

UNITED STATES HISTORY

MAU – Dr. Andrew Gottlieb



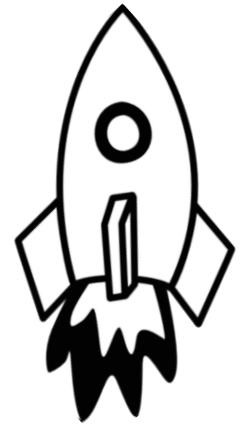
foxtrotters.tripod.com



Louisville.edu



arthursclipart.org



clker.com

Lecture 55_8: The Great Depression

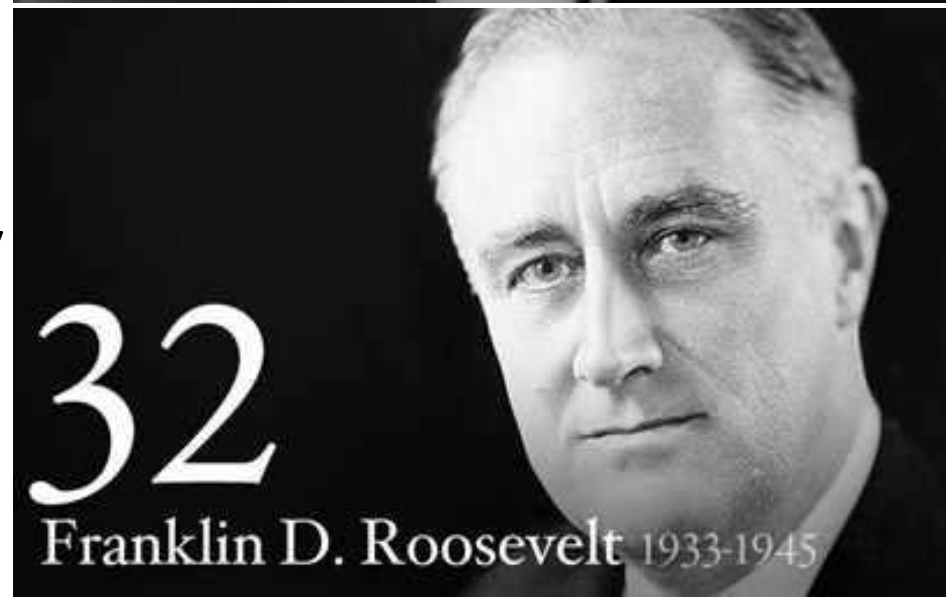
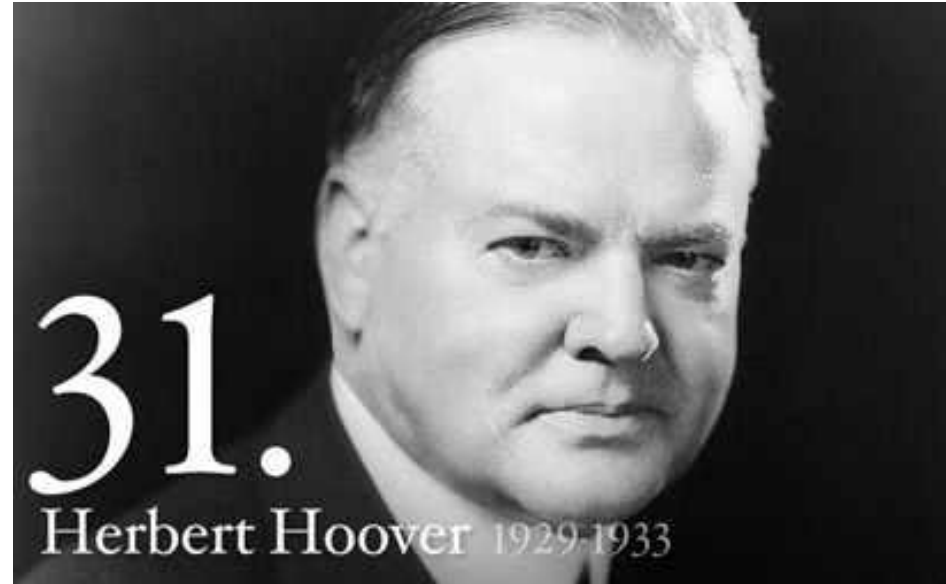
Whitehouse.gov

We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us.

Herbert Hoover, 1928

[A] host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return. Only a foolish optimist can deny the dark realities of the moment.

Franklin Roosevelt, March 1933



I. Causes of the Great Depression

A. Massive business inventories (up 300% from 1928 to 1929)



- C. Poor distribution of purchasing power among consumers**
- 1. Many farmers and factory workers were unable to purchase cars and houses and thus maintain economic growth**



<http://observatorio-das-desigualdades.cies.iscte.pt/index.jsp?page=news&id=80>

D. Huge credit problems

- 1. Steady stream of bank failures in late 1920s as customers (many of them farmers) were unable to pay mortgages**
- 2. Many bankers had small cash reserves as they attempted to capitalize on stock market growth.**



http://www.livinghistoryfarm.org/farminginthe30s/money_08.html

People milling about outside of a bank that closed, ca. 1933.
National Archives photo.

E. Decline in demand for American goods in int'l trade

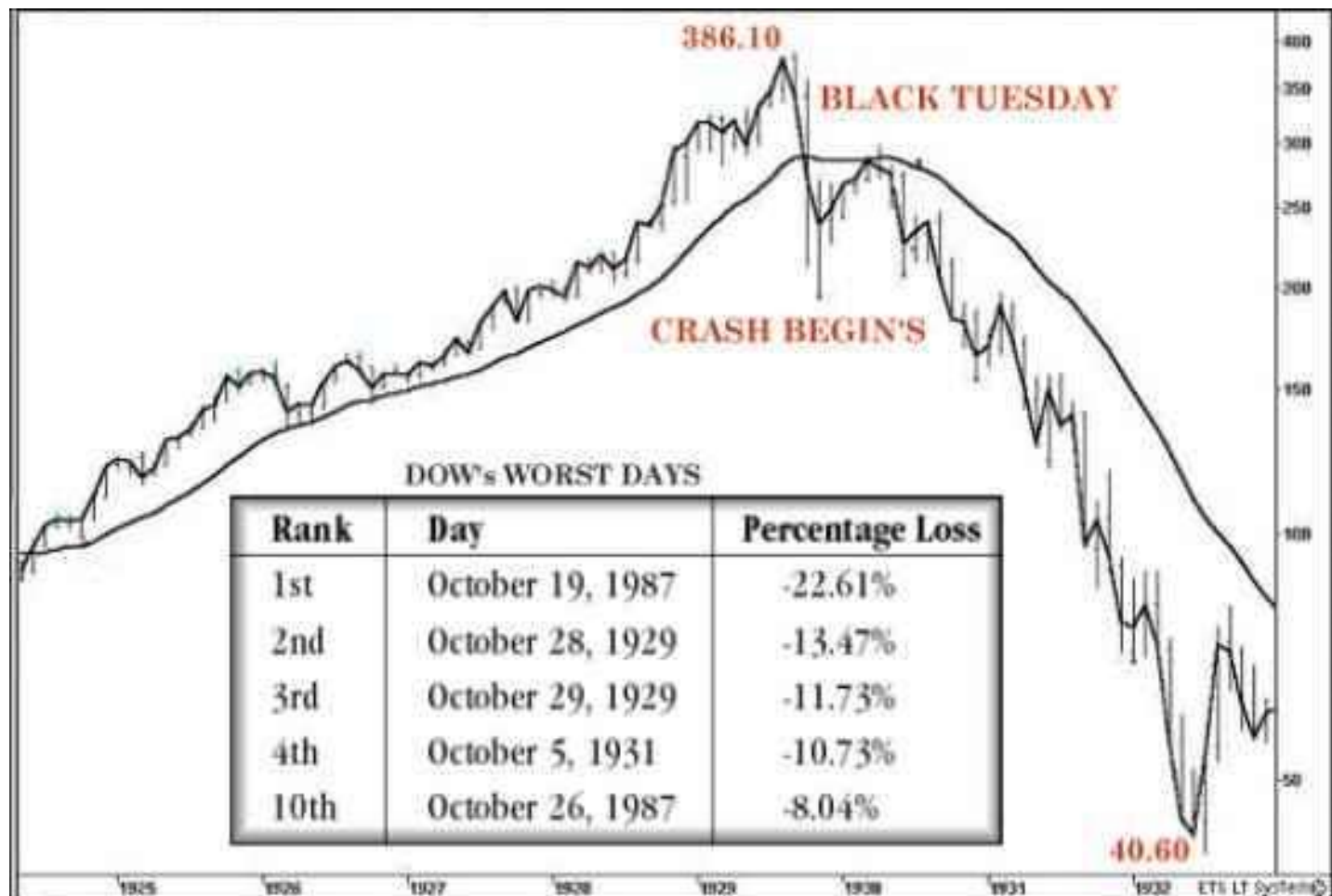
- 1. Some European industry and agriculture gradually recovered**
- 2. Some nations, particularly Germany, were so beset by financial crises and inflation that they could not afford to purchase American goods**
- 3. Unable to pay wartime debts, many European nations borrowed from American banks, further increasing indebtedness**



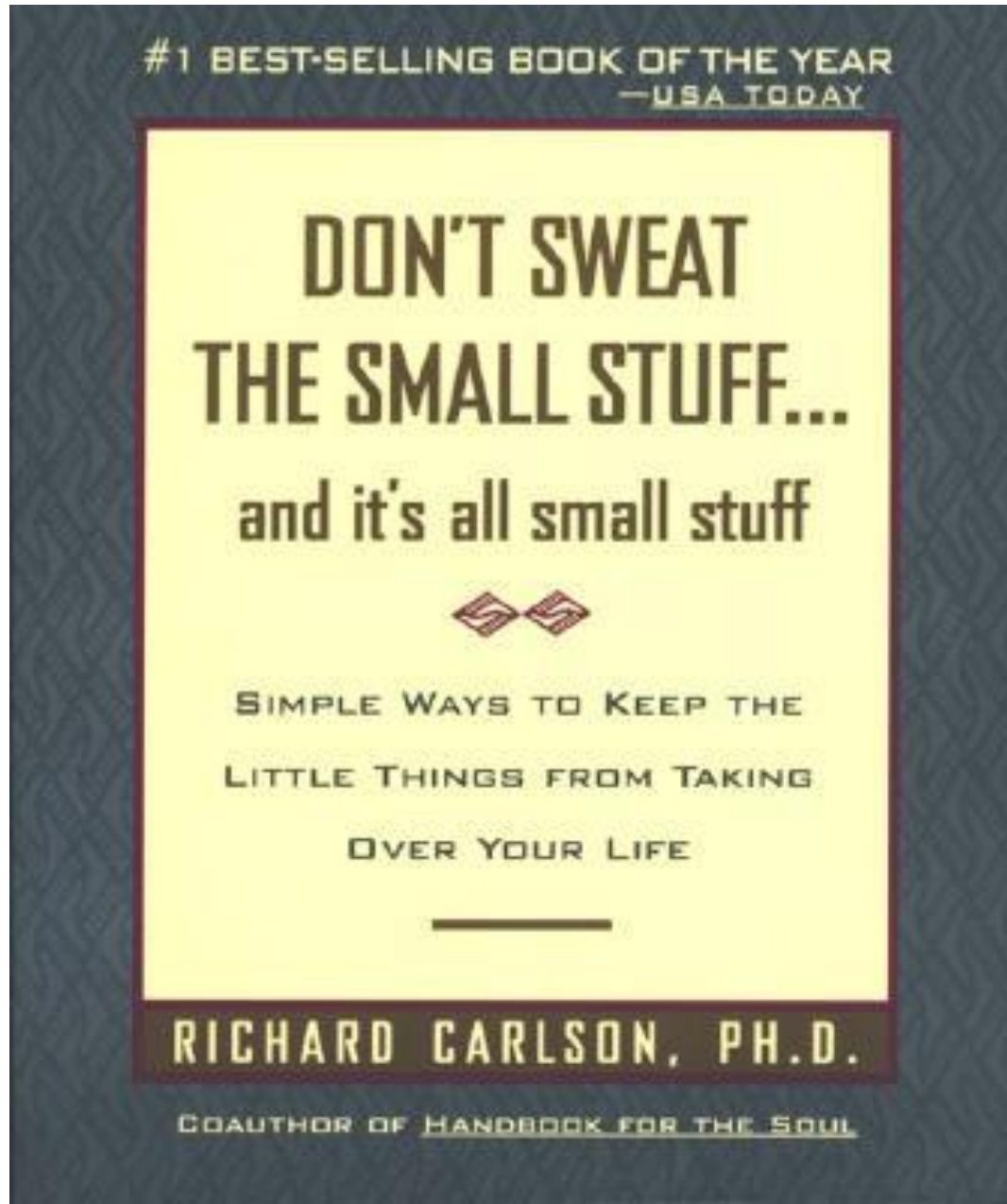
II. Stock Market Crash, 1929

- A. By October 1929, margin buying had reached \$8.5 billion in loans to stock purchasers
- B. Stock prices began to fall in September 1929. On October 24 (Black Thursday) and October 29 (Black Tuesday) prices fell drastically as sellers panicked. In one day, the Dow Jones Index fell 13%. By December \$40 billion in stock value had been lost.

cover
"buying on
the margin"

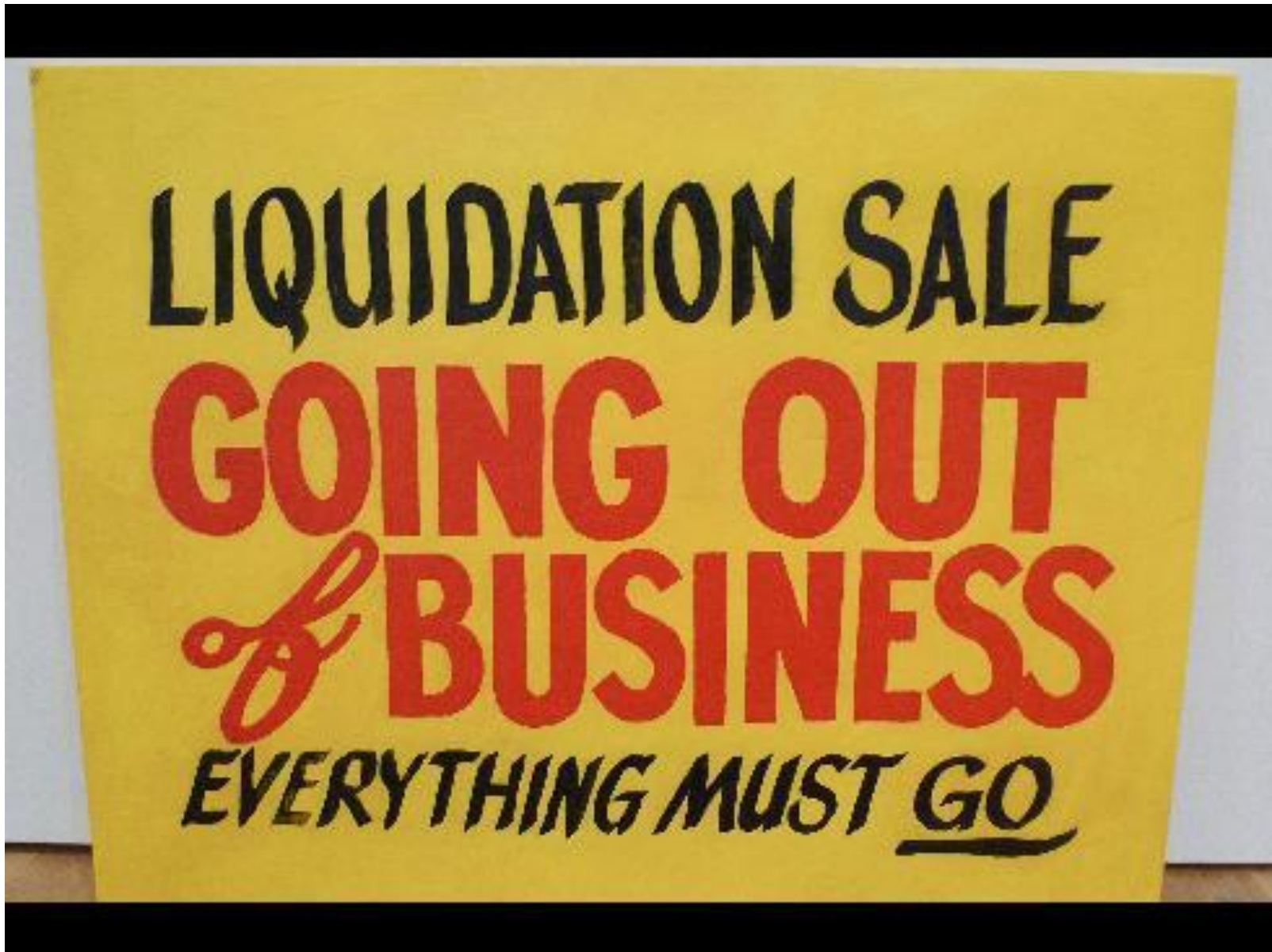


C. Hoover and business leaders attempted to calm Americans by assuring them that the economy was fundamentally sound



<http://3.bp.blogspot.com/-nUPY4k2z3QQ/Tw6U2KML20I/AAAAAAAAACS8>

E. Economic downturn accelerated by market crash



3. **Between 1929 and 1933, over 6000 banks failed with over 9 million savings accounts lost (\$2.5 billion)**
4. **By 1933, 13 million workers were unemployed (25% of the work force) and many were underemployed**

Mediaite.com



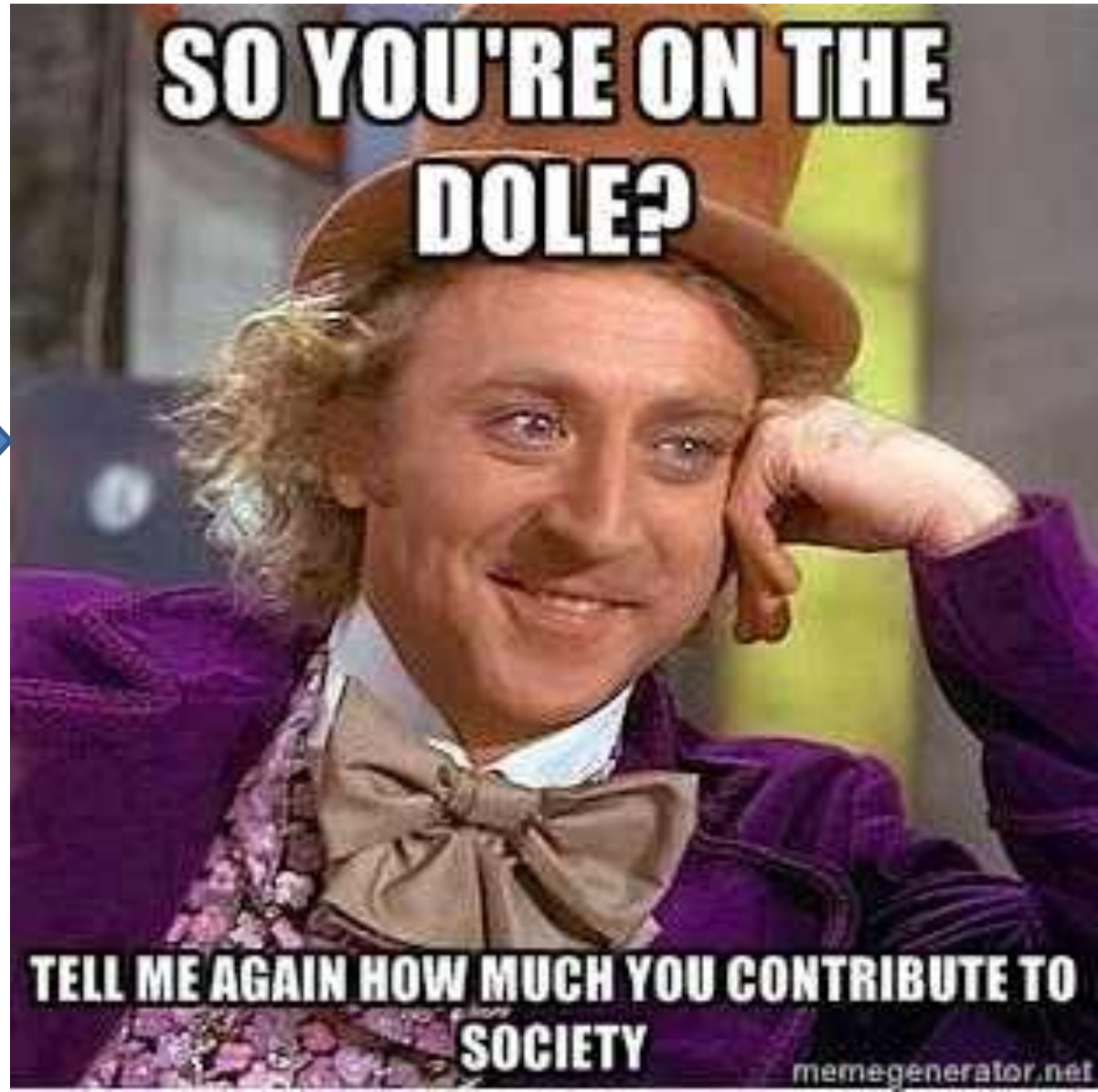
- 5. Malnutrition increased, as did tuberculosis, typhoid & dysentery.**
- a) In 1932, 95 people died in New York City from starvation**
 - b) Many turned to soup kitchens and breadlines for food**



III. Hoover's Response

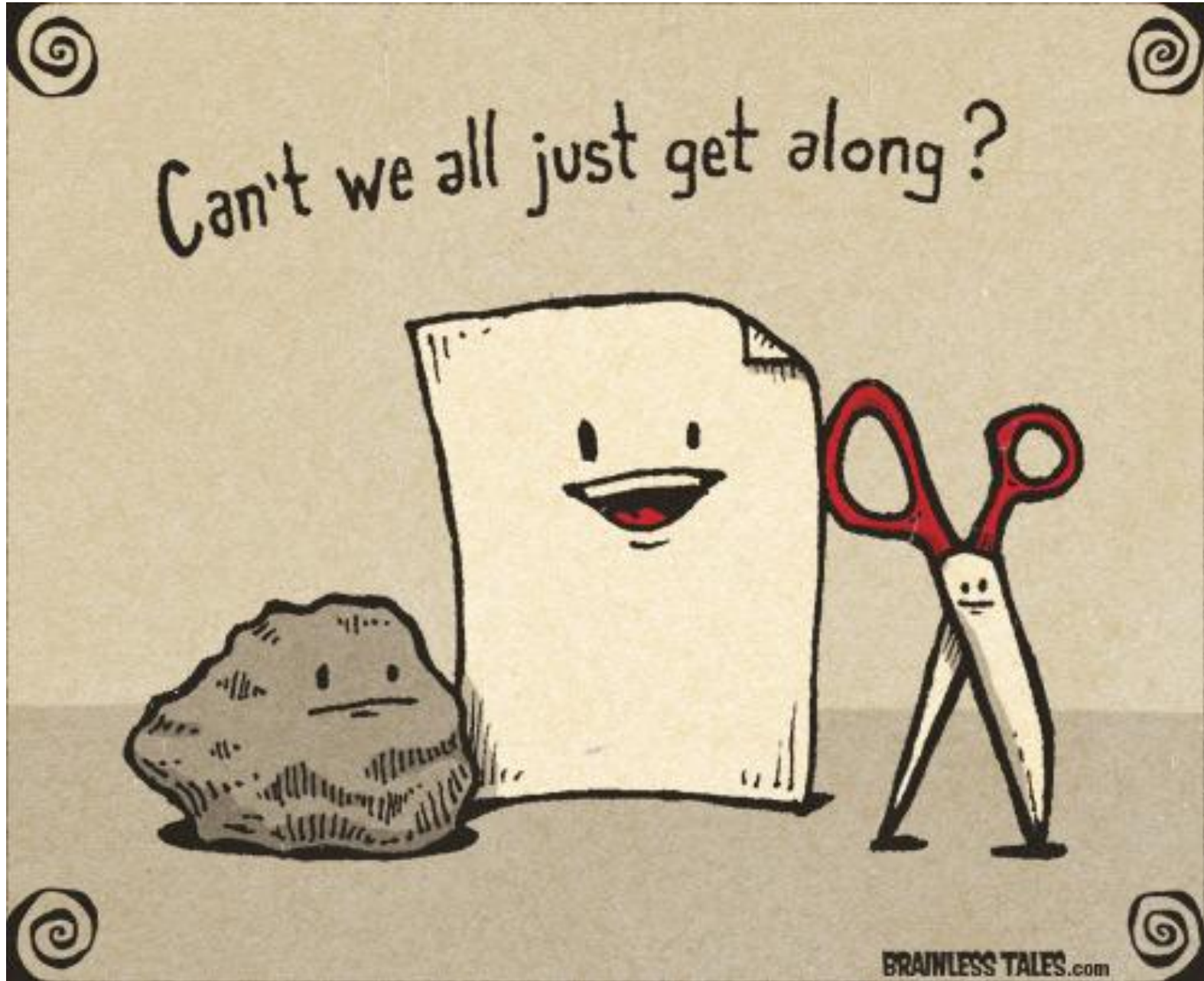
A. Rejected direct relief (the dole) as undermining to character and rugged individualism

Although this was Hoover's initial position, he did begin to change his views. Many believed, however, that it was "too little, too late."



C. Hoover Gradually used federal agencies to address issues

1. Met with business & labor leaders to reduce layoffs and strikes



3. Set up RFC (Reconstruction Finance Corporation) in 1932 to make loans to stimulate economy in a "trickle-down" manner

"Trickle-down economics" refers to the idea that tax breaks or other economic benefits provided by government to businesses and the wealthy will benefit poorer members of society by improving the economy as a whole. The term has been attributed to humorist Will Rogers, who said during the Great Depression that "money was all appropriated for the top in hopes that it would trickle down to the needy."

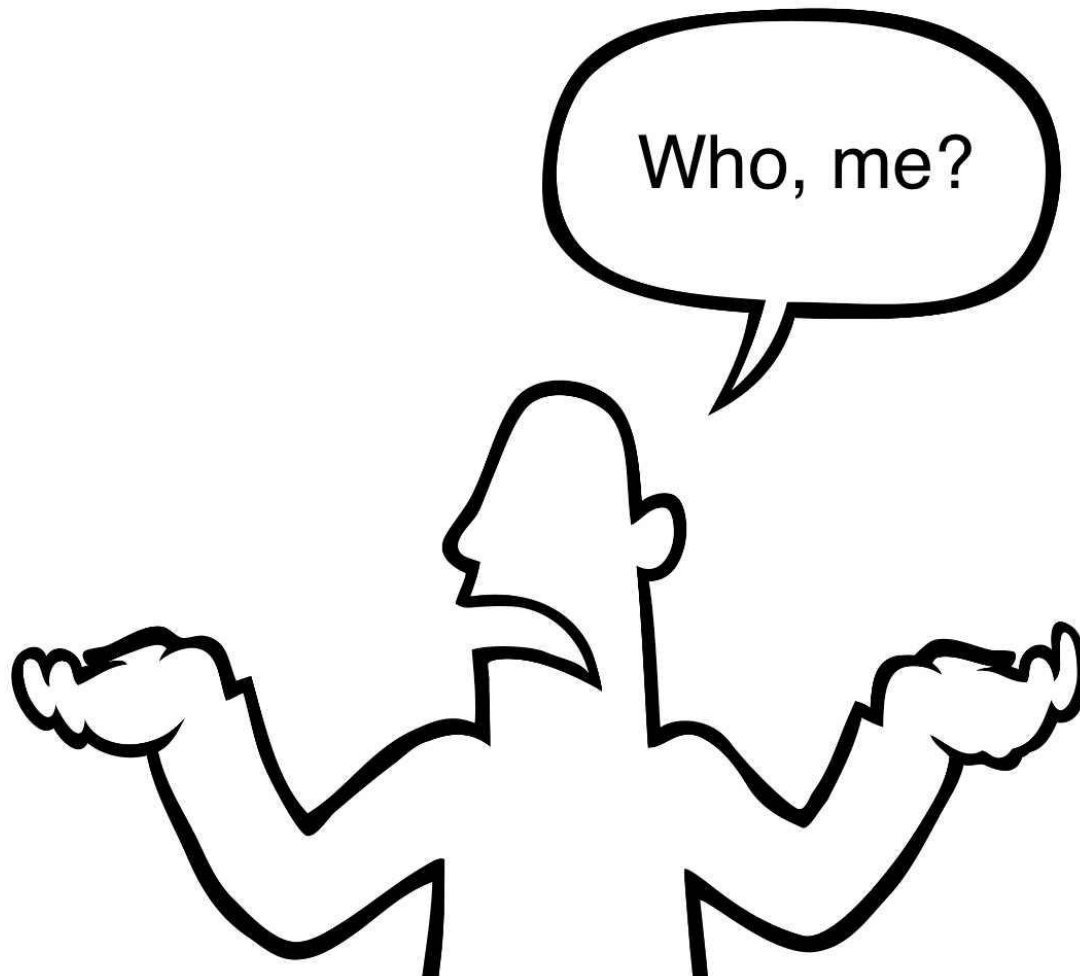
Today, "trickle-down economics" is most closely identified with the economic policies known as Reaganomics or laissez-faire. David Stockman, who as Reagan's budget director championed these cuts at first but then became skeptical of them, told journalist William Greider that the "supply-side economics" is the trickle-down idea: "It's kind of hard to sell 'trickle down,' so the supply-side formula was the only way to get a tax policy that was really 'trickle down.' Supply-side is 'trickle-down' theory."

Interestingly, while this strategy did NOT work for President Hoover in the 1930s, it DID work for President Reagan in the 1980s.

IV. Election of 1932

A. Hoover refused to accept any responsibility for the economic downturn ("No president must ever admit he has been wrong") and was booed and jeered when he made his few campaign appearances outside Washington

<http://meadfamilydental.com/wp-content/uploads/2012/08/Who-me.jpg>



B. Franklin Roosevelt preached a brand of cautious liberalism, rejecting Hoover's conservatism and the radical approach of socialists and communists.

1. Offered a New Deal for the "forgotten man" and promised a balanced budget along with economic reforms

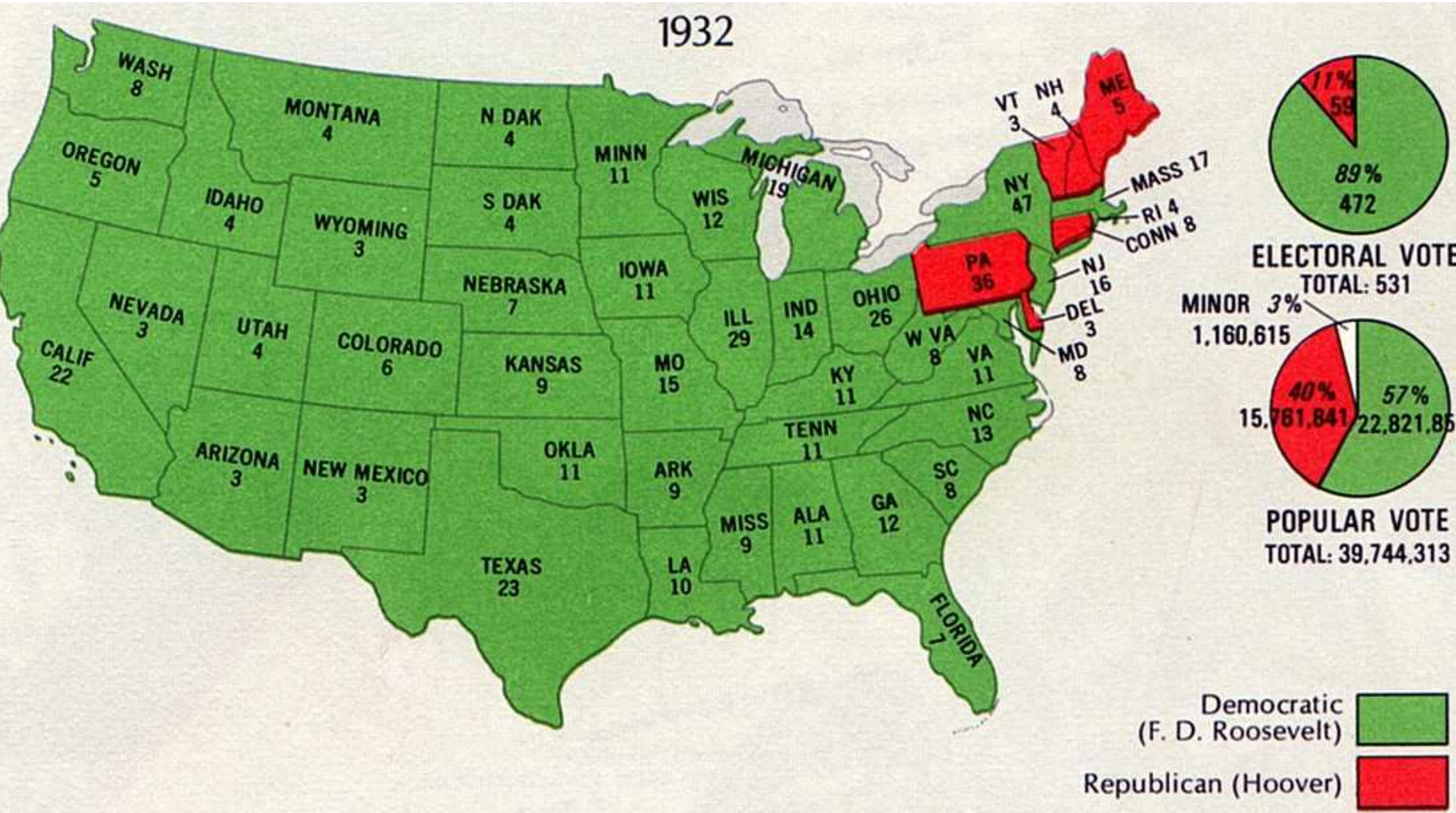


C. Though party platforms were remarkably similar, Democrats supported repeal of Prohibition and an increase in federal relief



<http://rhapsodyinbooks.files.wordpress.com/2008/12/prohibitionrepealposter.jpg>

D. FDR won 57% of the popular vote and Democrats took control of both the House and Senate



E. Following long lame-duck period for Hoover and Republicans (November 1932-March 1933), FDR launched Hundred Days of legislative and administrative changes

1. Relief

2. Recovery

3. Reform

What did Roosevelt mean by relief, recovery and reform?

- 1. Relief - Immediate action taken to halt the economies deterioration.**
- 2. Recovery - "Pump - Priming" Temporary programs to restart the flow of consumer demand.**
- 3. Reform - Permanent programs to avoid another depression and insure citizens against economic disasters.**

Example: New Deal Programs

Looks like this



Act or Program	Acronym	Year Enacted	Significance
Agricultural Adjustment Act	AAA	1933	Protected farmers from price drops by providing crop subsidies to reduce production, educational programs to teach methods of preventing soil erosion.
Civil Works Administration	CWA	1933	Provided public works jobs at \$15/week to four million workers in 1934.