**ECONOMICS DURING THE GREAT DEPRESSION:**

**CAUSES FOR THE STOCK MARKET CRASH:**

* Americans purchased stocks on margin
* Over speculation on property
* Supply Side Theory: supply and demand would eventually lead to overproduction of manufactured goods
* Usage of credit: the farmers that can conveniently buying expensive agricultural equipment on credit or installment plan can afford to pay the money back

**EFFECTS OF CRASH:**

* By January 1930: unemployment of 4 million people
* The damages of the crash was intense to the Americans because there was no reliefs like: social security, welfare or safety net
* Banks couldn’t lend money
* Excess agricultural goods preceded to reduced prices
* International retaliatory tariffs (largely a response to the Hawley-Smoot tariff)

**The slump of this depression steeped even lower through Hoover’s reaction to the Depression of this period**

**HOOVER'S RESPONSE:**

* Initially believed that Europe was at fault
* Passed the Hawley-Smoot tariff which increased the tax on imported goods to nearly 50%
* It troubled international trade
* Fortified public works
* Deferred bank activity
* Reluctant to give direct aid to citizens, he believed it the job of private charities
* Believed that the issue would naturally fix itself
* Congress created the RFC (Reconstruction Finance Cooperation) in 1932
* Gave loans that benefited banks, railroads, insurance companies.

**BONUS ARMY:**

* Here is the situation where the Veterans of World War I marched with their families to the Capitol, demanding that Congress pay them the money the government promised to pay them when they were fighting in war
* They camped in **Hoovervilles**
* Hoover’s response: called in the army. The army used both force and tear gas to remove the persistent veterans

**DUST BOWL:**

By 1931:

* There was no rain in the Great Plains
* Temperatures had risen in Iowa which had greatly destroyed the crops.
* Dust Storms in Kansas, Colorado, Oklahoma, Texas and New Mexico

**RESULT:** Many farmers and families migrated to the central valley of California and lived in migrant camps

**Farmers' Holiday Association 1932**

* Midwestern farmers withheld crops from the market
* Used road blockade to demonstrate their point

**THE NEW DEAL:**

**Franklin Delano Roosevelt formed an economic stimulus program titled the New Deal:**

The focus of this was to try and bring back the prosperity and improve the standard living of the Nation through the three R’s (relief, recovery, reform)

* **Relief** for the people out of work
* **Recovery** for the business economy
* **Reform** for the American economic institutions.
* Roosevelt counted on on his **Brain Trust** (a team of university professors) to assist him in making the New Deal

**THE FIRST HUNDRED DAYS SINCE FRANKLIN’S PRESIDENCY**

FDR endorsed several laws and agencies which follow:

* **Bank Holiday** on March 6, 1933: FDR stated a bank holiday and all banks were closed so that the government could reorganize them.
* **Beer Wine Revenue Act/Repeal of Prohibition**

**RESULT:** led to more taxes that would help cash flow

* **Fireside Chats:** Radio programs which was a segment which allowed FDR to keep Americans hopeful and informed about the future and his plans to get out of the depression
* **New Deal “Alphabet” Agencies:**
* **Federal Deposit Insurance Corp. (FDIC):** assured the Americans that their individual bank deposits up to $5,000was safe and reassured those who put their money in banks that they will get at least some of their money back
* **Home Loaners Corp. (HOLC)**: presented refinancing of small homes to thwart foreclosures
* **Farm Credit Admin.:** granted low-interest farm loans and mortgages to avert foreclosures on the property of indebted farmers
* **Federal Emergency Relief Admin. (FERA):** provided grants of federal money to states and local govt. that worked relief programs for the jobless and homeless
* **Public Works Administration (PWA):** provided money to state and local governments for building roads bridges, dams, and other public works.
* **Civilian Conservation Corps (CCC):** endowed jobs to young men and paid their families
* **Tennessee Valley Authority (TVA):** hired people to build dams, operate electric power plants, control flooding and erosion, manufacturing fertilizer, sold electricity
* **Agricultural Adjustment Admin. (AAA):** stimulated the reduction of famers’ production to aid in increasing prices with subsidies (later declared unconstitutional)
* **Security and Exchange Commission (SEC):** structured the stock market and positioned boundaries on speculative exercises they were part of the cause of the stock market crash in 1929
* **Federal Housing Admin. (FHA):** protected bank loans for building new houses and mending old ones for the construction industry and homeowners
* **Works Progress Admin. (WPA):** one of the biggest relief programs, provided jobs

**The Second New Deal**

* **National Labor Relations Act or the Wagner Act** 1935: labor law that assured a worker's right to unionize and the union's right to bargain-outlawed unfair labor
* Federal taxes: revenue act of 1935 increased taxes on the incomes of wealthy
* **Social Security Act:** formed a federal insurance program built on the assembly of taxes from employees and employers throughout people's careers the money would then be put into a trust fund that would make monthly payments to retired persons over 65 yrs. old. Unemployed , disabled also received benefits

**Unions**

* Fair Labor Standards Act- minimum wage, a maximum workweek and child-labor restrictions were declared

**Weakened New Deal**

* **Recession** from 1937-1938:
  + Social Security tax took away from consumer spending
  + govt. reduced spending on relief
* **Keynesian economics** told FDR that he was wrong in attempting to balance the budget, Deficit spending was needed to initiate economic growth

**Did the New Deal Work? How this was a cause which furthered prosperity or depression?**  
**RESULT OF THE WORK FROM THE NEW DEAL:**

* The programs demanded by the first and second New Deal abetted to generate a significant amount of jobs and to revive the economy.
* Disputably, the New Deal did not much to appease the economic turmoil of the Great Depression.
* Conversely, with the great growths in yield related with the Second World War the American nation was able to make a complete turnaround to officially restart their economy.
* The New Deal did ensue in the formation of numerous workings and programs that directly helped the American people
* The New Deal improved transportation, leisure and its accessibility, safety, and ownership opportunities
* Also the New Deal greatly improved moral
* When Americans grown enough money to spend, they reclaimed their independence and their pride.
* FDR’s launch and institution of the New Deal policies was not a time of false prosperity as in the ‘Roaring 20’s’ and the decade after WWI, but a period of re-growth and re-establishment.