

## The World Confronts the Crisis

The Depression confronted democracies with a serious challenge to their economic and political systems. Each country met the crisis in its own way.



This photograph shows a soldier distributing food to hungry Germans in 1931 during the country's economic depression.

### Britain Takes Steps to Improve Its

**Economy** The Depression hit Britain severely. To meet the emergency, British voters elected a multiparty coalition known as the National Government. It passed high protective tariffs, increased taxes, and regulated the currency. It also lowered interest rates to encourage industrial growth. These measures brought about a slow but steady recovery. By 1937, unemployment had been cut in half, and production had risen above 1929 levels. Britain avoided political extremes and preserved democracy.

### France Responds to the Economic

**Crisis** Unlike Britain, France had a more self-sufficient economy. In 1930, it was still heavily agricultural and less dependent on

foreign trade. Nevertheless, by 1935, one million French workers were unemployed.

The economic crisis contributed to political instability. In 1933, five coalition governments formed and fell. Many political leaders were frightened by the growth of antidemocratic forces both in France and in other parts of Europe. So in 1936, moderates, socialists, and communists formed a coalition. The Popular Front, as it was called, passed a series of reforms to help the workers. Unfortunately, price increases quickly offset wage gains. Unemployment remained high. Yet France also preserved democratic government.

**Socialist Governments Find Solutions** The socialist governments in the Scandinavian countries of Denmark, Sweden, and Norway also met the challenge of economic crisis successfully. They built their recovery programs on an existing tradition of cooperative community action. In Sweden, the government sponsored massive public works projects that kept people employed and producing. All the Scandinavian countries raised pensions for the elderly and increased unemployment insurance, subsidies for housing, and other welfare benefits. To pay for these benefits, the governments taxed all citizens. Democracy remained intact.

## Addressing the Nation

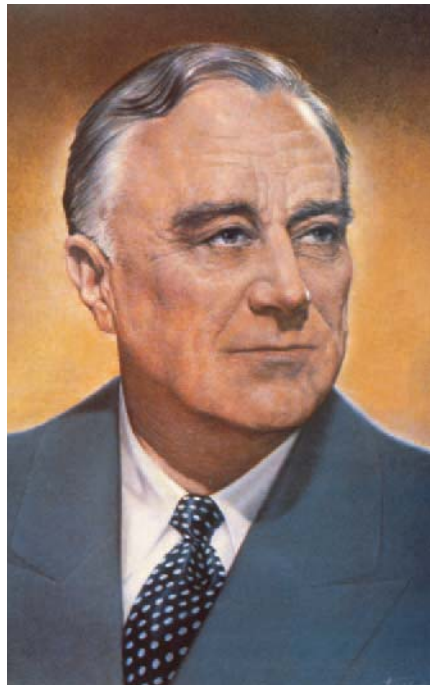
On March 4, 1933, President Roosevelt sought to restore Americans' faith in their nation:

### Analyze Historical Sources

Based on this excerpt, what motive did Roosevelt have when he delivered his First Inaugural Address?

*"This great Nation will endure as it has endured, will revive and will prosper. . . . [L]et me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance."*

—Franklin Roosevelt, First Inaugural Address



Stricken with polio in 1921, Roosevelt vowed he would not allow bodily disability to defeat his will.

## Recovery in the United States

Herbert Hoover and his administration were unsuccessful at helping Americans during the Great Depression. They tried to stop the **recession**, or period of low or reduced economic activity, but conditions worsened. However, in 1932, U.S. voters elected **Franklin D. Roosevelt**. His confident manner appealed to millions of Americans who felt bewildered by the Depression.

Roosevelt immediately began a program of government reform that he called the **New Deal**. Large public works projects helped to provide jobs for the unemployed. New government agencies gave financial help to businesses and farms. Large amounts of public money were spent on welfare and relief programs. Roosevelt and his

advisers believed that government spending would create jobs and start a recovery. Regulations were imposed to reform the stock market and the banking system.

The New Deal did eventually reform the American economic system. Roosevelt's leadership preserved the country's faith in its democratic political system. It also established him as a leader of democracy in a world threatened by ruthless dictators, as you will read about in Lesson 3.

Name:

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### The New Deal

EQ: How did the Great Depression change political and economic structures? Does this still affect us?

#### **Historical Background**

"When the stock market crashed in October of 1929, American citizens faced economic challenges unlike anything previously experienced in U.S. history. By the time Franklin Delano Roosevelt (FDR) became President in 1933, the nation's unemployment rate hovered at 25%. In a vast departure from previous Presidents, who believed that the federal government has no place in trying to regulate and/or economic markets, Roosevelt believed that the sheer scope of the Depression demanded the federal government's intervention. With the support of a largely Democratic Congress, Roosevelt's Hundred Days ushered in the first wave of New Deal legislation designed to hasten "Relief, Recovery, and Reform."

#### **Problems facing FDR: How would you deal?**

BANKS – Many people lost everything they owned when BANKS across the US closed.

- Do the people have trust in the Banking system? Y or N
- How would you restore people's confidence in the banking system?

TRUST - Due to the poor decision making of President Hoover many US citizens lost trust in their government.

- What would you do to restore public confidence and trust in the government?

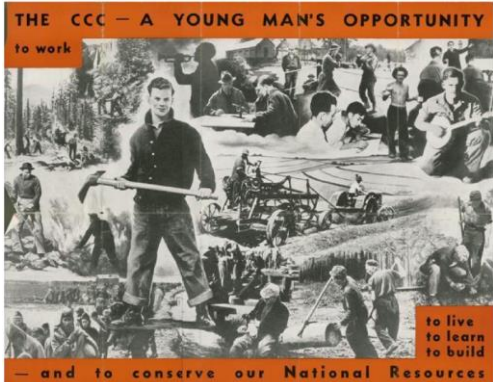
PRODUCTION – Perhaps the hardest hit population of the US were the farmers

- How would you provide relief to farmers?
- How would you raise crop prices so that farmers could make a profit?

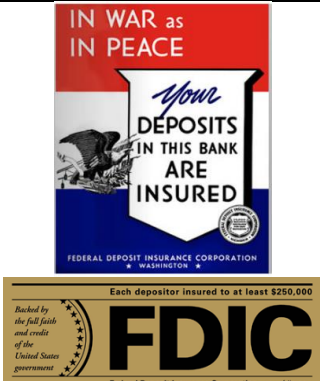
UNEMPLOYMENT - Many people were out of work early on in the depression. They could not provide food or shelter for their families.

- What was the highest unemployment percentage during the Depression? \_\_\_\_\_%
- How would you seek to lower unemployment?

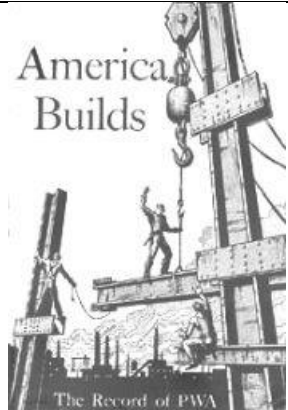
### The CCC or Civilian Conservation Corps

 <p><b>THE CCC — A YOUNG MAN'S OPPORTUNITY</b> to work</p> <p>to live to learn to build</p> <p>— and to conserve our National Resources</p>	What do you observe?	
	What do you think this program did?	


### The FDIC or Federal Deposit Insurance Corporation

 <p><b>IN WAR as IN PEACE</b></p> <p><i>Your</i> <b>DEPOSITS IN THIS BANK ARE INSURED</b></p> <p>FEDERAL DEPOSIT INSURANCE CORPORATION WASHINGTON</p> <p>Each depositor insured to at least \$250,000</p> <p>Backed by the full faith and credit of the United States government</p> <p><b>FDIC</b></p> <p>Federal Deposit Insurance Corporation-www.fdic.gov</p>	What do you observe?	
	What do you think this program did?	

### The PWA or Public Works Administration

 <p>America Builds</p> <p>The Record of PWA</p>	What do you observe?	
	What do you think this program did?	

### The SSA or Social Security Administration

 <p><i>A monthly check to you -</i></p> <p>FOR THE REST OF YOUR LIFE -- BEGINNING WHEN YOU ARE 65</p> <p>GET YOUR SOCIAL SECURITY ACCOUNT NUMBER promptly</p> <p>Your monthly Social Security check</p> <p>APPLICATIONS ARE BEING DISTRIBUTED AT ALL WORK PLACES</p>	What do you observe?	
	What do you think this program did?	

Agency	What did it do?		
CCC	This agency employed thousands of unskilled young men across the country to work on environment conservation. They received training to perform tasks that included planting trees, clearing trails, developing national parks, and fighting forest fires.		
Whom did it help?	Why was it developed? What was the intent?	Did it provide relief, recovery, or reform?	Does it still exists today?

Agency	What did it do?		
FDIC	This agency inspects banks and insures depositor's accounts. It preserves and promotes confidence in banks by providing security or insurance up to \$250,000 to protect consumers from losing all of their money.		
Whom did it help?	Why was it developed? What was the intent?	Did it provide relief, recovery, or reform?	Does it still exists today?

Agency	What did it do?		
PWA	This agency provided funds for construction projects such as roads, dams, bridges, and warships. These public works projects helped businesses put people to work so that they had money to spend and to improve public welfare, and revive American industries.		
Whom did it help?	Why was it developed? What was the intent?	Did it provide relief, recovery, or reform?	Does it still exists today?

Agency	What did it do?		
SSA	This agency set up a form of insurance where employers and workers would pay the tax to cover unemployment benefits, old age pensions, programs for the disabled, and for children of workers who had died. The agency provides a monthly check to those that qualify for the benefits		
Whom did it help?	Why was it developed? What was the intent?	Did it provide relief, recovery, or reform?	Does it still exists today?

Pulse Check:

How did the Great Depression change political and economic structures? Does this still affect us today?