

# CHAPTER 21 – THE GREAT DEPRESSION

*terms:*

STOCKS – investments in a company, sold by the “share”

- Each share purchased for a certain price
- Each share’s value rises/falls with fortunes of the company

SPECULATION buying risky (a.k.a. “aggressive”)

stocks in hope of big *return*

Buying ON MARGIN – borrowing money to buy stocks

## CAUSES OF GREAT DEPRESSION:

- easy credit
- desire to “get rich quick”
- stock market:
  - ✓ buying on margin
  - ✓ speculating – both individuals and banks--!!
- Black Tuesday – Oct. 29, 1929 – “Great Crash”

## President HOOVER

- free-market capitalist
  - believed in *limited* gov't assistance
- NOT a popular stance--??

## 1932 – Franklin Delano Roosevelt elected

- proposed a “New Deal”
- federal involvement in rebuilding economy
- plans were vague—unspecific
- FDR's advisors: “Brain Trust” (Cornell prof types) – Keynesian economics
- John Maynard Keynes-- ”spend our way out of depression” (increase debt!)

- took US off gold standard
- Re-interpreted Constitution from creating *conditions* for happiness to creating happiness
- Gov't as *provider*, NOT just *protector*

### FDR's **first act**: Bank Holiday

- shut down banks
- feds inspect
- re-open if sound

“*First 100 Days*” - so much legislation passed under FDR that all Presidents are now evaluated on their first 100 days in office

“*Fireside Chats*” - 1<sup>st</sup> to employ mass communication

### FDR's programs

AAA – Agricultural Adjustment Act

- paid farmers to NOT grow in name of price supports

NRA – Nat'l Recovery Act

- support (raise) wages
- hold prices down
- limit competition
- declared unconstitutional by S.C.

FERA – Federal Emergency Relief Act –

- provided relief to unemployed

Work programs: (like “workfare”)

- WPA – Works Progress Administration
- CCC – Civilian Conservation Corps
- NYA – Nat'l Youth Administration
- SSA – Social Security Act (or Administration)

### FDR's “Court-Packing Plan”

- add 6 new judges to court
- supposedly to ease workload
- “everybody knew” that FDR wanted a pro-New Deal Court