

# Great depression and the new deal

Countries, United States



Great Depression and the New Deal After learning about United States Industrialization from Neil Painter book Standing at Armageddon, and reading about the unprecedented economic prosperity in Michael Parrish Anxious Decades, Eric Rauchway in his book The Great Depression and the New Deal discusses the major causes of the Great Depression in the United States and ways the newly elected president Franklin D. Roosevelt intended to fix the economic problem by implementing New Deal Programs. The Great Depression was one of the deepest and longest lasting economic downturn in the history of the United States. It was an immense tragedy that placed millions of Americans out of work. After nearly a decade of prosperity, the United States was thrown into despair on October 29, 1929 when the stock market crashed. During the 1920's there was an unprecedented amount of industrial growth and many of Americans were able to live comfortably. This era saw new discoveries and inventions in nearly every field of endeavor that became the foundation of a striving business. With the industrial success many people began to invest in the stock market. The Stock Market climbed to exceeding heights allowing the general public to join in for easy profits. When stock prices slumped many investors had to sell their shares forcing sell prices to drop further, leading to the Stock Market Crash of 1929. The Stock Market Crash was one of the major causes that led to the Great Depression. Two months after the original crash in October, stockholders had lost more than forty billion dollars. Even though the stock market began to regain some of its losses, by the end of 1930, it just was not enough and America truly entered what is called the Great Depression. After the Stock Market crashed banks began to fail throughout the 1930's. During this time

bank deposits were uninsured and people simply lost their savings due to the amount of loans that were being given out by the banks. With the Stock Market crash and the failure of the banks, individuals from all classes stopped purchasing items. This led to a reduction in the number of items being produced which led to a reduction in the workforce. The unemployment rate rose which alleviated the economic situation. When Franklin D. Roosevelt took presidency in 1933 during the time of the economic crisis, he persisted on fixing the issues of the economy by implementing a series of economic programs known as the New Deal. Although Roosevelt was not sure of the outcome of the New Deal, he was willing to take a chance if it would help the economic crisis in the United States. The Emergency Banking Relief Act was one of President Franklin D. Roosevelt first major project of the New Deal. The act created a plan that would terminate the services of those banking institutions that was not able to satisfy their clients' needs any longer while giving a chance for banks that had enough funds to resume and undergo new changes in the organization. In the early twentieth century the banks became an important asset to the United States economy. In the 1920's, during the great depression the banks begin to fail at an alarming rate. As the economic depression deepened many people became low on funds because too many of the American people were using the new banking system of credit. The banks began to lend out more money than they had and were not being paid back the loans. Because of the bank's shortage of funds, money in customer's accounts were being given away and never seen again. There was an average of more than six hundred banks per year that failed between 1921 and 1929. On March 9,

1933, the Emergency Banking Relief Act was passed. Eric Rauchway stated, "Roosevelt began by rescuing the banks. Two days after taking office he declared the nation's banks must stop transaction in gold, thus shutting them down, he asked Congress to ratify his actions. (57)" One aspect the act address was allowing president to recognize a banking emergency, halt bank transactions, and allow the secretary of the Treasury to impound the banks gold. It also empowered the comptroller of the currency to appoint conservators for banks, investigate their books, and determine their soundness. Furthermore, it authorized the RFC to buy and sell stocks, and the act only allowed the Federal Reserve approved banks to operate in the United States (137). The outcome of the Emergency Banking Relief Act allowed over five thousand banking institution to pass the federal inspection and the banks were able to resume their services and operation. Majority of the banks reopened and the trust of the people on the banking institutions were re-established. Americans were no longer scared that they would lose all of their savings in a bank's failure. With the failure of the banks during the Great Depression, there became a major shortage of jobs. Unfortunately jobs were not available to everyone and many Americans became so desperate for money they sold merchandise on the streets just to feed their families. Many were left homeless with the inability to pay rent. Great amounts of children died from starvation and malnutrition and some adults even killed themselves under the pressure. The unemployment rate was a huge issue when Roosevelt took offices. After he addressed fixing the banking problems of the United States he then began to turn his concerns to the unemployment rate in the United States. The unemployment rate in the

United States during the 1930's was at an all-time high of twenty five percent. Franklin D. Roosevelt constructed New Deal programs to address this issue. One program in particular was the Civilian Conservation Corp (CCC). The Civilian Conservation Corp authorized the president to create a public work relief program for males, single, healthy, unemployed, and American citizen from the ages of eighteen to thirty-five (64). Rauchway states, " It provided unskilled manual labor jobs related to the conservation, chiefly for the maintenance of public lands owned by the federal, state, and local governments (137). " The Civilian Conservation Corp was specifically designed by President Roosevelt for young men in relief families who had a difficult time finding jobs during the Great Depression. The program was ran by the War department. Rauchway states, " The Agriculture and Interior Departments had a list of jobs to preserve the nation's crops and forest. A few thousand of the country's young men, culled from the unemployment rolls and kept to around two and a half thousands camps, supervised by soldiers, seemed to be the solution to the problems (64). " The program lasted from 1933 to 1949 when Congress abolished the Civilian Conservation Corp. Initial enrollment lasted up to six months and legislation later limited enrollment to two years (64). The American public mad the Civilian Conservation Corp the most popular of all the New Deal programs. The program worked on improving millions of acre of federal and state laws and built many new roads and parks. There was numerous of reasons why Congress refused to establish the Civilian Conservation Corp as a permanent agency. Ultimately the program depended on emergency situations and temporary congressional legislation for its existence. By the end of 1942 and

the start of World War II booming, there was a draft in operation for enlistment. Another New Deal Program which addressed unemployment in the United States was the Civil Works Administration (CWA). It was created in 1933 under the Federal Emergency Relief Program (FERA) which devoted \$500 million of Reconstruction Finance Corporation money to grants rather than loans to the states support staff (65). Roosevelt created the Civil Works Administration for the purpose of increasing employment quickly. He realized that jobs were much better for everyone than cash handouts. Roosevelt appointed one of his close advisors Harry Hopkins in charge of the Civil Works Administration which allowed jobs to be temporarily secure for the duration of the hard winter. Hopkins employed four million Americans who worked on high paying jobs in the construction arena. Rauchway adds, " The CWA workers were fixing up city halls, docks, and public roads all on the federal government payroll (65). " The Civilian Works Administration was quickly dismantled after Roosevelt saw the expenditures of his endeavors. " It's expense and even gratitude with which Americans greeted it made Roosevelt nervous. He did not like spending more money than the government took in, nor did he like letting Americans rely directly on the federal government for relief programs (66). " A program such as the Civilian Works Administration may lead the general public to believe the depression would be on-going. Rauchway states, " Before spring Roosevelt had ordered Hopkins to fire his four million workers, in the vain that the brief program had provided enough of a push (66). " In Conclusion, Eric Rauchway discussed how severe the Great Depression was during the 1930's. It was a tragic moment for any American living in the United States during this time.

The Great Depression began with the Stock Market crash of October, 1929 and rapidly spread worldwide. The market crash marked the beginning of a decade of high unemployment, poverty, low profits, deflation, and lost opportunities for economic growth and personal advancement. Banks failed and the unemployment rate rose above twenty five percent. Franklin D. Roosevelt saw the Great Depression tragedies and set out to fix the economy. Even though he was not sure how to fix the economy he was willing to take chance by implementing New Deal Programs. Roosevelt's economic recovery plan, the New Deal, instituted unprecedented programs for relief, recovery and reform, and brought about a major realignment of American politics. Three major New Deal programs were the Emergency Banking Relief Act, Civilian Conservation Corp, and the Civil Works Administration. These three programs were able to contribute to the relief of the economic crisis in the 1930's. Bibliography Rauchway, Eric. The Great Depression & the New Deal: A Very Short Introduction. Oxford: Oxford UP, 2008.