

# AP US History

## Chapter 24 - The Great Depression

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### Key Concepts

What are this chapter's key concepts?

- **7.1.I.C** - Credit/market instability during the Great Depression → demand for stronger financial system
- **7.1.III.A** - FDR's New Deal used govt. power to attempt to end Great Depression w/ relief to poor, economic reform
- **7.1.III.B** - Radical/populist/union movements → FDR pressed to make more radical changes to econ. system; conservatives in Congress attempted to limit efforts
- **7.1.III.C** - New Deal did not end Depression; left reform/regulatory legacy, encouraged long-term pol. realignment w/ Afr. Americans, oppressed grps. turning to Democratic Party

### Launching the New Deal

What were Roosevelt's early measures after taking office?

After taking office, Roosevelt initially attempted to restore confidence with his fireside chats; he also reformed the agricultural system with the Agricultural Adjustment Administration to prevent overproduction, attempted to recover industry with the National Industry Recovery Act to generate new jobs through industrial regulation and price raising. There were some attempts to restructure regional development, notably with the Tennessee Valley Association. He also took far more federal intervention in the economy by directly experimenting with the currency and policing the markets. The wide majority of relief was given in the form of new jobs for temporary projects, both rural and urban.

How did Roosevelt seek to restore confidence within the American population?

- Inaugural address focused on public image w/ "the only thing we have to fear is fear itself," promising immediate strong action
  - Built confidence w/ frequent "fireside chats" to explain programs to ppl., chronicle progress
  - Unwritten agreement → never photographed getting out of car/in wheelchair → few Americans knew abt. paralysis
- Immediately instituted banking reform by closing all U.S. banks for four days until Congress special session
  - Known as "bank holiday"; three days in, produced **Emergency Banking Act**, conservative bill somewhat inspired by Hoover intended to protect stronger banks from weakness of smaller ones
  - Treasury Department given required inspection of all banks before reopening; federal govt. would assist failing institutions; most demolished would be reorganized
  - Helped to limit panic w/ three-quarters of banks reopening w/in 3 days, currency soon flowing back in
- Soon after Emergency Banking Act, Roosevelt sent **Economy Act** to convince fiscally conservative Americans that federal govt. remained safe/prosperous
  - Cut salaries of govt. employees, reduced pensions to balance budget away from \$1b debt
- Created new constitutional amendment to repeal Prohibition, ratified in 1933

Roosevelt sought to restore public confidence through a strong, hard-working public image, the closing and reopening of all banks with a "bank holiday" to give Congress time to institute reform, and the balancing of the federal government by cutting employee salaries. He also repealed the Prohibition, a very popular choice.

How did Roosevelt reform the agricultural system?

- First comprehensive program: **Agricultural Adjustment Act** in May 1933 designed to limit overproduction
- Created Agricultural Adjustment Administration (AAA) to pay farmers subsidies to not use entirety of land, set specific production limits on crops
  - Created new tax on food processing to find sufficient funds to bring crop prices to parity levels, pay farmers
  - Encouraged rise in prices for farm commodities w/ gross farm income greatly increasing, agricultural economy flourishing and reaching far more stable state
  - Favored larger farmers because local administration of programs often delegated to largest producers; created no incentive for planters not to fire their smaller tenant farmers → many lost jobs
  - Supreme Court shrunk scope of AAA in 1936, arguing govt. had no constitutional authority to restrict farmers; govt. soon secured new legislation to reduce production w/ outward purpose of "conserving soil"; no more court interference
- Administration began efforts for poorer farmers w/ **Resettlement Administration** (1935) and successor, **Farm Security Administration** (1937) provided loans for farmers on poor soil
  - Relatively unsuccessful, moving only a few thousand
  - **Rural Electrification Administration** (1935) far more successful in distributing power to farmers

FDR created the Agricultural Adjustment Act to limit overproduction by encouraging farmers to produce fewer crops through subsidies, though its policies generally favored larger farmers and it faced some resistance from the Supreme Court. Some relatively unsuccessful efforts to assist poorer farmers began in 1935; most successful was the process of distributing power to these regions.

How did FDR initiate programs to recover industry?

- U.S. Chamber of Commerce had been pushing for antideflation since 1931 to allow trade associations to deliberately stabilize prices w/in their own industries
  - Forbidden by antitrust laws → Hoover strongly opposed; Roosevelt far more willing to compromise
  - Roosevelt wanted business leaders to support workers by recognizing bargaining right through unions to allow incomes to increase w/ prices
  - Passed **National Industrial Recovery Act** to create new public works projects, generate new jobs
- Initially seemed successful w/ **National Recovery Administration** (NRA) led by Hugh S. Johnson
  - Encouraged "blanket code" for all businesses: basic minimum wage, no child labor, maximum workweek of 40 hrs. all to raise consumer purchasing power
  - Worked w/ leaders of major industries to set low-point for wages (often desired for competitive advantage); formed comprehensive agreements
  - Faced major difficulties due to poorly written codes, inexperienced federal officials selected to administer, producers generally given control over codes → heavily favored larger industry, codes often artificially set prices to unrealistic values
  - Unable to enforce several codes
    - \* Promised right to form unions in 7(a) w/o enforcement mechanisms → no employer recognition
    - \* **Public Works Administration** (PWA) had large amount of funds but spending programs required slow trickle → unable to use most of money until 1938
  - Visibly unsuccessful w/ industrial production declining despite rise in prices; large criticism → FDR pushed Johnson to resign, created entirely new board

**FDR attempted to recover industrial growth through the NRA, intended to regulate industrial prices. Led by Hugh S. Johnson, it worked directly with the largest companies and also established "blanket codes" to regulate all business. However, due to its poor administration, heavy support of big business, and inability to enforce many of its codes, it caused industrial production to decline despite raising prices.**

How did the NRA ultimately end?

- Supreme Court intervened in 1935: after Schechter brothers accused of breaking NRA codes
  - Supreme Court deemed brothers not engaged in interstate commerce → not subject to federal regulation; felt NRA to be unconstitutional → ended despite FDR's resistance (though he knew it was a failed program)

**It ended after Supreme Court intervention deemed it an unconstitutional application of federal authority.**

How did the New Deal plan regional development?

- AAA/NRA reflected support of economic growth in public sphere but desiring planning process for regional development to remain restricted to private sphere
- Some reformers sought fed. control over regional planning: **Tennessee Valley Authority (TVA)** originated after large private utility company collapsed
  - Utilities companies unable to resist public discontent → TVA created to regulate Tennessee Valley, completing unfinished dam in AL on Tennessee River, generating electricity and encouraging re-development
  - Stopped major flooding in TN Valley, encouraging local industry through reforestation programs, assisted farmer productivity
  - Improved water transportation, provided electricity; region remained impoverished due to unwillingness to challenge local customs/prejudices

**Several New Deal reformers sought government control over regional planning: the Tennessee Valley Authority constructed a major dam in the Tennessee Valley, bringing electricity to the region, stopped flooding throughout the region, and encouraged local industry. However, the industry remained impoverished due to the administration's unwillingness to challenge local norms.**

How did the New Deal approach currency reform?

- Roosevelt felt gold standard hurt restoration of prices  
→ executive end to gold standard
  - Allowed for price experimentation w/ administration initially purchasing gold/silver, later lowering gold content of single dollar value
  - Currency manipulation on federal level set significant precedent but had no signif. effect
- 1933: **Glass-Steagall Act** allowed govt. to prevent bank overspeculation; created wall betw. commercial/investment banking
  - Established **Federal Deposit Insurance Corporation**, guaranteeing all bank deposits
- 1935: govt. transferred authority once held by regional Federal Reserve banks to Federal Reserve Board
- 1933: **Truth in Securities Act of 1933** required corporations issuing securities to be transparent to public
- June 1934: **Securities and Exchange Commission** created to police stock market; indicated that public opinion of economy had collapsed

Roosevelt first eliminated the gold standard to allow for freer currency manipulation; he also issued federal reforms to more effectively police the economy by limiting bank overspeculation, requiring corporate transparency for securities, and creating a committee to police the stock market.

How did Roosevelt expand federal relief efforts?

- **Federal Emergency Relief Administration** provided cash to states to support bankrupt relief agencies
  - Led by Hopkins of NY relief agency
  - Hopkins/Roosevelt feared too much direct relief
- FERA grants insufficient → Roosevelt turned to more comfortable **Civil Works Administration** w. > 4m ppl. on temporary projects
  - Many projects, like roads/schools/parks, very important; others simply to create work
  - Hopkins satisfied w/ process of pouring money into econ.
- **Civilian Conservation Corps** (CCC) one of earliest and Roosevelt's most liked programs: employed young men to work in national parks/forests
  - Worked in military-like environment to plant trees, build reservoirs, create parks, improve agri. irrigation
  - Race segregation w/ mostly white men; some positions for Afr. Americans/Mexicans/natives
- **Farm Credit Administration** to refinance farm mortgages very successful; Frazier-Lemke Farm Bankruptcy Act of 1933 allowed some farmers to regain land after foreclosure
  - 25% of farm owners lost land regardless
  - Homeowners frequently lost mortgages

Roosevelt generally shied away from direct cash relief, creating the relatively small FERA to provide cash to states; most relief was in the form of new jobs: the CWA created temporary urban projects and the CCC, with its military-like structure, supported young men in rural projects. Farmers and homeowners alike often lost their mortgages: Roosevelt instituted some government relief but it was unable to save all farmers.