

Section 1: The End of Prosperity

THE STOCK MARKET CRASHES

During the 1920s, stock prices rose rapidly. Many people bought stocks by **buying on margin**, hoping to sell them later at a large profit. In 1929 stock prices began to drop. Frightened investors sold stocks to pay off their loans, but there were few buyers. On October 29, known as **Black Tuesday**, the stock market crashed. Investors lost everything.

THE ECONOMY COLLAPSES

The stock crash caused a banking crisis as banks lost their investments. People tried to withdraw all of their deposits and many banks went out of business. This crisis contributed to losses by businesses, which then needed fewer workers. Normally when businesses produce more than they can sell, they have to cut back production. As people are laid off, the demand for goods drops. This can cause a severe recession called a depression. When the economy bounces back, more people are hired, and demand increases. This pattern of ups and downs in the economy is called a **business cycle**.

The economy was slow to recover after the crash in 1929. This period, the **Great Depression**, had several causes. One was overproduction of goods as the market was shrinking. Other factors were the uneven division of wealth and limited world trade.

HOOVER'S REACTION

President Hoover knew that people needed help. He did not believe, however, that it was the role of the federal government to provide direct relief. He did **implement** some new programs to help banks and other institutions recover.

In 1932 the **Bonus Army** camped in Washington, D.C. These veterans wanted early payment of military bonuses. Hoover sent U.S. troops to evict them. When several people were killed, the public was outraged.

ELECTION OF 1932

The Republican Party nominated Herbert Hoover again in 1932. However, much of the public had lost confidence in him. The Democratic nominee was **Franklin D. Roosevelt**. As governor, he had worked to provide aid to citizens of New York. In particular, he had provided aid to farmers. Roosevelt promised a "new deal" for the American people. He won the election in a landslide.

Section 2: Roosevelt's New Deal

THE HUNDRED DAYS

Roosevelt told Americans that economic recovery was possible. He called Congress into a special session, known as the Hundred Days. They created the **New Deal** to aid economic recovery.

One program was the Emergency Banking Relief Act. It was passed to restore confidence in banks. The president told people about it in his first **fireside chat**.

Other programs put people to work on public projects, such as roads, airports, and parks. The **Tennessee Valley Authority** (TVA) hired people to build dams that provided electricity to poor communities. **Frances Perkins** helped pass the National Industry Recovery Act to help businesses.

NEW DEAL CRITICS

Critics of the New Deal felt it went too far or not far enough. Some disliked the expansion of the federal government and the **authority** of the president. Others thought there should be higher taxes for the rich and guaranteed income for the poor.

THE NEW DEAL CONTINUES

The Second New Deal was introduced in 1934. The Works Progress Administration (WPA) employed more than 8.5 million people. **Eleanor Roosevelt** supported National Youth Administration programs for young people. Congress passed the **Social Security Act** to help children and the elderly, disabled, and unemployed.

The New Deal included new labor laws. The **Congress of Industrial Organizations** (CIO) was a union with many skilled and unskilled workers. It welcomed women, immigrants, and minority groups. The CIO used a **sit-down strike** to keep General Motors from replacing strikers. This success helped the unions grow stronger.

CLASHES WITH THE COURT

Democrats controlled the presidency and the Congress, but not the Supreme Court. The Supreme Court declared several New Deal programs unconstitutional. The public criticized Roosevelt's plan to increase the number of justices. The plan was defeated in Congress.

Section 3: Americans Face Hard Times

THE DUST BOWL

American farmers were already having hard times before the Great Depression. Then the situation got worse. In the early 1930s, a severe drought hit the Great Plains. In the **Dust Bowl** region, topsoil blew away. Farmers could not grow crops; many could not to pay their mortgages and lost their farms.

Although several New Deal programs tried to help farmers, they came too late for most. About 2.5 million people left the Great Plains. Many of them drove to California to look for jobs. They often found that there were already too many workers.

HARD TIMES

During the Great Depression, many families had to split up as people looked for work in different places. Children dropped out of school to help support their families.

The Great Depression was especially hard on minority groups. Many faced discrimination and lost jobs to unemployed white workers. But some found jobs through relief programs. Several African American leaders, including **Mary McLeod Bethune**, advised the president. They became known as the Black Cabinet.

Eleanor Roosevelt was a strong advocate of equal rights. She resigned from the Daughters of the American Revolution when they refused to rent a hall to African American singer Marian Anderson.

DEPRESSION-ERA CULTURE

In 1935 the Works Progress Administration put many artists, writers, and actors to work. Musicians went to rural areas to record traditional music. They preserved culture that might have been lost. Writers interviewed Americans from many different backgrounds. They kept a record of their lives and memories.

John Steinbeck was deeply affected by the hardships of the Depression. He wrote novels about depression life. Folksinger **Woody Guthrie** crossed the country, writing and singing songs of loss and struggle. At the same time, swing music became popular because it helped people forget

about their troubles. Movies were yet another form of escape.

EFFECTS OF THE NEW DEAL

Today, people still disagree about the effects of the New Deal. Critics argue that recovery did not occur until the U.S. entered World War II. Supporters say it gave Americans hope in a time of crisis. The New Deal did expand the role of the federal government. Some of its programs, such as Social Security and the Federal Deposit Insurance Corporation, are still important today.