

The Great Depression (1929-1939)

Bull Market:

- Stock Prices ↑
- Good for business!
- People begin to **Buy on Margin**:
Purchase stocks on credit with a loan from their broker. Goal: Sell later at a higher price, pay the loan back and keep the profit.



Bear Market:

- Stock Prices ↓
- People (and businesses) lose new-found wealth.
- People want to sell their stocks.
- May lead to a **depression** (steep drop in economic activity).



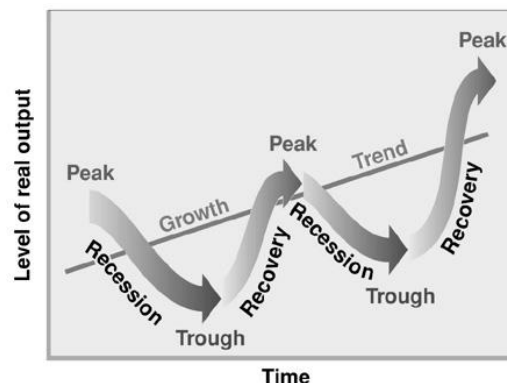
1. Is it normal to have periods of surplus/recovery? Yes

2. Is it normal to have periods of recession? Yes

3. Why do you think a recession might become a depression? Something in the business cycle is way off. There might be a rapid decrease in demand or an overly large supply.

Business Cycle: An economic pattern of production and consumption.

Production > Consumption ► ↑ Surplus Products ► Businesses ↓ Production & Lay Off Workers (THIS CAUSES A RECESSION) ► Consumers Eventually Buy Surpluses ► Consumption > Production ► Businesses ↑ Production and Hire Workers ► Eventually Production > Consumption



So what caused the GREAT DEPRESSION?

1. Consumer Crisis:

- Too many people buying on margin.
- Companies were overproducing, but wages did not increase. Banks made too many bad loans and investors were swindled into get-rich-quick schemes. With lower demand, companies began to cut jobs.
- With no money and, often, no job, no one was buying new products and people couldn't repay their loans.



Immediate Cause of the Great Depression: The Stock Market Crash.
This happened on October 29, 1929.

2. Banking Crisis:

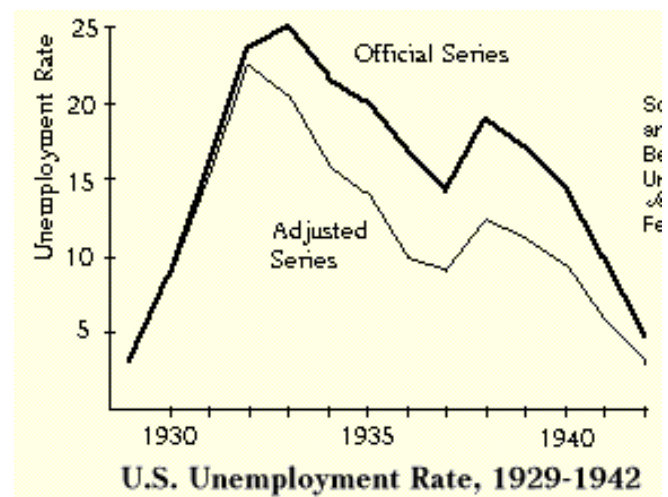
- Banks had been heavily invested in stocks, too.
- They had encouraged their customers to invest in stocks. Customers couldn't repay their loans.
- Banks started to close and people panicked. They rushed to take out their money, creating even bigger problems for the banks.



WHEN THE GREAT BANKS OF AMERICA CLOSED THEIR DOORS
Here are anxious crowds gathered outside the doors of a branch of one of the large United States banks that failed in December, 1930. The numerous bank failures led to the passing of stricter banking laws.

3. Business Crisis:

- When banks closed, businesses lost their savings accounts. Many were left with no money to operate.
- Businesses canceled plans to build factories and expand production.
- They cut jobs. Unemployment rose drastically.

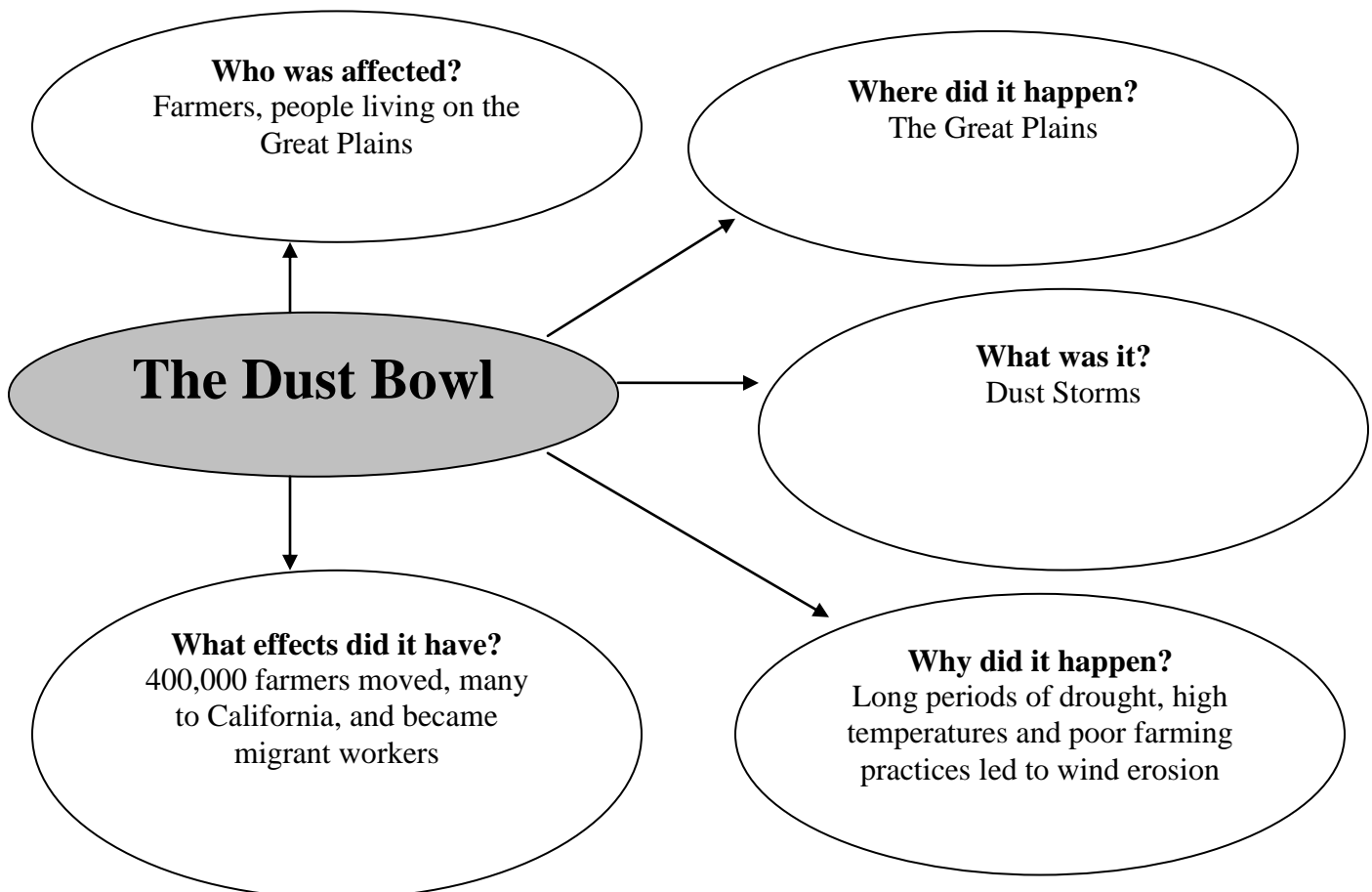


Life during the Depression

Based on the reading, what were 7 ways that Americans were affected by the Great Depression?

1. Little or no money for food or to pay the rent. People lost their homes.
2. People were frightened and miserable.
3. Millions of people lost their jobs. They took any job they could get.
4. People stood in "breadlines" waiting for free bread and soup.
5. Veterans marched on Washington, DC demanding the bonus that was promised to them. (Bonus Army)
6. Some farmers gave up farming and moved to California.
7. Men and boys roamed the country living for work. They lived in "Hoovervilles": shanty towns usually on the edge of cities.

Complete the organizer below.



Roosevelt's New Deal (p. 778 - 783)

Read the assigned pages from the textbook. It is very important that you pay attention to not only the main text, but any pictures, graphs, or primary sources in the assigned pages as well. Once you have read, answer the questions and complete the graphic organizers.

1. Prior to being elected, Franklin Roosevelt (FDR) said to the country "I pledge you, I pledge myself, to a new deal for the American people." What do you think he meant by this?
He wants to give people new ideas and a plan for helping Americans.
2. Based on the document "America Tunes In" on page 779, what percentage of New Yorkers owned radios in 1930? Why do you think more people owned radios in the North than in the South?
 - Over 50%.
 - The north had more access to electricity; more people in the north might have had money to buy radios, etc.
3. Why did FDR rely on the Brain Trust?
They were experts and could help him develop relief programs.

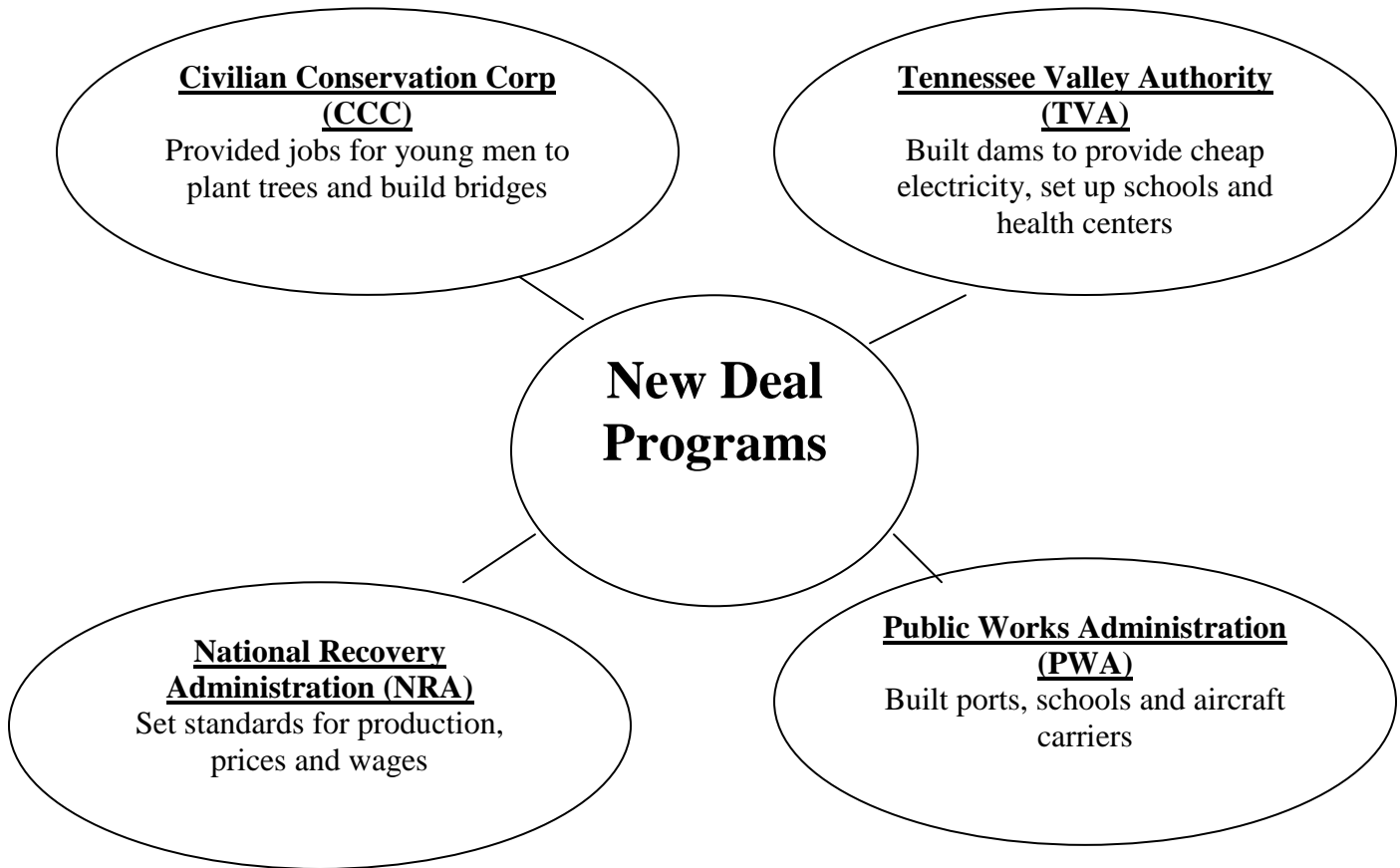
Franklin Delano Roosevelt
First Inaugural Address
March 4, 1933

"... This great Nation will endure [last] as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself – nameless, unreasoning, unjustified terror which paralyzes [stops] needed efforts to convert retreat into advance... Values of property have shrunk... taxes have risen; our ability to pay has fallen; government of all kinds is faced by serious [loss] of income... the withered leaves of industrial enterprise lie on every side; farmers find no markets for their produce; the savings of many years in thousands of families are gone.

More important, 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."

4. In the speech that FDR gave at his first inauguration, what economic problems does he see? Values of property have shrunk, taxes have risen, savings are gone, the ability to pay has fallen, the government has a loss of income, no market for farmers products
5. What feeling does he warn Americans of? Fear
6. What do you think the goal of his speech is? To motivate Americans; tell them not to be scared, which causes inaction; to keep people moving forward

Choose 4 New Deal programs and, in the organizer below, explain what their purpose was.



Complete the organizer below.

| VOCABULARY TERM | DEFINITION / DESCRIPTION |
|--|--|
| Fireside Chat | FDR's broadcasts on the radio |
| Brain Trust | FDR's group of experts that gave him advice |
| New Deal | FDR's plan and programs to get the US out of the Great Depression |
| Federal Deposit Insurance Corporation (FDIC) | Guaranteed that money placed in a bank would not be lost if the bank failed. |
| Securities and Exchange Commission (SEC) | A group that regulated the sale of stocks and bonds. Had power to punish dishonest stockbrokers. |

Read the section on pages 796 - 797 on the Social Security Act (*Help for Those in Need*). In the organizer below, show three things that the Social Security Act did.

Social Security Act

1. Set up monthly pensions for retired people

2. Unemployment insurance

3. Help for people with disabilities, the poor, elderly and children

CRITICS OF THE NEW DEAL:

- Some thought that the New Deal went too far and that the federal government was getting too much power, especially over business. Many wanted to continue the free-enterprise system.
- Some thought that the New Deal didn't go far enough, and that the federal government should do more to help the needy and promote social reform.
- Many were concerned with Roosevelt's Judicial Procedures Reform Act, which would have allowed the President to appoint a new justice (up to 6) for every justice who did not resign after turning 70.



? DID THE NEW DEAL ACTUALLY END THE GREAT DEPRESSION?

YES: Supporters say that it prevented the economic and political collapse of the US and created programs to help prevent future depressions.

NO: Critics say that it didn't bring the US full economic recovery. They claim that it was actually World War II that ended the Depression.

THE END OF THE GREAT DEPRESSION

In 1939, World War II broke out in Europe. Despite initial neutrality in the US, the economy began to recover as the country met the demands of war. Production increased and unemployment dramatically decreased.