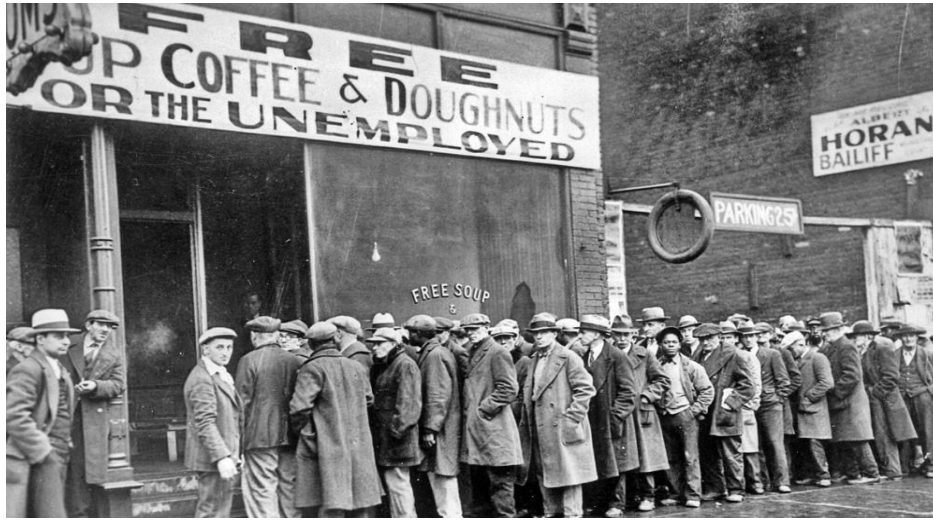


The Great Depression



In October 1929, the booming stock market crashed, wiping out many investors. The collapse did not in itself cause the Great Depression, although it reflected excessively easy credit policies that had allowed the market to get out of hand. It also aggravated fragile economies in Europe that had relied heavily on American loans. Over the next three years, an initial American recession became part of a worldwide depression. Business houses closed their doors, factories shut down, banks failed with the loss of depositors' savings. Farm income fell some 50 percent. By November 1932, approximately one of every five American workers was unemployed.

The presidential campaign of 1932 was chiefly a debate over the causes and possible remedies of the Great Depression. President Herbert Hoover, unlucky in entering the White House only eight months before the stock market crash, had tried harder than any other president before him to deal with economic hard times. He had attempted to organize business, had sped up public works schedules, established the Reconstruction Finance Corporation (RFC) to support businesses and financial institutions, and had secured from a reluctant Congress an agency to underwrite home mortgages. Nonetheless, his efforts had little impact, and he was a picture of defeat.

His Democratic opponent, Franklin D. Roosevelt, already popular as the governor of New York during the developing crisis, radiated infectious optimism. Prepared to use the federal government's authority for even bolder experimental remedies, he scored a smashing victory - receiving 22,800,000 popular votes to Hoover's 15,700,000. Roosevelt's victory was by the largest margin for any Democratic candidate up to that time and proved to be a resounding referendum on the Presidency of Herbert Hoover.

Roosevelt and the New Deal

In 1933 the new president, Franklin D. Roosevelt, brought an air of confidence and optimism that quickly rallied the people to the banner of his program, known as the New Deal. "The only thing we have to fear is fear itself," the president declared in his inaugural address to the nation.

The New Deal brought a blizzard of legislation to alleviate the disastrous effects of the Great Depression. During his first hundred days in office, more pieces of legislation were enacted by Congress and signed into law by the new president than at any other time in the history of the country. In one sense, however, the New Deal merely introduced social and economic reforms familiar to many Europeans for more than a generation. Moreover, the New Deal represented the culmination of a long-range trend toward abandonment of "laissez-faire" capitalism, going back to the regulation of the railroads in the 1880s, and the flood of state and national reform legislation introduced in the Progressive era of Theodore Roosevelt and Woodrow Wilson.

What was truly novel about the New Deal, however, was the speed with which it accomplished what previously had taken generations. Many of its reforms were hastily drawn and weakly administered; some actually contradicted others. Moreover, it never succeeded in restoring prosperity. Yet its actions provided tangible help for millions of Americans, laid the basis for a powerful new political coalition, and brought to the individual citizen a sharp revival of interest in government.

When Franklin D. Roosevelt took the presidential oath, the banking and credit system of the nation was in a state of paralysis. With astonishing rapidity, the nation's banks were first closed -and then reopened only if they were solvent. The administration adopted a policy of moderate currency inflation to start -an upward movement in commodity prices and to afford some relief to debtors. New governmental agencies brought generous credit facilities to industry and agriculture. To restore faith in the nation's tattered banking system, The Federal Deposit Insurance Corporation(FDIC), established in 1933, insured savings bank deposits up to \$5,000. The Securities and Exchange Commission(SEC) was also created in 1934 as one of Franklin Roosevelt's New Deal programs in hopes of preventing any further stock market calamities. The SEC imposed strict regulations upon the sale of securities on the stock exchange, and combined with the FDIC, aimed at mitigating the devastating economic effects of the Great Depression.

The New Deal: Battling Unemployment

The new president, Franklin D. Roosevelt, faced unprecedented mass unemployment. By the time he took office, as many as 13 million Americans - more than a quarter of the labor force - were out of work. Bread lines were a common sight in most cities. Hundreds of thousands roamed the country in search of food, work, and shelter. "Brother, can you spare a dime?" was the refrain of a popular song.

An early step for the unemployed came in the form of the Civilian Conservation Corps (CCC), a program that brought relief to young men between 18 and 25 years of age. CCC enrollees worked in camps administered by the army. About two million took part during the decade. They participated in a variety of conservation projects: planting trees to combat soil erosion and maintain national forests; eliminating stream pollution; creating fish, game, and bird sanctuaries; and conserving coal, petroleum, shale, gas, sodium, and helium deposits.

A Public Works Administration (PWA) provided employment for skilled construction workers on a wide variety of mostly medium to large-sized projects. Among the most memorable of its many accomplishments were the Bonneville and Grand Coulee Dams in the Pacific Northwest, a new Chicago sewer system, the Triborough Bridge in New York City, and two aircraft carriers (Yorktown and Enterprise) for the U.S. Navy.

The Tennessee Valley Authority (TVA), both a work relief program and an exercise in public planning, developed the impoverished Tennessee River valley area through a series of dams built for flood control and hydroelectric power generation. Its provision of cheap electricity for the area stimulated some economic progress, but won it the enmity of private electric companies. New Dealers hailed it as an example of "grass roots democracy."

The Federal Emergency Relief Administration (FERA), in operation from 1933 to 1935, distributed direct relief to hundreds of thousands of people, usually in the form of direct payments. Sometimes, it assumed the salaries of schoolteachers and other local public service workers. It also developed numerous small-scale public works projects, as did the Civil Works Administration (CWA) from late 1933 into the spring of 1934. Criticized as "make work," the jobs funded ranged from ditch digging to highway repairs to teaching. Roosevelt and his key officials worried about costs but continued to favor unemployment programs based on work relief rather than welfare.