

The great depression and the stock market crash



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The Great Depression was a period of significant economic decline in the United States of America with considerable negative effects for American workers lasting from 1929 to 1939. Superficially, the Depression began with a day called “ Black Tuesday”, when the Stock Market crashed.

The Stock Market Crash was a four-day failure of stock prices. This crash was soon to be known as the worst decline in United States history, while the Dow Jones Industrial Average, or a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, dropped 25 percent. ^[1]

In fact, factors such as Hawley Tariff Act (where high tariffs were put on imported goods), war debts, unequal distributions of wealth, overproduction in agriculture, a rising unemployment rate, and bank failures all contributed to the fall of the economy. When elected President, Franklin Delano Roosevelt’s New Deal Plan was the response to the Stock Market Crash. It included such programs as the Tennessee Valley Authority Act, Civilian Corps Conservation, Agricultural Adjustment Act, and many more. The New Deal greatly reduced unemployment rates and brought the economy of the United States of America to a healthy state, effectively ending the Great Depression.

While some argue that the cause of the Stock Market Crash of 1929 was because utilities stocks were wildly overpriced, brought about by the government limiting the amount of money public utilities could earn, economists disagree and argue that the crash was caused by several compounding factors. These included rising bank loan rates, overpriced

stocks, people afraid to put their money into the banks because it could be a risk of losing it if the bank closed, higher interest rates, and the Dust Bowl. Although many thought differently about the causes of the Great Depression, its effects were devastating.

Five days after October 29, 1929, or now known as “ Black Tuesday”, the stock market lost about twelve percent of its value wiping out fourteen billion dollars of investments. Over the next two months stockholders lost more than forty billion dollars, rounding to about \$782, 160, 000 in today dollars.

[2] To help relieve this economic crash, President Roosevelt instituted a bank holiday, which he hoped would rebuild confidence in the banking system.

On March 9, 1933 Congress passed Roosevelt’s Emergency Banking Act. For three days this act reorganized the banks and closed those that were struggling. This law entitled the President to reopen stable banks through the Treasury Department and assist those with money that needed more help. The banks were divided into four different categories: 1) fit to reopen; 2) permitted to allow a percentage of its deposit to be withdrawn; 3) on the brink of collapse; and 4) unfit to continue business. Before Roosevelt’s Banking Act, many feared to put their money into the banks as there was significant risk of loss, but the act strengthened the current system without majorly altering it. Although on the Sunday that the banks reopened, President Roosevelt assured sixty million radio listeners that the crisis was over and the nation’s banks were secure, the nation’s economic troubles were far from over.

In the spring of 1933 President Roosevelt established a program called the Civilian Conservation Corps. The CCC was a work relief program that gave millions of young men employment on an environmental project during the Great Depression. Employees of the CCC were paid to fight forest fires, plant trees, clear and maintain access roads, re-seed grazing lands and implement soil-erosion controls. They also built wildlife refuges, fish-rearing facilities, water storage basins and animal shelters. This work was provided to World War I Veterans, skilled foresters and craftsmen, and around eighty-eight thousand Native Americans and African Americans. Each of the workers received thirty dollars in payment per month for his services. In addition, each received room and board at a work camp. Every month the men were required to send twenty-two to twenty-five dollars home to support their families.

By July 1, 1933, 1, 433 working camps had been established and more than three hundred thousand men put to work in the most rapid peacetime mobilization in American history. ^[3] This plan combined Roosevelt's interests in conservation and universal service for youth, though it wasn't the only plan that brought success.

In May of 1933 Congress passed the Agricultural Adjustment Act, which paid farmers who produced goods like wheat, dairy products, tobacco, and corn to stop working on their fields so that the agricultural surplus would decrease and prices would rise, allowing the goods to become more valuable and the prices to go up. The plan's goal was to reinstate the purchasing power of American farmers to pre-World War I levels, when the people had jobs, food, and there was no loss of money in the economy. The AAA evened the

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balance of supply and demand for farm commodities so that prices would support a decent purchasing power, which is defined as the value of a currency expressed in terms of the amount of goods and services that one unit of money can buy ^[4], for farmers, known as parity. ^[5]

In the 1936 case *United States v. Butler*, the Supreme Court declared the AAA unconstitutional. Writing for the majority, Justice Owen Roberts stated that by regulating agriculture, the federal government was invading areas of jurisdiction reserved by the Constitution to the states, and thus the act violated the Tenth Amendment. ^[6] Although the Supreme Court declared the plan unconstitutional, Congress restored some constitutional provisions of the AAA, for example encouraging conservation, maintaining balanced prices, and establishing food reserves for periods of shortage.

In the same month, Roosevelt signed the Tennessee Valley Authority Act (TVA), which enabled the federal government to build dams along the Tennessee River that would control inexpensive hydroelectric power for the people in the region. Roosevelt received inspiration for the act from a similar bill passed in the town of Muscle Shoals, Alabama in 1918. The Muscle Shoals Bill was designed to build a dam in the Tennessee River that soon became known as the Wilson Dam, and sell government-produced electricity. The Wilson Dam was first intended to provide power for a munitions plant during World War I, but the War ended before the dam was completed. Fourteen years later the TVA continued the work of the Wilson Dam and other dams like it in 1933. The TVA improved the navigability of the Tennessee River, provided flood control through reforestation of marginal

lands in the Tennessee Valley watershed, developed agriculture, commerce, and industry in the valley. [7]

The Dust Bowl was the name given to a horrific drought that hit the Southern land of the United States in the 1930s. It was caused by federal land policies, changes in regional weather, farm economics and other cultural factors. [8]

As seen in the book *Grapes of Wrath* the severe dust storms, droughts, and drylands in this time. The TVA extension program taught farmers new techniques that would help to control soil erosion and increase land productivity. Examples include crop rotation, plowing with the contours of the land to minimize erosion, planting cover crop, and the use of phosphate fertilizer, helping people in the Dust Bowl save their farms. [9]

From 1933 to 1944 this program built sixteen hydroelectric dams in the Tennessee Valley, and in 1934 alone provided work to more than nine thousand people. This plan was very helpful to many of the unemployed. Some communities, however, were displaced by the TVA projects. For instance, roughly 3, 500 families in eastern Tennessee lost their homes to the Norris Dam, and the project flooded an area of roughly 239 square acres in the Norris Basin. [10] Though this plan ruined homes in Tennessee it provided many men with jobs and money to have for their families.

In 1935 the Workers Progress Association Act (WPA) was established, but this time it focused on building things like post offices, bridges, schools, highways, and parks. The WPA was an ambitious employment and infrastructure program created by President Roosevelt in 1935, during the

bleakest years of the Great Depression. ^[11] Best known for its public works projects, the WPA also sponsored projects in the arts as the agency gave work to tens of thousands of actors, musicians, writers, and other artists. ^[12] In the WPA's eight years of existence, it put about 8.5 million Americans to work.

Four years before the Great Depression ended President Roosevelt created a program that soon became known as Social Security that paid into the finance of the retired generation's monthly allowance. By borrowing a page from Europe's economic security rulebook, Roosevelt proposed a program where people "contributed to their own portion of their future economy". Social Security was established in the summer of 1935, and set up a system of unemployment insurance and stipulating that the federal government would help care for dependent children and the disabled.

President Roosevelt's New Deal programs provided support for the economy, which greatly reduced unemployment rates and brought the economy of the United States back to a healthy state, effectively ending the Great Depression and leaving many with jobs and money to rebuild their lives.

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