Mike Kubic is a former correspondent for Newsweek magazine. In this article, Kubic explores the causes and effects of the greatest economic recession in American history: the Great Depression. Although an incredibly difficult period for many Americans, the economic reforms that resulted from the Great Depression continue to shape economic and political policies in the United States today. As you read, identify the causes of the Great Depression and the political policies that helped end it.

The Great Depression was one of the worst economic catastrophes in American history and a major disaster of the modern era. It was harrowing to experience. People were starving, even in the land of plenty. It triggered political upheavals in Europe that had devastating consequences. And it was so persistent that it only yielded to another global tragedy: the Second World War.

But in the United States, it was not without a silver lining: it inspired President Franklin Delano Roosevelt to launch economic and social reforms that still benefit the living standards and quality of life for many Americans today.

The Great Depression started in 1929 with an unexceptional development. American shoppers spent less than usual on consumer goods, which triggered a familiar phenomenon: a recession. But what happened next was out of the ordinary — although production, consumption, and companies’ profits were sinking, investors kept buying more stock and pushing their prices to unrealistic heights.

On October 24, 1929, a day remembered as “Black Thursday,” enough investors decided to cash in on the boom to start a massive sell-off that pricked the stock market bubble. Within a week, prices on Wall Street hit new lows, and panicky investors dumped 29 million shares, giving the American economy a shock equivalent to the fire sale of thousands of businesses and factories.

After the stock market crash came a banking crisis. With unemployment rising and investment plunging, thousands of investors lost confidence in their banks and in the fall of 1930 began withdrawing their deposits. That forced banks to liquidate loans, and within two years, thousands of banks went out of business.

1. A “recession” is a period of economic decline or downturn. The author refers to this as “familiar” because the United States most recently experienced a “Great Recession” from 2007-2009.
2. A stock market bubble is something that happens when stock market participants drive stock prices above what they are actually worth.
3. A “fire sale” is a sale of goods or assets at a very low price, usually after a destruction of property or bankruptcy.
As factories closed doors, one in four Americans lost their jobs. With no bank loans to tie them over, farmers left their crops in the fields — while in towns, people starved. Bread lines, soup kitchens, and homeless college graduates selling apples in the streets became part of the American scene.

As housing construction stopped and factories closed their doors, U.S. production of goods and services — the country’s gross domestic product, or GDP — was cut in half, and foreign trade shrank 70%. In short order, the global impact of America’s economic downturn bore out the complaint of millions of Europeans that “when America sneezes, we catch pneumonia.”

**The Global Impact**

The pain caused by the Great Depression was felt as far as Australia, where in 1932 unemployment reached a record high of 29%. Civil unrest became common. In France, the depression triggered street riots and strained the nation’s social fabric by strengthening both socialists and their far-right opponents.

In Great Britain, industrial production collapsed, ship building dropped 90%, and in some towns unemployment reached 70%. In 1934, a “National Hunger March” of jobless workers turned into several days of street fighting in London, during which 75 people were seriously injured.

Worst of all were the effects in Germany. In 1932, unable to secure loans from American banks, the Weimar Republic cancelled 90% of its reparation payments to the victors of WWI. The same year, the rise of unemployment to nearly 30% destroyed all confidence in the centrist party and divided most of the electorate between the extreme right and left. Although Adolf Hitler lost the elections to the incumbent President von Hindenburg, the Nazis and the Communists won the majority in Germany’s parliament.

In the U.S., the gathering clouds of global upheaval contradicted the assurances from President Herbert Hoover that the crisis, if left alone, would run its course, just like other recessions in the past. A Republican and businessman, Hoover believed that government should not directly intervene in the economy and that it was not responsible for creating jobs or providing economic relief to its citizens. He eventually did try to stem the economic slide with two laws to spur new home construction and public works programs, but they were too little and too late.

The runs on banks continued, and by the fall of 1932, businesses and families defaulted on record numbers of loans. More than 5,000 banks had failed, and the U.S. Treasury didn't have enough cash to pay all government workers. Hundreds of thousands of Americans had lost their homes and lived in tents and shantytowns derisively called “Hoovervilles.”

---

4. payment or compensation made to someone who has been wronged
5. “Right and left” refers to the two main ends of the political spectrum – from conservation (“right”) to liberal (“left”).
6. referring to someone who is currently holding office
7. A “shantytown” is an area on the outskirts of a town consisting of large numbers of crude dwellings.
8. Derisive (adjective): expressing hatred, scorn, or ridicule
It was a classic setting for a political upheaval, and it came — just like in Europe — in 1932. But unlike in Europe, American voters in the November presidential elections voted for democracy. The Communists, the only extremists in the race, won a paltry\(^9\) of 1% of the vote. Norman Thomas, a Democratic Socialist, won over 2%. Hoover’s Republicans came in second with less than 40% of the vote. And the winner, in a landslide, was Democrat Franklin Delano Roosevelt, with over 57% of the electorate.

**FDR’s Reforms**

Roosevelt — or FDR, as he became known — was one of the towering statesmen and political leaders of the 20th century. Born in New York to a wealthy patrician\(^{10}\) family, he attended Harvard and rose rapidly in Democratic politics until the age of 29, when he came down with polio\(^{11}\) that left him paralyzed from the waist down.

He refused to let the setback crush him. With indomitable\(^{12}\) optimism and willpower, he fought the disease, returned to politics, and was elected the governor of the State of New York. In March 1933, he was sworn in as the 32nd President of the United States and was ready to lead. Bareheaded and unsmiling, he focused his inaugural address on the parlous situation of the country and pledged to restore it to health:

“This great Nation will endure, as it has endured, will revive and will prosper,” FDR assured the crowd below the Capitol, adding, “So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself... We must act and act quickly.”

And that’s what he did throughout his 12 years in office. As the leader of the Democratic Party, he built a coalition of labor unions, big city machines, white ethnics,\(^{13}\) African Americans, and rural white Southerners. He used this powerful electoral force to push through Congress a far-reaching program called the New Deal. It launched bold measures to promote economic reform and recovery, and it enacted unprecedented laws to protect ordinary citizens.

For example, The Social Security Act created a safety net for victims of old age, poverty, and unemployment. The Federal Deposit Insurance protected savers from losing their money in a bank crash. The Wagner Act guaranteed basic rights of workers to organize into trade unions and bargain for better terms and conditions at work.

FDR took long strides to bring Americans out of the Hoovervilles and put them back to work. The Work Progress Administration (WPA), the largest and most ambitious New Deal agency, gave jobs to millions of unskilled men. They built massive public projects, including the gigantic Tennessee Valley Authority (TVA), and thousands of public buildings and roads. Almost every American community got a new park, bridge, or school constructed by the WPA.

---

9. small or trivial
10. a term referring to an aristocratic or upper class
11. Polio is an infectious disease that can cause paralysis. Since the polio vaccine was developed in 1955, the disease has almost completely disappeared from most of the world.
12. **Indomitable** (adjective): impossible to subdue or defeat
13. a term that generally refers to white immigrants from Southern, Central, and Eastern Europe and the Caucasus
Another stellar success was the Civilian Conservation Corps that provided three million young men with shelter, clothing, food, and a wage of $30 ($25 of which they had to send to their parents) for working in national parks and on other conservation projects. An imaginative Federal Project Number One employed hundreds of jobless musicians, artists, writers, actors and directors in large arts, drama, media, and literacy projects.

Roosevelt’s support for labor unions and regulations for business and high finance earned him the enmity of many in the moneyed circles, but in *FDR: An Intimate History*, biographer Nathan Miller describes the president as unaffected by these critics.

“Living comfortably on inherited wealth, [Roosevelt] cared little about money for its own sake,” Miller wrote. “He never believed that the business ethic should be dominant in American society, or that any restriction on business was a threat to the American way of life...”

But some of the New Deal policies were rejected by the conservative U.S. Supreme Court, and Roosevelt, trying to remove this block to his legislative reforms, made the biggest political error of his career. In 1937, he proposed to increase the size of the court by adding up to six new justices for every Supreme Court member older than 70 and a half years.

The proposal was not illegitimate — the Constitution does not define the size of the Supreme Court — but it triggered a nationwide storm of protests against what was widely regarded as an excessive power grab. It was defeated in Congress, but Roosevelt did not lose his popularity. In 1940, he was re-elected for a third term, and a fourth in 1944 — acts so unprecedented that Congress and the states adopted an amendment in 1947 that “No person shall be elected to the office of the President more than twice.” Roosevelt continued the guide the country until 1945, when he died in office.

The start of World War II in 1939 rebooted the global economy, escalated demand for industrial goods, and ended the need for many of FDR’s emergency programs. But his key innovations are still important part of our lives. The Social Security and other New Deal laws, the TVA, and thousands of other public works still serve us. They continue fulfill FDR’s assurance that our nation “will revive and will prosper.”

*The Great Depression* by Mike Kubic. Copyright © 2016 by CommonLit, Inc. This text is licensed under CC BY-NC-SA 2.0.

---

14. **Enmity** *(noun)*: deep-seated hatred or ill-will
Franklin Delano Roosevelt (1882-1945), also commonly known by his initials FDR, served as the 32nd President of the United States (1933-1945). He is known for his unprecedented four-term election and for his leadership in WWII. He also faced the “Dust Bowl” of the 1930s — during which severe drought and erosion conditions led to a prolonged agricultural crisis. As you read, take notes on both Roosevelt’s plan to address the crisis as well as the rhetorical devices he uses to convey his message.

I have been on a journey of husbandry.¹ I went primarily to see at first hand conditions in the drought states; to see how effectively Federal and local authorities are taking care of pressing problems of relief and also how they are to work together to defend the people of this country against the effects of future droughts.

I saw drought devastation in nine states.

I talked with families who had lost their wheat crop, lost their corn crop, lost their livestock,² lost the water in their well, lost their garden and come through to the end of the summer without one dollar of cash resources, facing a winter without feed or food — facing a planting season without seed to put in the ground.

That was the extreme case, but there are thousands and thousands of families on western farms who share the same difficulties.

I saw cattlemen who because of lack of grass or lack of winter feed have been compelled to sell all but their breeding stock³ and will need help to carry even these through the coming winter. I saw livestock kept alive only because water had been brought to them long distances in tank cars. I saw other farm families who have not lost everything but who, because they have made only partial crops, must have some form of help if they are to continue farming next spring.

I shall never forget the fields of wheat so blasted by heat that they cannot be harvested. I shall never forget field after field of corn stunted, earless and stripped of leaves, for what the sun left the grasshoppers took. I saw brown pastures which would not keep a cow on fifty acres.

¹ Here, “husbandry” can mean farming or the management of resources.
² Domesticated animals raised for food, clothing, labor, etc.
³ “Breeding stock” refers to the livestock animals kept for reproduction.
Yet I would not have you think for a single minute that there is permanent disaster in these drought regions, or that the picture I saw meant depopulating these areas. No cracked earth, no blistering sun, no burning wind, no grasshoppers, are a permanent match for the indomitable American farmers and stockmen and their wives and children who have carried on through desperate days, and inspire us with their self-reliance, their tenacity and their courage. It was their fathers' task to make homes; it is their task to keep those homes; it is our task to help them with their fight.

First let me talk for a minute about this autumn and the coming winter. We have the option, in the case of families who need actual subsistence, of putting them on the dole or putting them to work. They do not want to go on the dole and they are one thousand percent right. We agree, therefore, that we must put them to work for a decent wage, and when we reach that decision we kill two birds with one stone, because these families will earn enough by working, not only to subsist themselves, but to buy food for their stock, and seed for next year's planting. Into this scheme of things there fit of course the government lending agencies which next year, as in the past, will help with production loans.

Every Governor with whom I have talked is in full accord with this program of doing work for these farm families, just as every Governor agrees that the individual states will take care of their unemployables but that the cost of employing those who are entirely able and willing to work must be borne by the Federal Government.

If then we know, as we do today, the approximate number of farm families who will require some form of work relief from now on through the winter, we face the question of what kind of work they should do. Let me make it clear that this is not a new question because it has already been answered to a greater or less extent in every one of the drought communities. Beginning in 1934, when we also had serious drought conditions, the state and Federal governments cooperated in planning a large number of projects — many of them directly aimed at the alleviation of future drought conditions. In accordance with that program literally thousands of ponds or small reservoirs have been built in order to supply water for stock and to lift the level of the underground water to protect wells from going dry. Thousands of wells have been drilled or deepened; community lakes have been created and irrigation projects are being pushed...

Spending like this is not waste. It would spell future waste if we did not spend for such things now. These emergency work projects provide money to buy food and clothing for the winter; they keep the livestock on the farm; they provide seed for a new crop, and, best of all, they will conserve soil and water in the future in those areas most frequently hit by drought.

If, for example, in some local area the water table continues to drop and the topsoil to blow away, the land values will disappear with the water and the soil. People on the farms will drift into the nearby cities; the cities will have no farm trade and the workers in the city factories and stores will have no jobs. Property values in the cities will decline. If, on the other hand, the farms within that area remain as farms with better water supply and no erosion, the farm population will stay on the land and prosper and the nearby cities will prosper too. Property values will increase instead of disappearing. That is why it is worth our while as a nation to spend money in order to save money.

4. Indomitable (adjective): impossible to defeat or discourage
5. Tenacity (noun): persistence and determination
6. The “dole” refers to the distribution of food, money, and other resources from the government to people who are unemployed.
7. Alleviation (noun): the act of making something less painful or difficult
8. the gradual destruction of something by natural forces, such as wind or flowing water
I have, however, used the argument in relation only to a small area — it holds good in its effect on the nation as a whole. Every state in the drought area is now doing and always will do business with every state outside it. The very existence of the men and women working in the clothing factories of New York, making clothes worn by farmers and their families; of the workers in the steel mills in Pittsburgh, in the automobile factories of Detroit, and in the harvester factories of Illinois, depend upon the farmers’ ability to purchase the commodities they produce. In the same way it is the purchasing power of the workers in these factories in the cities that enables them and their wives and children to eat more beef, more pork, more wheat, more corn, more fruit and more dairy products, and to buy more clothing made from cotton, wool and leather. In a physical and a property sense, as well as in a spiritual sense, we are members one of another.

I want to make it clear that no simple panacea can be applied to the drought problem in the whole of the drought area. Plans must depend on local conditions, for these vary with annual rainfall, soil characteristics, altitude and topography. Water and soil conservation methods may differ in one county from those in an adjoining county. Work to be done in the cattle and sheep country differs in type from work in the wheat country or work in the Corn Belt.

The Great Plains Drought Area Committee has given me its preliminary recommendations for a long-term program for that region. Using that report as a basis we are cooperating successfully and in entire accord with the Governors and state planning boards. As we get this program into operation the people more and more will be able to maintain themselves securely on the land. That will mean a steady decline in the relief burdens which the Federal Government and states have had to assume in time of drought; but, more important, it will mean a greater contribution to general national prosperity by these regions which have been hit by drought. It will conserve and improve not only property values, but human values. The people in the drought area do not want to be dependent on Federal, state or any other kind of charity. They want for themselves and their families an opportunity to share fairly by their own efforts in the progress of America.

The farmers of America want a sound national agricultural policy in which a permanent land use program will have an important place. They want assurance against another year like 1932 when they made good crops but had to sell them for prices that meant ruin just as surely as did the drought. Sound policy must maintain farm prices in good crop years as well as in bad crop years. It must function when we have drought; it must also function when we have bumper crops...

In the drought area people are not afraid to use new methods to meet changes in Nature, and to correct mistakes of the past. If overgrazing has injured range lands, they are willing to reduce the grazing. If certain wheat lands should be returned to pasture they are willing to cooperate. If trees should be planted as windbreaks or to stop erosion they will work with us. If terracing or summer fallowing or crop rotation is called for, they will carry them out. They stand ready to fit, and not to fight, the ways of Nature.

9. something that is bought and sold
10. **Panacea (noun)**: a remedy for all ills or difficulties; a universal solution
11. the features (such as mountains, plains, and rivers) of an area of land
12. careful preservation or protection of something
13. a region in the midwestern U.S. that includes Iowa, Illinois, Indiana, Nebraska, Minnesota, and other states
14. **Preliminary (adjective)**: coming before the main part or final version of something
15. large harvests
16. the practice of leaving land unplanted for a period of time
17. Crop rotation is a technique used to prevent erosion or to promote fertile soil.
We are helping, and shall continue to help the farmer to do those things, through local soil conservation committees and other cooperative local, state and federal agencies of government...

With this fine help we are tiding over the present emergency. We are going to conserve soil, conserve water and conserve life. We are going to have long-time defenses against both low prices and drought. We are going to have a farm policy that will serve the national welfare. That is our hope for the future.

Excerpt from 'On Drought Conditions' by President Franklin Delano Roosevelt is in the public domain.