific Northwest
C Rocky Mountains
D Great Plains

Geog 12(A)

- 12 The major migration routes of the dispossessed farmers were to the —

F Far West
G Northeast
H Great Plains
J along the Mississippi River

Geog 12(A)



Use the passage and your knowledge of social studies to answer the following question.

“The tools of government which we have in 1933 are outmoded. We have to forge new tools for a new role of government in a democracy — a role of new responsibility for new needs and increased responsibility for old needs, long neglected.”

— Franklin D. Roosevelt

- 13 Why did President Roosevelt make this statement?

A to support a renewal of *laissez-faire* economics
B to secure aid for democratic countries in Europe
C to justify an increase in the number of Supreme Court Justices
D to explain his New Deal programs

Govt 19(A)

- 14 During the New Deal, how did the federal government attempted to improve conditions for farmers?

F by ending the practice of sharecropping
G by supporting the formation of farm worker unions
H by raising tariffs on farm imports
J by paying farmers for their crops

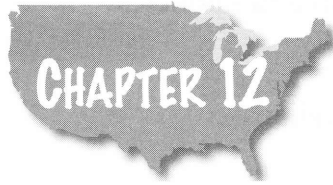
Econ 16(D)

- 15 Most conservatives who opposed President Franklin D. Roosevelt’s policies believed that the New Deal was —

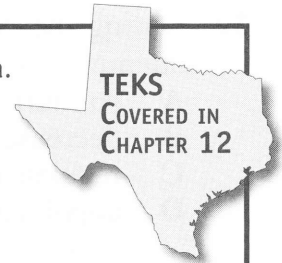
A endangering the free enterprise system
B threatening national security
C ignoring problems faced by rural Americans
D failing to enact needed social welfare reforms

Econ 16(D)

- 16 Which aspect of the New Deal was a continuation of Progressive Era policies?
F free health care for all Americans Govt 19(A)
G government regulation of business activities
H restoration of the cultural traditions of Native American Indians
J government purchase of surplus farm products
- 17 During the New Deal period, Congress blocked President Franklin D. Roosevelt's attempt to —
A pay farmers not to produce crops Govt 19(B)
B decrease Federal spending
C regulate the banking industry
D appoint additional Justices to the Supreme Court
- 18 The “dust bowls” described by John Steinbeck in *The Grapes of Wrath* had the greatest impact on — Geog 12(A)
F residents of urban slums H workers in factory sweatshops
G plantation owners in the rural south J farmers on the Great Plains
- 19 What is the primary function of the Federal Reserve System?
A to prevent abuses in stock market trading Econ 15(E)
B to preserve competition in business
C to provide a stable supply of money and credit
D to insure savings account deposits in member banks
- 20 After the election of 1932, a friend told President Franklin D. Roosevelt that if he succeeded, he would go down in history as the greatest American President. Roosevelt replied, “Yet if I fail, I may be the last one.” This response reflected President Roosevelt's belief that the —
F Constitution limited him to two terms in the Presidency Econ 16(C)
G Great Depression threatened the people's faith in democracy
H military was considering a takeover of the government
J American people were opposed to major changes in the role of government
- 21 One difference between the administrations of President Franklin D. Roosevelt and President Herbert Hoover was that Roosevelt was — Econ 16(D)
A unwilling to allow government agencies to establish jobs programs
B unable to win congressional support for his economic program
C able to ignore economic issues for most of his first term in office
D more willing to use government intervention to solve economic problems
- 22 What was the main intent of the Mexican Repatriation Act?
F to send Mexican-American immigrants back to Mexico Econ 16(C)
G to encourage Mexican-American immigrants to work in the United States
H to eliminate discrimination against Mexican-Americans in the United States
J to grant citizenship to Mexican-Americans living in the U.S. for 5 years



AMERICA IN WORLD WAR II



- **History 2(A)** Identify the major characteristics that define an historical era.
- **History 2(B)** identify the major eras in U.S. history from 1877 to the present and describe their defining characteristics.
- **History 2(C)** Apply absolute and relative chronology through the sequencing of significant individuals, events, and time periods.
- **History 2(D)** Explain the significance of these years as turning points: 1939–1945 (World War II)
- **History 7(A)** Identify reasons for U.S. involvement in World War II, including Italian, German, and Japanese dictatorships and their aggression, especially the attack on Pearl Harbor.
- **History 7(B)** Evaluate the domestic and international leadership of Franklin D. Roosevelt and Harry Truman during World War II, including the U.S. relationship with its allies and domestic industry's rapid mobilization for the war effort.
- **History 7(C)** Analyze the function of the U.S. Office of War Information.
- **History 7(D)** Analyze major issues of World War II, including the Holocaust; the internment of German, Italian, and Japanese Americans and Executive Order 9066; and the development of conventional and atomic weapons.
- **History 7(E)** Analyze major military events of World War II, including the Battle of Midway, the U.S. military advancement through the Pacific Islands, the Bataan Death March, the invasion of Normandy, fighting the war on multiple fronts, and the liberation of concentration camps.
- **History 7(F)** Evaluate the military contributions of leaders during World War II, including Omar Bradley, Dwight Eisenhower, Douglas MacArthur, Chester A. Nimitz, George Marshall, and George Patton.
- **History 7(G)** Explain the home front and how American patriotism inspired exceptional actions by citizens and military personnel, including high levels of military enlistment; volunteerism; the purchase of war bonds; Victory Gardens; the bravery and contributions of the Tuskegee Airmen, the Flying Tigers, and the Navajo Code Talkers; and opportunities and obstacles for women and ethnic minorities.
- **Economics 17(A)** Describe the economic effects of WWII on the home front such as the end of the Great Depression, rationing, increased opportunity for women and minority employment.
- **Government 19(B)** Explain constitutional issues raised by federal government policy changes during times of significant events, including World War II.
- **Culture 26(F)** Discuss the importance of Congressional Medal of Honor recipients, including individuals of all races and genders such as Vernon J. Baker.
- **Science, Technology, and Society 27(B)** Explain how specific needs result in scientific discoveries and technological innovations in ... the military, and medicine

In this chapter, you will learn about the dictatorships that came to power in Italy, Germany, Spain and Japan and how their aggressive policies led to the outbreak of war in Asia and Europe. Then you will learn how Japan's attack on Pearl Harbor brought the United States into the war. Finally, you will learn how World War II was fought both overseas and on the home front. Americans helped secure an Allied victory in the most destructive conflict in human history.