

The Great Depression 1929-1939

The United States economy grew after World War I, and the U.S. became a prosperous country. In October 1929, the stock market, or the New York Stock Exchange, crashed. The stock market is the system by which shares, or parts, of companies are bought and sold. The New York Stock Exchange (NYSE) was and is the primary method of buying and selling shares of companies.

When the stock market crashed, large banks and corporations went bankrupt, or close to bankrupt, because of the losses in the stock market. Bankruptcy is what happens to a company or individual when there is no more money. The stock market crashed because of "speculation," which is when people risk their money in the hope of earning a profit. Too much speculation caused the market to collapse financially.

When banks and businesses failed, millions of Americans lost their jobs. Many people

lost their life savings when the banks failed. President Hoover tried to fix the economy by raising taxes, but increasing the taxes led to greater financial problems. Hoover faced even more trouble when he ordered the army to confront thousands of World War I veterans who were protesting because the government refused to pay their veterans' benefits early. One hundred veterans died in the shooting and tear gas attack during the protest.

In 1932, Franklin Delano Roosevelt was elected because he promised to fix the economy and end the Depression through government intervention. Roosevelt declared "war" on the Depression and asked Congress for the same powers a president has in a real war. He developed a recovery plan called "The First Hundred Days." The result was the First New Deal, which concentrated on banking reform and government oversight of banks and industry. Taxes were raised to help pay for it.

Did You Know?

Only one in ten farms in the United States had electricity way back then.

In 1933, President Franklin D. Roosevelt signed the Tennessee Valley Authority (TVA) Act as part of his plan for the New Deal. Roosevelt wanted to help people and create jobs in the poorest areas of the Tennessee River Valley, which included parts of seven states—Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia—with rivers and tributaries that drained into the Tennessee River. The land covered about 41,000 square miles.

The Tennessee Valley had seen some of the hardest times during the Depression. Farmland had been overused, which depleted the soil. Flooding from the Tennessee River washed away bottomland (rich soil) almost every year, so crops did poorly, and all the good timber had been cut. There were few industries beyond farming in this area because there was little electricity.

Everything changed through the efforts of the TVA, the most dramatic in the form of electricity generated by TVA dams. This new source of energy made life easier—with lights and modern appliances—and drew industries into the region. This provided many new jobs for a depressed area and eventually lifted the Tennessee Valley into the rich, green area of farmland, recreational areas, state parks, and expansive southern cities that characterize the Tennessee Valley today.

(continued)