Handout 1: Defining the Depression

During the 1930s, many people were out of work, and those who had invested in the stock market lost all of their money. Factories closed down. Families lost their homes. People sold apples on the street for five cents just to make some money. People stood in lines to get free food. In the Great Plains, a drought lasting eight years combined with over-cultivation to create the Dust Bowl. It was very difficult to grow anything, and many lost their farms. Due to over-production and surpluses the prices for wheat became so low that farming the land was no longer worthwhile. What was happening? What had become of the carefree prosperity of the previous decade?

The United States was going through a depression. A depression is a reduction in activity, amount, quality, or force. Sometimes we hear that people are experiencing a depression. That type of depression is an emotional one, and it means that the person experiencing is very sad and unable to motivate himself/herself. The Great Depression in American history was not emotional but economic. It was a period of low economic activity that was marked by rising levels of unemployment.

The crash of the stock market on October 29, 1929, signaled the beginning of the era known as the Great Depression. The underlying causes of the Great Depression included over-production in industry and agriculture, unequal distribution of wealth, risky banking practices, manipulation of the stock market by unscrupulous investors, and the use of consumer credit for purchases.

At first, President Hoover and others believed that the crash was just another of the adjustments that the stock market made and that it would correct itself. He called on business leaders to support the cause. Hoover opposed federal intervention and direct aid, believing that it was the role of local government and other agencies to provide for the people. As time went on and the situation became worse, Hoover did act to reduce taxes and make some government loans available to businessmen and farmers. He insisted the aid be given in the form of loans because he felt that would enable people to maintain their dignity. He signed a bill creating the Reconstruction Finance Corporation, or RFC, to lend money to states for relief and to finance public works.

In 1932, veterans from World War I assembled at the Capitol to urge the passage of a bill that would allow early payment of a promised bonus. When Congress failed to pass the bill, the army was ordered to disperse the crowd of veterans.

In the meantime, farmers in the Great Plains states were struggling with problems of their own. As a result of the drought, they were unable to farm their land. They too, were out of work.

In 1932, Americans elected a new president, Franklin Delano Roosevelt. Crippled by polio and unable to walk without aid, Roosevelt had been through some tough times of his own. In his campaign, he promised the American people a “New Deal” that would end the crisis. He pledged to help the unemployed find work, build up railroads, assist the farmers, protect the American people, and reduce government spending.

After his inauguration, Roosevelt and his cabinet quickly went into action. Over 4,000 banks had failed in the first two months of 1933. In March, the new president declared a bank holiday, closing all banks until treasury officials certified that each bank was sound. During this period, barter became a way for people to obtain needed goods and services. When the banks re-opened, depositors’ funds were protected by the newly established Federal Deposit Insurance Corporation (FDIC).

In his first 100 days in office, President Roosevelt used existing legislation like the RFC to extend relief to people. As part of his promised New Deal, he initiated programs such as the Agricultural Adjustment Act (AAA), which helped farmers refinance their mortgages, and paid a subsidy to farmers who did not produce. The Civilian Conservation Corps (CCC) provided board, lodging, and a minimum salary to men between the ages of 18 and 25 in exchange for their labor. The Federal Emergency Relief Administration (FERA) was authorized to give direct aid to states and local relief agencies. Agencies were set up to help people go back to work and to build schools, roads, highways, and more.

Roosevelt also sponsored the Social Security Act in 1935. This program established old-age benefits. Today, expanded to insure the disabled, dependents, and widows, Social Security is still functioning.

Although some criticized FDR and his many programs, he was reelected in 1936, 1940, and 1944. The Great Depression finally ended when America became involved in World War II.