

THE 1929 CRISIS AND THE NEW DEAL

I/ The depression

1-Causes

- Many stocks purchased as there was **speculation**
- But rumors led to a chain reaction of massive stock selling
- Stock prices fell
- Huge sums of money were lost



The New York Times

Thursday, October 24, 1929

Speculation is the purchase of an asset with the hope that it will become more valuable in the near future.

(Living on the profit someone else is expecting to make)

2- Results

- Bank Failure



- Unemployment



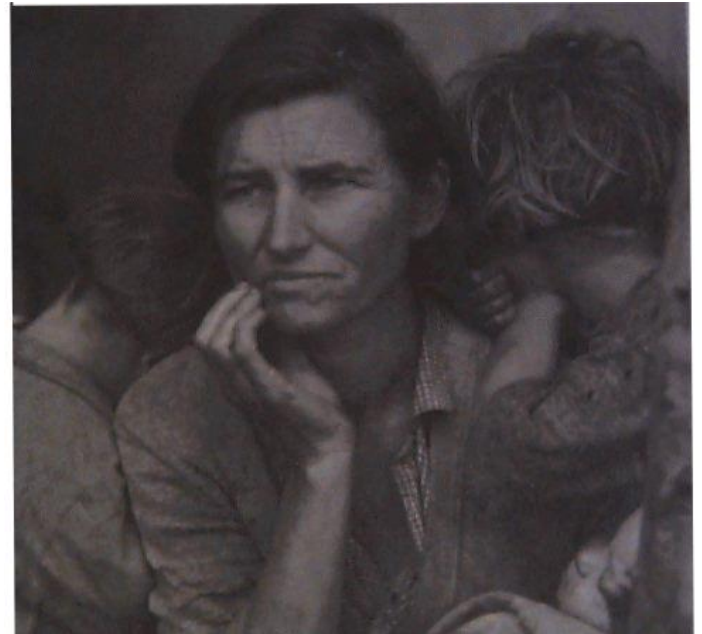
- Loss of homes
- "Hoovervilles"



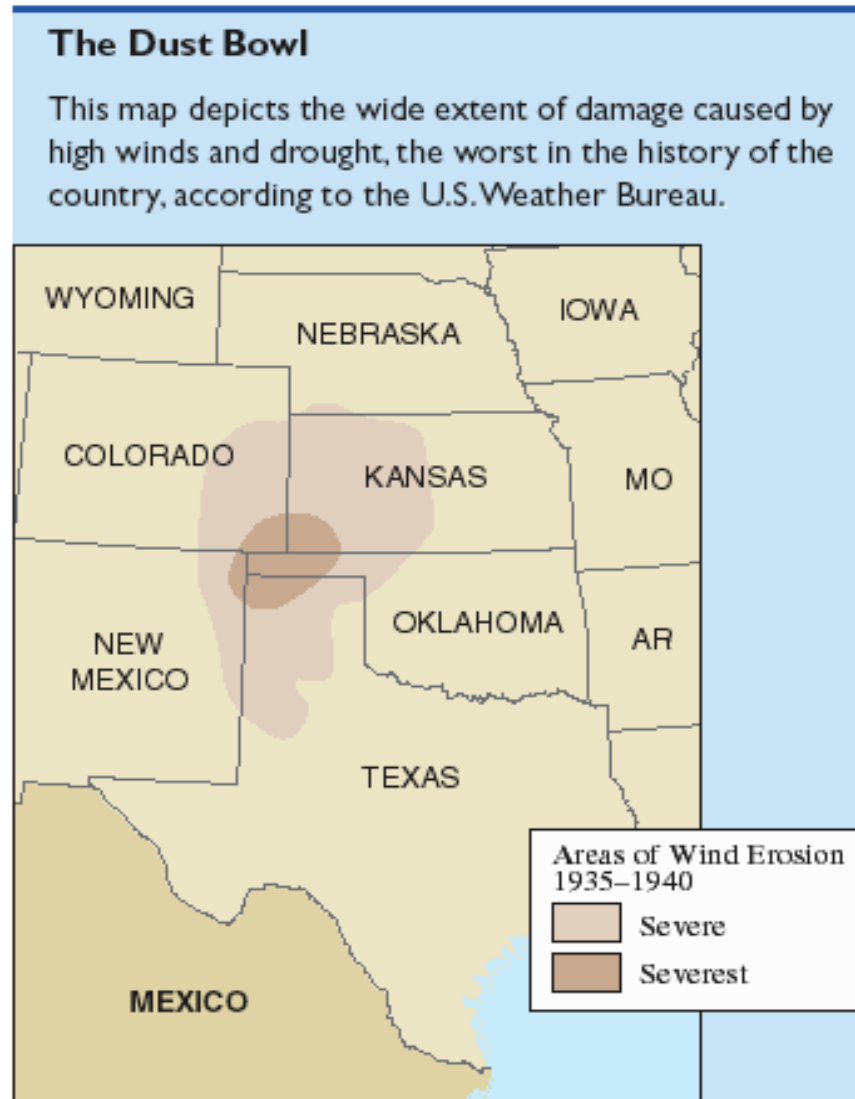
All over the country people were desperate...



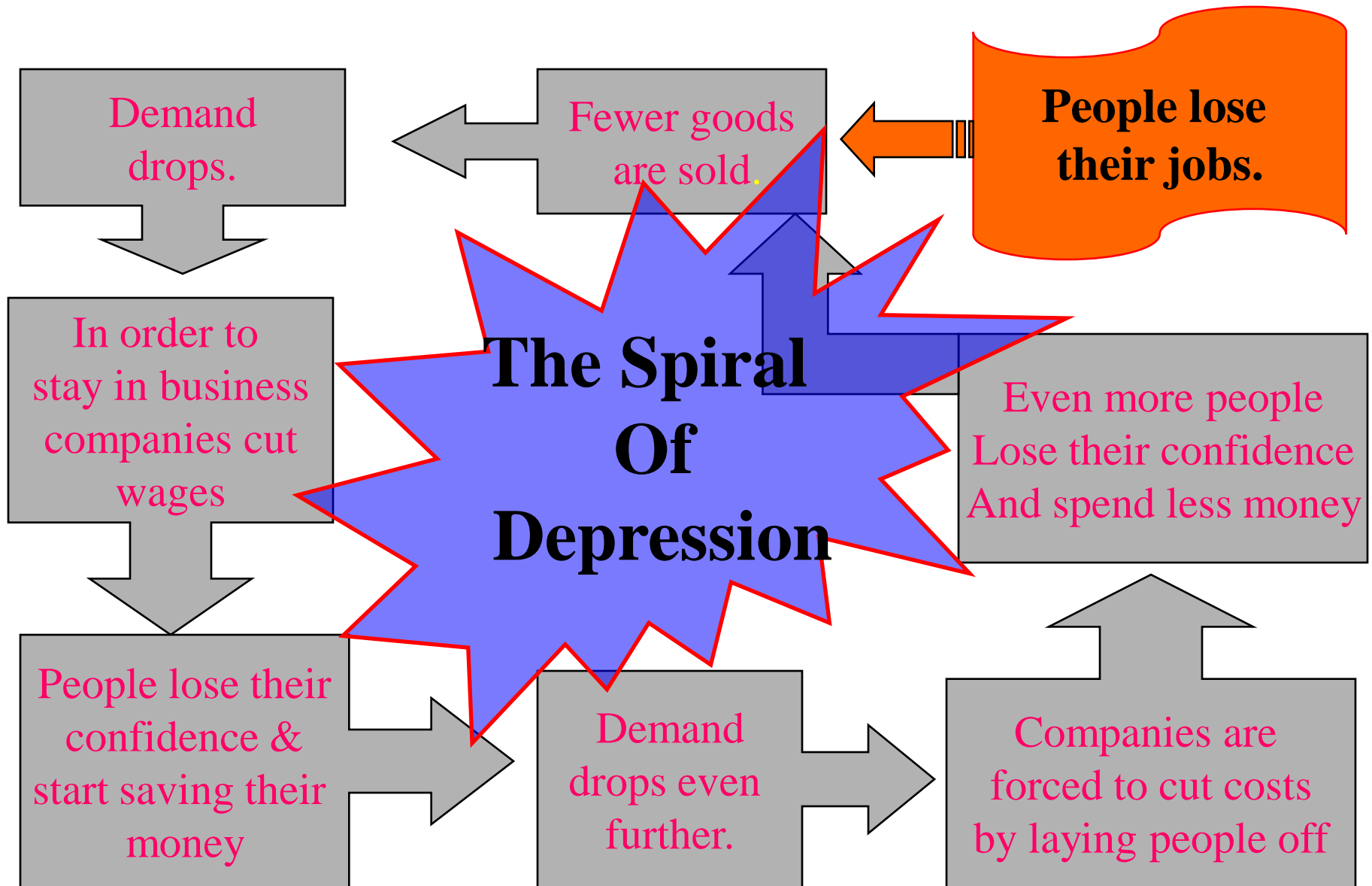
The hard times of the Depression seemed like they would never end for Iowans like this woman and child. The photo was taken in January 1937.



On top of that the drought triggered the Dustbowl which affected farmers...



Causes of the Depression



**IN 1932 FRANKLIN ROOSEVELT
TOOK OVER FROM HERBERT
HOOVER. HE WAS A DEMOCRAT
AND ENFORCED A NEW
PROGRAM: THE NEW DEAL**

III/ ROOSEVELT'S NEW DEAL

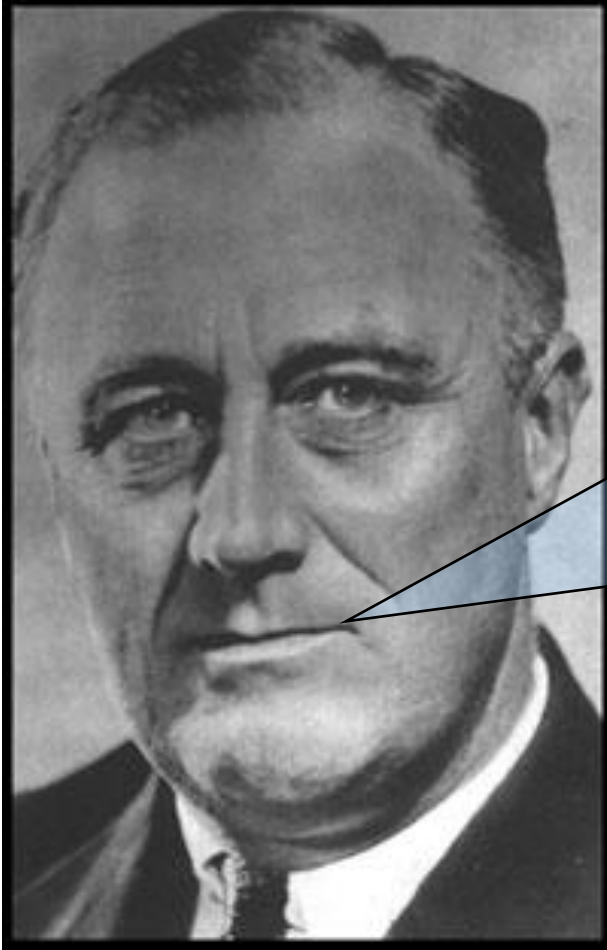
The program focused on what historians refer to as the **"3Rs"**:

relief for unemployed and poor

recovery of the economy back to normal levels

reform of the financial system to stop the crisis

In FDR's Inauguration Speech...



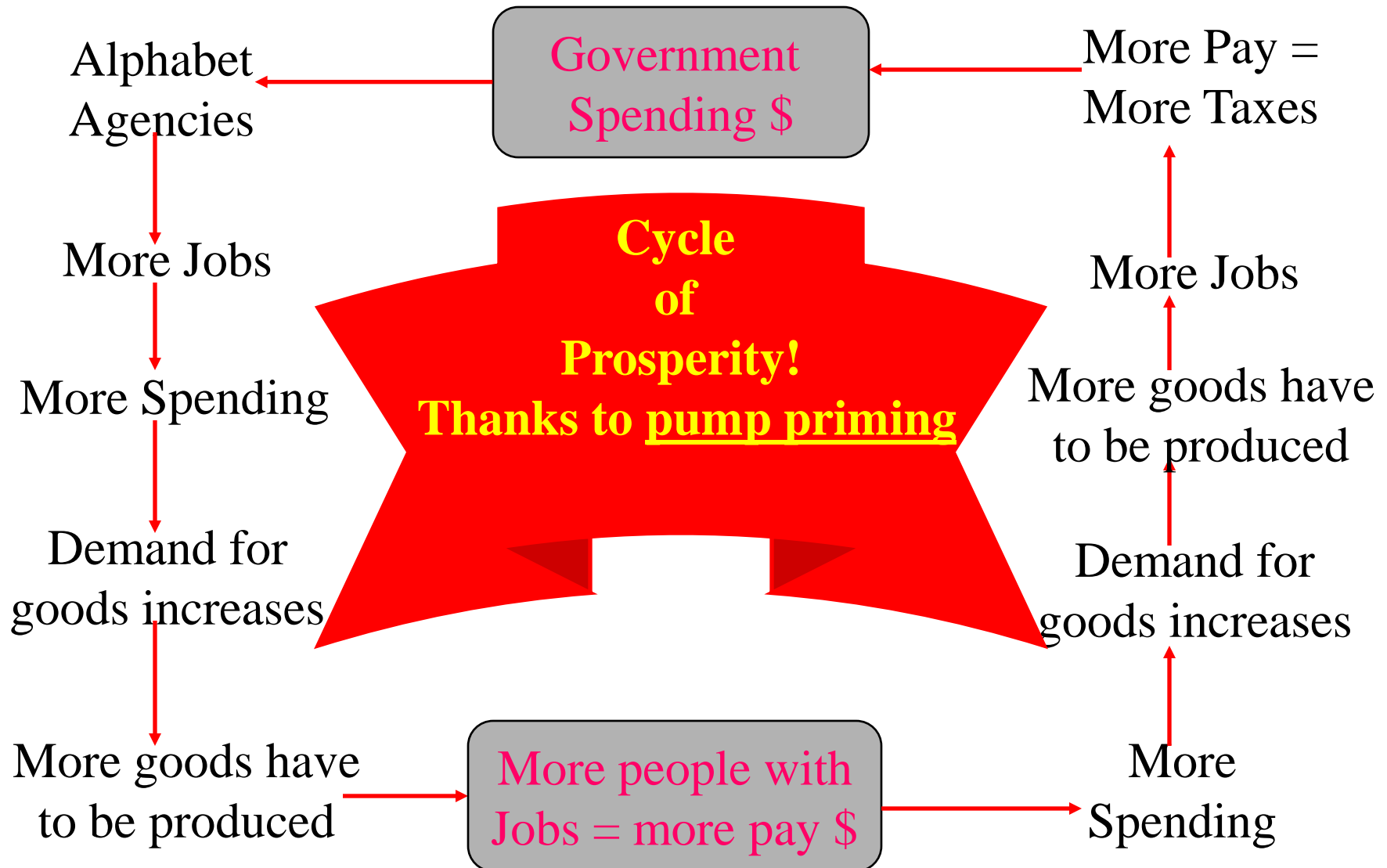
This Nation asks for action, and action now. Our greatest primary task is to put people to work. I shall ask congress for broad executive power to wage war against the emergency.



1-The New Deal: Alphabet Agencies (named after their acronym)

- The Alphabet Agencies were set up to **help reverse the ‘Spiral of Depression.’**
- The main aim was to pump money back into the economy by giving the unemployed jobs.(Keynes’ pump priming)
- Not everyone within the Democratic Party agreed exactly how this should be done.

Reversing the Spiral of Depression



2-How do you put the USA back to work?



Harry Hopkins



Harold Ickes

a) Harry Hopkins



Work Relief preserves a man's morale. It saves his skill. It gives him a chance to do something socially useful

Set up two key Alphabet Agencies: CWA & and later the WPA which aimed to help the unskilled unemployed.

Criticised for wasting taxpayers money on 'boondoggles.'

CWA = Civil Works

Administration for unskilled people

- Built 800,000 km of roads.
- Built 40,000 schools
- Built 500 airports & rebuilt 500 more.
- Built 150,000 public toilets.
- Paid people to sweep up leaves in the parks.
- Paid unemployed actors to give free shows.
- Hired 100 people to scare pigeons away with balloons from public buildings in Washington DC.

Boondoggling

definition

Boondoggle is a North American term which has come to refer to the performance of useless tasks while appearing to be doing something important.

next

In response to being accused of 'boondoggling', when he gave unemployed librarians jobs cataloguing historical documents, Hopkins replied:



‘Hell, they’ve got to eat just like other people.’

In 1934, the CWA was shut down because it was wasting money

b) Harold Ickes



‘My PWA will give work to the unemployed by creating things of lasting use to the nation.’

- Set up the PWA which gave jobs to the skilled unemployed.
- Was very careful how he spent taxpayer's money.

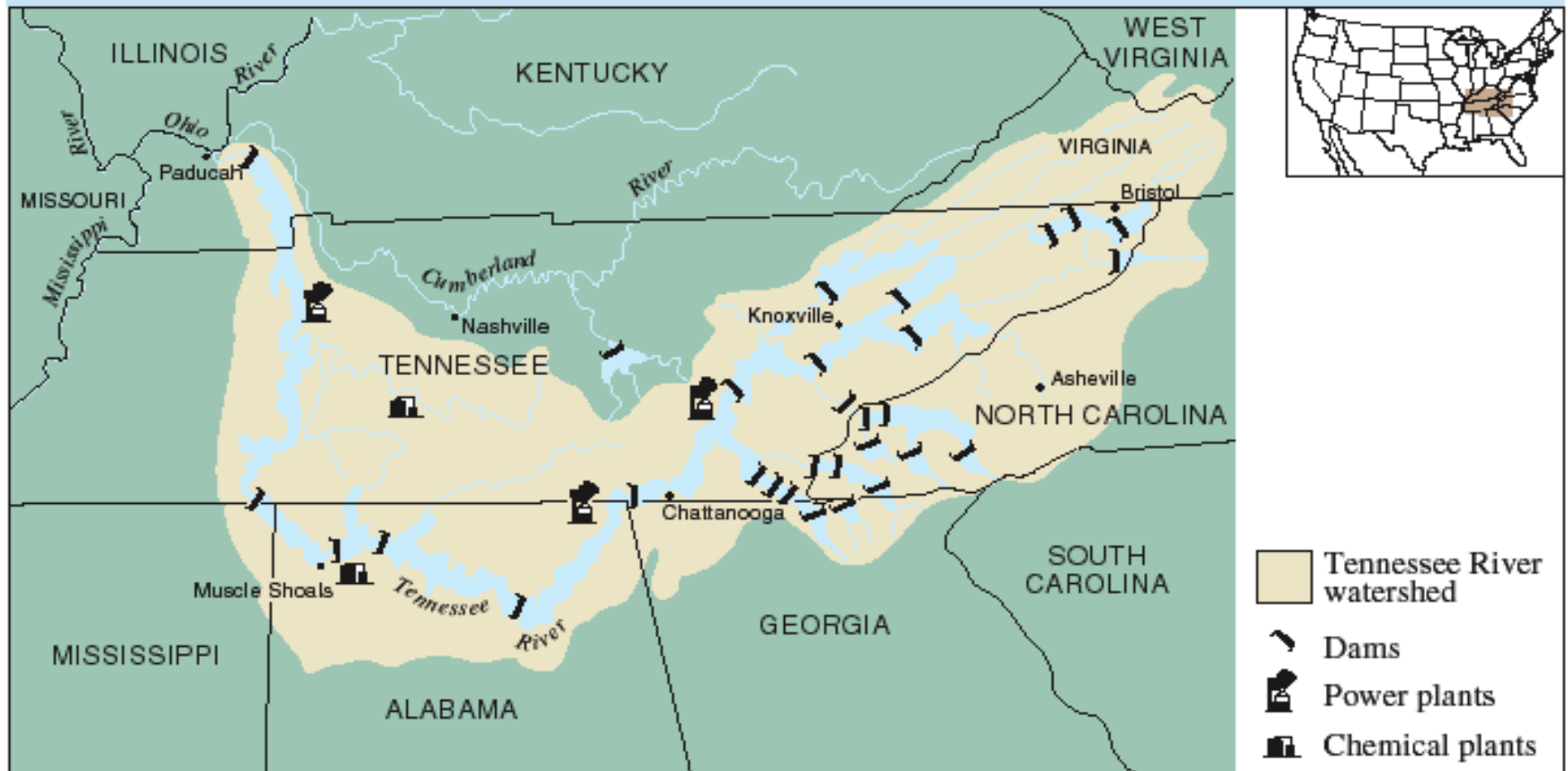
PWA = Public Works Administration

- Built 70% of USA Schools.
 - Built 35% of USA Hospitals.
 - Built for river dams.
 - Electrified the New York Washington railway.
 - Built 50 military airports.
 - Built two aircraft carriers.
 - Built four cruisers & destroyers for the US Navy.
 - Built a new sewage system in Chicago.
- TVA

PWA only provided jobs for the skilled unemployed!

The Tennessee Valley Authority

The TVA transformed the way the Tennessee valley looked; it replaced a wild river with a series of flood-control and hydroelectric dams and created a series of lakes behind the dams. It stopped short of the coordinated regional planning that some people wanted, but it was one of the most important New Deal projects.



next

AFTER 1935 A NEW AGENCY IS SET UP: THE WPA (second New Deal)



- In 1935, after a terrible winter FDR decided to help the unskilled unemployed more by setting up WPA with Harry Hopkins back in charge.
- It continued working until 1939.

WPA = Works Progress Administration

- Built 11,000 schools.
- Built 70,000 km of roads.
- La Guardia airport in New York.
- Employed photographers to make a record of the Depression.
- Employed 12,000 Actors to put on plays and concerts to cheer people up!
- Employed artists and painters to make paintings for display in schools and public buildings.
- **Gave work to 2 million people a year.**

next

C- ROOSEVELT ALSO ENFORCED OTHER SPECIFIC PROGRAMS EXPLAINED IN HIS INAUGURAL ADDRESS

For farmers:

The Agricultural Adjustment Act (AAA): It stabilized prices on farm products through paying farmers to reduce their acreage under cultivation and lower overproduction

C- ROOSEVELT ALSO ENFORCED OTHER SPECIFIC PROGRAMS EXPLAINED IN HIS INAUGURAL ADDRESS

Industrial recovery:

The National Industrial Recovery Act (NIRA)

It encouraged national production

It called on every business establishment in the nation to accept a stopgap (temporary way to deal with something) "blanket code": a minimum wage of between 20 and 45 cents per hour, a maximum workweek of 35–45 hours and the abolition of child labor under 16



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Work Relief and Social Security

1935 Social Security Act (SSA):
It created minimum health care
for the needy



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For banks:

Emergency Banking Act (EBA)

It helped banks not to go out of business

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1937 Housing Act

It provided for subsidies to be paid from the U.S. government to local public (LHAs) to improve living conditions for low-income families and lower the number of slums (Hoovervilles)

In 1936, the Supreme Court ruled against Roosevelt and the New Deal was suspended. The Court was composed of 9 associated judges appointed for life. At the time 7 out of 9 were republican.

The Supreme Court aims at making sure policies/acts passed by the Congress are respecting the Constitution.

Fortunately, in 1936, Roosevelt was re-elected and he could easily enforce his program. The Supreme Court had to give in facing popular support.

RESULTS OF THE NEW DEAL

The most common arguments can be summarized as follows:

Harmful:

The New Deal vastly increased the FEDERAL DEBT

It encouraged administrative inefficiency and boondoggling

It went against free business enterprise

RESULTS OF THE NEW DEAL

The most common arguments can be summarized as follows:

Neutral

It stimulated the growth of class consciousness among farmers

It raised the issue of how far economic control could get without sacrificing the liberties of the people

RESULTS OF THE NEW DEAL

Beneficial

The nation came through its greatest depression without undermining the capitalist system

It made the capitalist system more beneficial by enacting banking and stock market regulations

It produced a more equal distribution of wealth

It permanently established the principle that the national government should take action to rehabilitate and preserve America's human and natural resources

Nevertheless the New deal was criticised

