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**Chapter 23: The Great Depression Study Guide**

**Causes of the Depression:**

Farmers in Trouble: During World War I, farmers worked especially hard to produce record crops and livestock. But after the war, as prices fell, farmers struggled and attempted to produce even more to pay off debts, bank loans, taxes and living expenses. Prices continued to drop, and many farmers went bankrupt and lost their farms. Their inability to pay off their loans eventually led to their banks also going out of business.

Weak Banks: It wasn't just farmers' banks that closed. Prior to the stock market crash, banks engaged in the practice of speculation buying, in which they used investors' funds to lend money out to individuals interested in buying stocks. Soon, investors couldn't repay what they borrowed, meaning the banks couldn't repay the investors from whom they borrowed money. Making matters worse, after the market crashed, people panicked and rushed to withdraw their funds from the banks, causing thousands of banks to close. By 1933, nearly half the banks in the U.S. had failed.

Overproduction in Factories: Because of their efforts during World War I, and the continued success well into the 1920s, factories were producing commodities at a high rate. But after the crash, there was production beyond what people could afford to buy. At the same time, housing and automobile manufacturing, industries that supported American prosperity, were in decline, as most people who could afford houses and cars already had them. Spending on construction fell from $11 billion to $9 billion, and in the first nine months of 1929, car sales dropped by more than one third.

Stock Market Crash: After seeing stocks nearly double between May 1928 and September 1929, people stockholders soon saw their investments fall dramatically in price, to the tune of losses of $4 billion in a single day. The initial crash led to panicked traders rushing to sell, brokers who had lent people money to buy on margin now began to recall loans, others had to sell their stocks, and others still were left with worthless pieces of paper as stock prices continued to plummet. Two months after the initial crash in October, losses extended upward of $40 billion.

**Effects of the Depression**: List 5 things that happened as a result of the Depression

1. Between 1929 and 1933, the unemployment rate skyrocketed from 3 percent to 25 percent, with 13 million people left unemployed. Those who still had work suffered wage cuts and hours lessened.

2. Families were devastated. Fathers left their homes in search of work, while others deserted their families out of shame and hopelessness. Marriages declined, and those who did marry held off on having children.

3. Children suffered from a lack of education—almost 1 million rural children under 13 did not attend school at all—and lifelong health problems from a lack of food and dental care.

4. Poverty crushed Americans' spirits. Jobless lined up at soup kitchens for meals, homeless built communities of rundown shacks called Hoovervilles.

5. Mass migrations such as the Okies looking for a better life after the Dust Bowl.

**Solving the Depression:**

What did Hoover do? Initially, Hoover was advised to do nothing, as those close to him considered the Depression a temporary setback. When he did get involved, he called on business leaders and local governments to take the lead rather than the federal government. Hoover met with business executives and encouraged city and state governments to create public works projects to employ jobless people. He urged private charities to set up soup kitchens.

**FDR and the New Deal**

The Bank Holiday: Four-day closing of the nation's banks. FDR's goal was to halt the nationwide epidemic of bank failures, and to afford more time to propose an Emergency Banking Relief Act, which provided more careful government regulations of banks.

**The Three R’s:** Define each

Relief: Relief for the jobless through financial assistance programs and by employing jobless adults in public works projects and conservation projects.

Recovery: Economic recovery in both industry and agriculture.

Reform: Adjust the economic system to prevent future depressions.

**New Deal Programs**: What did each one do to help during the Depression?

TVA: Tennessee Valley Authority build giant dams along the Tennessee River to control flooding, provide cheaper electricity, and increase jobs and prosperity in one of the country's poorest rural areas. By 1945, power from TVA plants lit thousands of farms.

SSA: Social Security Act, or Old-Age Insurance, guaranteed retired people a pension. It also included Aid to Dependent Children to help children whose fathers were dead, unemployed, or not living with the family. As well, it provided financial aid to the disabled and gave the states federal money to make temporary payments to the unemployed.

FDIC: The Federal Deposit Insurance Corporation protected bank depositors by guaranteeing individual deposits up to $2,500. It helped to control the rapid pace of bank failures.

**Critics of the New Deal:** Explain their plans or problems they had with FDR’s New Deal

Huey Long: Long argued that, to end the Depression immediately, the government needed to tax the wealthy and distribute that wealth to the poor.

Francis Townsend: Townsend called for a system of government pensions, where retired Americans over the age of 60 would receive $200 each month as long as they pledged to spend all the money within a month

Charles Coughlin: Distrusted FDR's policies on banking and money. He wanted the government to take over the banks and to nationalize them so to provide for free coinage of silver.

The Supreme Court: One of FDR's biggest challenges, the Supreme Court declared several of the New Deal measures unconstitutional. It took FDR appointing/naming eight new justices to gain the majority vote and "defeat" Congress.

**Life in the Depression:** Explain how life changed for the following groups and hurdles they overcame

Women: The Great Depression complicated life for most women. To save money, more women found themselves sewing clothes, canning fruits and vegetables, and baking bread instead of buying it. Additionally, most women with jobs struggled against competition from unemployed men, who were now applying for positions—teachers, librarians, secretaries—typically held by females. Lastly, maids, seamstresses and housekeepers lost their jobs because fewer people could afford domestic help.

African Americans: African Americans suffered more unemployment, homelessness, illness and hunger than did whites. African American sharecroppers in the South were forced off their land and into cities, where they were left unemployed, as jobs traditionally held by African Americans were now filled by whites. Even those migrating North faced hardship, as more black than white factory workers lost their jobs. Blacks were usually the last hired and first fired.

Mexican Immigrants: Many who were living in the Southwest as migrant workers were deported to Mexico because thousands of white migrant workers had flooded the area looking for work and didn't want to compete with non-citizens, though some of those deported were citizens born in the U.S.

Native Americans: Most lived in poverty on reservations administered by the government. In time, under the Indian New Deal, Native Americans were hired to build needed schools, hospitals, and irrigation systems. Despite the plan's goal, it failed to bring self-government or to promote education, and Native Americans remained the poorest Americans.

**The Dust Bowl**: Explain the hard times farmers had to go through

In 1930, little rain fell, and because of the dryer, rootless soil resulting from the removal of native grasses and the sod formed by the grass roots on huge plots of land, the rootless soil blew away like powder. The drought caused widespread crop failures, but the soil proved even more destructive. Gigantic dust storms arose, and lasted for five years, burying fences, seeping into houses, killing people and animals. The storms turned about 100 million acres of rich farmland into a wasteland.

**Labor Reforms:**

Collective Bargaining: The right of a union to negotiate wages and benefits for all of its members. This, and the Wagner Act as a whole, led to union membership tripling in the 1930s.

Sit-Down Strike: Workers stay in the factory but stop production. This occurred in 1936 when the United Auto Workers in Flint, Michigan launched a sit-down strike at the General Motors Fisher Body Plant Number One. After 44 days, the workers won their demands fora fair minimum wage scale, a grievance system and procedures that would protect assembly-line workers from injury.

AFL: Similar to the CIO, American Federation of Labor was an organization of many labor unions, which organized its members according to skill.

CIO: Formerly the Committee for Industrial Organization, the Congress of Industrial Organizations was an umbrella organization consisting of many other unions. The CIO combined all workers in a particular industry, skilled and non-skilled alike, which opened membership to more women and African Americans.

**Arguments against the New Deal**: Why did people oppose FDR’s plan?

Critics argued that the New Deal gave too much power to the federal government and that the programs threaten both individual freedom and free enterprise. In their eyes, government should interfere with the economy as little as possible. They also argued against the massive increase in the nation's debt and that the New Deal failed to fulfill its most fundamental goal of ending the Great Depression.

**Arguments for the New Deal:**

Supporters of the New Deal favored the employment of millions of jobless people, the end to the banking crisis, the reformed stock market, the poor families saved from losing their homes, the improved working conditions, the dams and bridges built through New Deal programs, the 12 million acres of national parkland preserved, the electricity now in rural America, and the creation of lasting works of art. For many, the New Deal restored their faith in government and felt their government would take care of them.