

2.2.1 Terms

New Deal:

- In response to the Great Depression, in his first 100 days, Franklin D. Roosevelt acted quickly to restore the people's faith in their government by reforming banks, cutting spending and repealing prohibition.
- His subsequent, "alphabet agencies" like the civilian conservation corps and the Tennessee Valley Authority gave many Americans a chance for a job and relief from starvation.

2.2.5 The Causes of the Great Depression

- Everyone associates the Great Depression with the stock market crash of 1929.
- However, this was not the root cause of the depression but only a spark.
- **Other factors leading to the event included:**
 - 1) **Over Production and Over Expansion by Business:**
 - The good economic times of the 1920's resulted in businesses expanding quickly in order to meet market demands.
 - However, by the late 20's they were running out of customers (ex: everyone who wanted a fridge had one) and the market became saturated.
 - There was a growing surplus of manufactured goods resulting in high inventories (not being able to sell products).
 - This meant companies had a high debt, folded and laid off workers.
 - All of this weakened the economy.
 - 2) **Consumer Overspending with Credit during the 20's:**
 - In the late 1920's people were being urged to buy everything on credit.
 - Companies wanted to sell their products faster so having people buy things on credit was the answer.
 - People bought fridges, stoves and furniture using credit by placing a small down payment and then paying the rest over time.
 - The problem with this was that by the late 20's people owed a lot of money.
 - Payments on their purchases were due and the people did not have enough money to pay for it all.
 - In the end people lost these things and companies lost money, severely hurting the economy.
 - 3) **Impact of High Tariffs on International Trade:**
 - High tariffs between nations created barriers to trade.
 - As each nation faced an economic downturn, it rushed to raise trade barriers to protect its own industries and workers.
 - As a result of these tariffs, economic growth was strangled, stalling the economy magnifying the problem.

4) **Too Many Purchases of Stock on Credit:**

- As U.S industry boomed, company shares went up.
- Millions of people were encouraged to buy shares based on confidence that prices would continue to rise (speculation).
- Many people (speculators) bought shares on the margin, meaning they only paid 10% of the full price and paid the rest from profits on the stock.
- However, when money became scarce, people needed their cash so they sold their stock.
- As people sold their shares, confidence in the stock market fell, resulting in a great dip in prices.
- People did not have enough money to pay for the stocks they bought (10% payment) because they were not receiving full price for the stock.
- Thus the market crashed.

2.2.6 Music, Art, Literature, and Fashion of the Great Depression