## Lesson Description

In this lesson, students examine statistical data related to the Great Depression, identify problems and offer solutions. Students reflect on the course of action taken by then-President Franklin Delano Roosevelt (FDR) and focus on New Deal programs. Students classify New Deal programs as relief, reform or recovery and analyze the effects of these programs on the unemployment rate, government spending, Gross Domestic Product (GDP) and the role of government in the economy.

## Concepts

Bank suspensions
Budget deficit
Depression
Fiscal policy
Money supply (stock)
National debt
Real Gross Domestic Product
Unemployment rate

## Objectives

Students will:

- Identify trends in economic data and assess economic conditions.
- Describe the expansion in government spending as a result of the New Deal.
- Describe the increase in the role of government as a result of the New Deal programs.
- Describe the purpose of New Deal programs.
- Analyze the effects of New Deal policies on the U.S. economy.

## Content Standards

### National Standards for History

**Era 8, Grades 9-12**

- **Standard 2:** The New Deal addressed the Great Depression.

### National Standards in Economics

- **Standard 18:** A nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy.
  - Benchmark 1, Grade 8: Gross Domestic Product (GDP) is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year.

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- Benchmark 3, Grade 12: One person's spending is other people's income. Consequently, an initial change in spending (consumption, investment, government or net exports) usually results in a larger change in national levels of income, spending and output.

- **Standard 19:** Unemployment imposes costs on individuals and nations.
  - Benchmark 2, Grade 8: The labor force consists of people ages 16 and over who are employed or actively seeking work.
  - Benchmark 1, Grade 12: The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job and is actively looking for employment.
- **Standard 20**: Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output and prices.
  - Benchmark 1, Grade 12: Fiscal policies are decisions by the federal government to change spending and tax levels. These decisions are adopted to influence national levels of output, employment and prices.
  - Benchmark 2, Grade 12: In the short run, increasing federal spending and/or reducing taxes can promote more employment and output; but, these policies also put upward pressure on the price level and interest rates. Decreased federal spending and/or increased taxes tend to lower price levels and interest rates over the long term, but they reduce employment and output levels in the short run.

### National Council on the Social Studies Strands

- Time, continuity and change
- Power, authority and governance
- Production, distribution and consumption
- Civic ideals and practices

## Time Required

180 minutes

## Materials

- Visuals 4.1, 4.2, 4.3, 4.4 and 4.5
- Visual 4.5: Answer Key
- A copy of Handouts 4.1 and 4.2 for each student
- A copy of Handout 4.2: Answer Key
- A copy of Handout 4.3 and a pair of scissors for each student or a copy of Handout 4.3, cut apart for each student
- Copies of Handout 4.4, cut apart to make one deck of cards for each group of four students, one deck for the teacher to use in the lesson and one deck for the teacher to use in the assessment
- A copy of Handout 4.5, cut apart for each group of four students

- A copy of Handout 4.6 for each student
- Empty cereal boxes, one per student (provided by the student)
- Butcher paper for wrapping cereal boxes
- A copy of Handout 4.7 or a copy of Handout 4.8 for each student

## Procedures

1. By 1930, business activity had slowed, sales had fallen and unemployment was rising. Many businesses that had borrowed money from banks were unable to repay their loans. Prices were falling, but so were incomes. As income declined, demand for goods and services decreased. Between 1929 and 1933, the dismal facts of bank suspensions, unemployment and financial distress presented a challenge for the United States.

2. Display *Visual 4.1: U.S. Statistical Data* and identify the categories as indicators of the state of the economy from 1929-1933. Distribute a copy of *Handout 4.1: The State of the Economy* to each student and tell the students to read the handout and analyze the data to identify trends in each category. Discuss the following:

   - **Bank suspensions** include all banks closed to the public, because of financial difficulties.
   - What happened to the number of bank suspensions between 1929 and 1933? *(Each year except 1931-1932 shows an increase in the number of bank suspensions.)*
   - Why is the number of bank suspensions important? *(When the banks closed, people lost their money and their confidence in banks. People withdrew their money, causing more banks to close.)*
   - The **unemployment rate** is the percentage of the labor force that is willing and able to work, does not currently have a job and is actively looking for work. The labor force consists of people who are 16 years or older and are employed or actively seeking work.
   - What happened to the unemployment rate during these years? *(The unemployment rate increased each year.)*
   - Per capita personal income is the average income per person.
   - What happened to per capita personal income during these years? *(Per capita personal income decreased each year.)*
   - **Real Gross Domestic Product** (GDP) is the total market value of all final goods and services produced in an economy in a given year, adjusted for inflation.
   - What happened to real GDP each year? *(Each year, real GDP decreased. This means that output of goods and services in the economy was declining each year.)*
   - What conclusion can you draw about the standard of living for families during this time? *(People were unemployed, and average family income was falling. People were able to buy fewer goods and services. The standard of living was declining.)*
   - The economy was experiencing a depression. A **depression** is a period of severely declining economic activity spread across the economy (not limited to particular sectors or regions) normally visible in real GDP (an actual decrease in GDP, not just a slowing of GDP

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growth), real income, employment, industrial production, wholesale-retail credit and the loss of the overall confidence in the economy.

3. Tell students that when banks failed, depositors lost their money—and people lost confidence in the banking system. As a result, people who still had money in banks rushed to withdraw it. The money supply (stock) declined. **Money supply (stock)** is the amount of currency, coins and checkable deposits people have. People who were unemployed had no income and were unable to purchase goods and services, which resulted in decreased GDP. With so many problems, people began to lose confidence in the economy.

4. Give each student a copy of *Handout 4.2: U.S. Statistical Data Questions* and divide the class into pairs. Allow time for the student pairs to answer the questions.

   After students have completed the activity, allow time for them to share and defend their responses to the 10 questions. Use *Handout 4.2: U.S. Statistical Data Questions—Answer Key* to check student answers. Ask the students the following questions:

   - If you were an American citizen during this period of time, would you be happy with the direction in which the economy was going? *(Answers will vary.)*
   - Would you be ready for a change in leadership? *(Answers will vary.)*
   - Would you vote for a new president? *(Answers will vary.)*

5. Tell the class that Herbert Hoover was the president in 1932, and Franklin Delano Roosevelt (FDR) ran against him with this message: "I pledge you, I pledge myself, to a new deal for the American people." Although at that time FDR did not know everything that his "new deal" would include, he made the pledge that things would be different for the American people.

6. Display *Visual 4.2: FDR's Quote*, and ask a student to read FDR's proposed plan.

7. Ask students if they think FDR was justified in using the words "distress," "employment" and "relief" to address the concerns of the economy. *(Answers will vary.)* According to his words, what role would government play in his plan? *(Government would assume greater responsibility. Government has an obligation to provide relief and recovery—relief in assuring that no citizen should starve, and recovery in providing temporary work.)*

8. Distribute a set of cards from *Handout 4.3: It IS a New Deal Cards* or a copy of Handout 4.3 and a pair of scissors to each student. Display *Visual 4.3: It IS a New Deal Cartoon.* Discuss the programs and tell students to take notes on the appropriate cards for use later.

   - Franklin Delano Roosevelt (FDR) won the election and became the president of the United States on March 4, 1933. In his inaugural address, he said:

     "The only thing we have to fear is fear itself. Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as

we would treat the emergency of war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources."

- After the inauguration, FDR's first act as president was to deal with the nation's banking crisis. He knew that it was critical to restore public confidence in the nation's banks.
- FDR ordered all banks—including the Federal Reserve banks—to close, and he declared a bank holiday in order to ensure that banks were financially sound.
- On March 9, 1933, FDR called a special session of Congress. The Emergency Banking Act, which authorized the government to inspect the financial health of all banks, was immediately passed. This provided for the reopening of the banks as soon as examiners had found them to be financially secure. Within three days, 5,000 banks had reopened.
- Later, the 1933 Banking Act (Glass-Steagall Banking Act) was passed, giving the Federal Reserve Board tighter control of the investment practices of banks, and the Federal Deposit Insurance Corporation (FDIC) was set up to insure all deposits in banks up to $2,500. This amount was increased in 1934 to $5,000. Currently, the amount is $100,000 per accountholder per institution.
- Roosevelt's policies restored confidence in the banking system, and money poured back into the banks.
- The money stock began to expand. This fueled increased spending and production, as well as rising prices.
- Economic recovery was slow, but at least the bottom had been reached, and the corner turned.

9. Ask students why they think that FDR made the banking crisis his first priority. *(He knew that it was critical that he restore public confidence in the economy and the banking system.)* Continue the discussion of the cards on the visual as follows:

- In the 1930s, the United States was on the gold standard, meaning that the U.S. government would exchange dollars for gold at a fixed price. Commercial banks and the Federal Reserve banks held portions of their reserves in the form of gold coin and bullion as required by law.
- An increase in the gold reserves would tend to inflate the money stock, and a decrease in gold reserves would tend to decrease the money stock. After his inauguration, FDR abandoned the gold standard. Because gold was no longer exchanged for dollars, the U.S. gold stock was protected. In addition, going off the gold standard had the effect of devaluing the U.S. dollar relative to other currencies. This encouraged exports and stimulated demand for domestic products relative to foreign ones.
- FDR also immediately implemented several policies, including an aggressive fiscal expansion that affected the federal government's budget. **Fiscal policies** are the spending and taxing policies used by the federal government to influence the economy. Explain that in a special session of Congress that became known as "the Hundred Days," Roosevelt pushed many programs through that provided the basis for the New Deal. These programs were an effort to decrease unemployment, increase output, and push prices and wages back up.

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10. The New Deal programs are sometimes referred to as "alphabet soup." There were two parts of the New Deal—1933-1934 and 1935-1941. The goal of the New Deal was to restore confidence in the economy. It focused on three areas—relief, recovery and reform:

    - relief programs to help immediately
    - recovery programs to help rebuild
    - reform programs to prevent the disaster from reoccurring

11. Divide the class into small groups of four students. Give each group a deck of cards made from *Handout 4.4: New Deal Cards* and a set of label mats from *Handout 4.5: Label Mats.* Instruct students to read the cards and sort them into groups based on what the initial intent for the program was—relief, recovery or reform. If a card describes a program that fits into more than one category, students should place the card in a fourth group, "combination." After groups have their cards sorted, discuss the following:

    - What features were common to the cards you put together in a category? *(Answers will vary.)*
    - Why might some programs fit in more than one category? *(Answers will vary, but students might suggest that a program that employed people to build dams, roads and bridges contributed to recovery and relief.)*

12. Tell students that there are no exact answers. However, relief programs attempted to employ people. Frequently, the projects on which people were employed were visible to the public, such as road improvements, art and so forth. Ask students for examples of programs that satisfy these criteria. *(Answers could include WPA, FERA, The Federal Theatre Project, etc.)*

13. Explain that reform programs for the most part involved legislation that would help prevent such a disaster in the future. Most of the legislation focused on banks, labor and labor unions. Ask students for examples of programs that satisfy these criteria. *(Answers could include Fair Labor Standards Act of 1938, Federal Deposit Insurance Corporation, etc.)*

14. Explain that recovery programs attempted to help particular nonbank sectors of the economy recover. These included the agricultural sector and the housing sector. Ask students for examples of programs that fit these criteria. *(Answers could include Farm Security Administration, Agricultural Adjustment Administration, etc.)*

15. Explain that although cards could be categorized in different ways, based on the previous discussion, students should put the cards numbered 3, 4, 7, 9, 14, 18, 19 and 22 on the mat labeled "reform." Tell students to put cards numbered 13, 17 and 20 on the mat labeled "recovery." Tell students to put cards numbered 2, 5, 6, 8, 10, 11, 12, 15, 21 and 23 on the mat labeled "relief."

16. Ask students which cards remain. (*1 and 16)* Point out that these programs represent a combination—for example, card 16, the Public Works Administration (PWA). The PWA provided relief, but some of the items that were built (bridges, dams and so forth) contributed to recovery.

17. Display *Visual 4.4: U.S. Statistical Data 1929-1938*, and identify the categories as indicators of the state of the economy from 1929-1938. Ask students to analyze the data to identify trends in each category. *(The unemployment rate increased until 1933 and then began to decrease; GDP decreased until 1933 and then began to increase; and federal spending increased from 1929 to 1936, except for slight decreases in 1933 and 1935, and then decreased in 1937 and 1938.)*

18. Explain that the federal government had to borrow large amounts of money to pay for New Deal programs. When federal government expenditures exceed the revenue collected by the government in a year, the government has a **budget deficit**. The government borrows money to cover the amount of expenses not covered by revenue, which creates government debt. **National debt** is the accumulation of deficits.

    - As a result of New Deal spending, the national debt rose from approximately $21 billion in 1933 to almost $43 billion by 1940. The deficit during FDR's first fiscal year was the highest in U.S. history up to that time, outside of war.

19. Distribute a card from handout 4.4 to each student. Tell students with cards numbered 3, 4, 7, 9, 14, 18, 19 and 22 to form the "reform" group. Tell students with cards numbered 2, 5, 6, 8, 10, 11, 12, 15, 21 and 23 to form the "relief" group. Tell students with cards numbers 1, 13, 16, 17 and 20 to form the "recovery/combination" group.

20. Display *Visual 4.5: Effects of New Deal Programs*. Tell groups of students to review the programs in their category (relief, reform, recovery) and decide whether their programs caused an increase, decrease or had mixed effects on each variable listed on the chart—unemployment rate, government spending, GDP, confidence level and role of government. Point out that mixed effects would mean that some of their programs caused an increase in a variable while other programs caused a decrease in the variable.

21 Allow time for groups to work, then ask each group to report its answers. As groups report, circle the appropriate symbol in each column—a ⏲ for an increase, a ▯ for a decrease or an **M** for mixed results. Suggested answers are on *Visual 4.4: Effects of the New Deal Programs—Answer Key.* Discuss the following.

    - Looking at the results recorded in the table, what result is common to nearly all programs? *(increased role of government in the economy)*
    - What result was common to most of the programs? *(increased consumer confidence in the economy)*
    - In which of the areas were the program results more mixed? *(the effects on unemployment, the effect on GDP, etc.)*

22. Point out that the National Labor Relations Act (Wagner Act) of July 1935 could have contributed to an increase in unemployment because closed shops eliminate the possibility of employment for nonunion workers and could have a negative effect on production. The National Recovery Act could have reduced employment. The Revenue Act of 1935 (Wealth Tax Act) would have contributed to a decline in GDP growth because it was a disincentive to produce.

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## Closure

23. Refer the students to the cards from *Handout 4.3: It IS A New Deal Cards* on which they took notes, and display *Visual 4.3: It IS a New Deal*. Point out that the cards represent important elements of the New Deal. Discuss the following:

- What are the elements shown on the visual? *(banking holiday and banking legislation, changes in the budget, a plan referred to in the inaugural address, protection of U.S. gold)*
- Why was the banking holiday and banking legislation important? *(to restore citizens' confidence in the banking system so that people would be willing to put their money in banks again; to reform the system so that people would have some confidence that such bank problems wouldn't occur in the future)*
- To what budget changes does the cartoonist refer? *(spending on the wide variety of New Deal programs)*
- What was the impact of the government spending on the budget? *(deficits which contributed to national debt—pushing national debt to the highest levels ever seen up to that time except during times of war)*
- What was the purpose of the New Deal programs? *(immediate relief for citizens, recovery for growth and reform to prevent such problems in the future)*
- What was the effect of the New Deal on the role of government in the economy? *(Government took on more responsibility for citizens' well-being and for regulation, which resulted in a larger role for government.)*
- What was the effect of the New Deal on federal government spending? *(increased government spending to the highest it had been, up to that time, outside of war)*
- In general, what was the effect of the New Deal programs on citizens' confidence in the banking system and the economy? *(increased levels of confidence)*

24. Point out that some of the New Deal programs had negative impacts on unemployment and GDP, which may have slowed recovery. Indeed, economists do not agree on the effectiveness of the New Deal, but most will agree that the confidence it gave to people helped rebuild the banking system, which was then instrumental to economic recovery.

    Perhaps the conclusion is best stated by Federal Reserve Chairman Ben Bernanke. He has written that President Roosevelt's most important contribution to ending the Great Depression was "his willingness to be aggressive and experiment."

## Assessment

25. Tell students to use an empty cereal box from home. Distribute a piece of butcher paper to each student. Point out that cereal boxes are designed to appeal to consumers through the use of color, pictures, sometimes games and cartoons on the box, and product information. Point out that FDR had to present his New Deal in much the same way. In order to get Congress to increase government spending and expand the fiscal policy, the New Deal programs had to be presented as appealing and worthy of the expense.

- Give each student a card from *Handout 4.4: New Deal Card,* and a copy of *Handout 4.6: New Deal Box*. Instruct students to follow the directions to create New Deal boxes for the New Deal programs on their cards. Tell students to search the internet for cartoons, pictures and historical information in reference to the New Deal. (possible web site: www.nisk.k12.ny.us/fdr)
- Ask each student to write a paragraph that explains his or her New Deal box and a paragraph explaining the effects of the highlighted program on the unemployment rate, gross domestic product, government spending and confidence. Display the completed New Deal boxes along with the paragraphs in the classroom or in the school library.

26. Distribute either a copy of *Handout 4.7: Assessment Editorial Cartoon* or *Handout 4.8: Assessment Editorial Cartoon 2* to each student. Tell students to review their note cards and other information learned from the lesson. Ask them to use the information to answer the following questions about the editorials.
    - To what card(s) does the cartoon refer?
    - In what way does the cartoon reflect confidence in Roosevelt and his programs?

*Answers: Handout 4.7 refers to all aspects of FDR's plan. It implies the changes in banking legislation, as well as budgetary changes he will make. The cartoon shows Congress willingly handing the broom to President Roosevelt, which implies confidence on the part of Congress in Roosevelt's ability to improve the situation. Handout 4.8 refers to banking legislation as well as the federal budget. Roosevelt is holding the nose of Congress to the grindstone in an effort to get his programs passed. It shows the public's confidence in Roosevelt's ability to get the job done.*

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## Visual 4.1: U.S. Statistical Data

### U.S. STATISTICAL DATA
### 1929 - 1933

| Year | Number of Bank Suspensions | Unemployment Rate | Per Capita Personal Income | Real GDP (in millions of dollars) |
|---|---|---|---|---|
| 1929 | 659 | 3.2% | $698 | $951.7 |
| 1930 | 1352 | 8.9% | $619 | $862.1 |
| 1931 | 2294 | 16.3% | $526 | $788.8 |
| 1932 | 1456 | 24.1% | $399 | $682.9 |
| 1933 | 4004 | 25.2% | $372 | $668.6 |

SOURCES:

- Bank suspensions are from *Banking and Monetary Statistics 1914-1941*, Board of Governors of the Federal Reserve System, Washington, D.C., 1976. For additional data go to http://fraser.stlouisfed.org/publications/bms/.
- Unemployment data from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the US Economy: 1875-1999.
- Per capita personal income from www.bea.gov/bea/regional/spi/drill.cfm.
- Real GDP from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the U.S. Economy: 1875-1999.

## Visual 4.2: FDR's Quote

"We have two problems: First, to meet the immediate distress; second, to build up a basis of permanent employment. As to immediate relief, the first principle is that this nation, this national government if you like, owes a positive duty that no citizen shall be permitted to starve. In addition to providing emergency relief, the federal government should and must provide temporary work wherever that is possible."

*Franklin D. Roosevelt*
*October 1932*

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## Visual 4.3: It IS a New Deal

It IS a New Deal

Talburt in *The Pittsburgh Press*
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## Visual 4.4: U.S. Statistical Data 1929-1938

### U.S. STATISTICAL DATA
### 1929 - 1938

| Year | Unemployment Rate | Real GDP (in billions of dollars) | Federal Spending (in millions of dollars) |
|---|---|---|---|
| 1929 | 3.2% | $951.7 | $3,127 |
| 1930 | 8.9% | $862.1 | $3,320 |
| 1931 | 16.3% | $788.8 | $3,577 |
| 1932 | 24.1% | $682.9 | $4,659 |
| 1933 | 25.2% | $668.6 | $4,598 |
| 1934 | 22.0% | $719.8 | $6,541 |
| 1935 | 20.3% | $778.2 | $6,412 |
| 1936 | 17.0% | $888.2 | $8,228 |
| 1937 | 14.3% | $932.5 | $7,580 |
| 1938 | 19.1% | $890.8 | $6,840 |

SOURCES:

- Unemployment data from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the U.S. Economy: 1875-1999.
- Real GDP from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the US Economy: 1875-1999.
- Federal spending from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the US Economy: 1875-1999.

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## Visual 4.5: Effects of New Deal Program

What result would each program have on these variables?

| Type of Program | Unemployment Rate | Government Spending | GDP | Confidence Level | Role of Government |
|---|---|---|---|---|---|
| **Relief** | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M |
| **Reform** | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M |
| **Recovery/ Combination** | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M | ↑ ↓ M |

## Visual 4.5: Effects of New Deal Program—Answer Key

What result would each program have on these variables?

| Type of Program | Unemployment Rate | Government Spending | GDP | Confidence Level | Role of Government |
|---|---|---|---|---|---|
| **Relief** | ↑ **(↓)** **M** | **(↑)** ↓ **M** | **(↑)** ↓ **M** | **(↑)** ↓ **M** | **(↑)** ↓ **M** |
| **Reform** | ↑ ↓ **(M)** | **(↑)** ↓ **M** | ↑ ↓ **(M)** | **(↑)** ↓ **M** | **(↑)** ↓ **M** |
| **Recovery/ Combination** | ↑ ↓ **(M)** | **(↑)** ↓ **M** | ↑ ↓ **(M)** | **(↑)** ↓ **M** | **(↑)** ↓ **M** |

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# Handout 4.1: The State of the Economy

**Bank suspensions:** The term bank suspension includes all banks closed to the public, either temporarily or permanently, by supervisory authorities or by the bank's boards of directors because of financial difficulties. Banks that closed under a special holiday declaration and remained closed only during the designated holiday are not counted as suspensions.

From 1929-1933, as many as one-fifth of all banks suspended operations, and around 15 percent of people's life savings had been lost. U.S. citizens were losing faith in banks and were withdrawing their money.

**Unemployment rate:** The unemployment rate is the percentage of the labor force that is willing and able to work, does not currently have a job, and is actively looking for employment. The labor force consists of people ages 16 and over who are employed or actively seeking work. When unemployment exists, an economy's production is less than its potential.

**Per capita personal income**: Per capita personal income is the average annual income per person.

**Real GDP:** Gross Domestic Product is the total market value of all final goods and services produced in an economy in a given year. Real GDP statistics are adjusted for inflation.

**Depression:** Depression is a period of severely declining economic activity spread across the economy (not limited to particular sectors or regions) normally visible in real GDP (an actual decrease in GDP, not just a slowing of GDP growth), real income, employment, industrial production, wholesale-retail credit and the loss of the overall confidence in the economy.

## Handout 4.2: U.S. Statistical Data Questions

### U.S. STATISTICAL DATA
### 1929 - 1933

| Year | Number of Bank Suspensions | Unemployment Rate | Per Capita Personal Income | Real GDP (in millions of dollars) |
|---|---|---|---|---|
| 1929 | 659 | 3.2% | $698 | $951.7 |
| 1930 | 1352 | 8.9% | $619 | $862.1 |
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SOURCES:

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- Unemployment data from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the US Economy: 1875-1999.
- Per capita personal income from www.bea.gov/bea/regional/spi/drill.cfm.
- Real GDP from Robert J. Gordon *Macroeconomics* 8th ed., Addison-Wesley, 2000, Table A-1 Time Series Data for the U.S. Economy: 1875-1999.

**Answer the questions below in the space provided:**

1. From what year to what year did bank suspensions increase the most?

2. By how many percentage points did the unemployment rate increase from 1929 to 1933?

3. How much did the per capita income decrease from 1929 to 1933?

4. In terms of dollar amount, how much did GDP decrease between 1929 and 1933?

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5. The greatest dollar decrease in GDP occurred between which two years?

6. Which year had the greatest number of bank suspensions?

7. Which year had the highest unemployment rate?

8. Which year had the smallest per capita income?

9. If you were the president and had the means of changing the trends in the categories of the chart but could only change one category at a time, prioritize the categories according to urgency. Explain your prioritized list.

   A.

   B.

   C.

   D.

10. If you were the president and could implement programs that would decrease the unemployment rate, what effects would likely be seen in per capita income? In GDP? Explain your answers.

## Handout 4.2: U.S. Statistical Data Questions—Answer Key

### U.S. STATISTICAL DATA
### 1929 - 1933

| Year | Number of Bank Suspensions | Unemployment Rate | Per Capita Personal Income | Real GDP (in millions of dollars) |
|---|---|---|---|---|
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1. From what year to what year did bank suspensions increase the most? *(1932 and 1933)*
2. By how many percentage points did the unemployment rate increase from 1929 to 1933? *(22 percent)*
3. How much did the per capita income decrease from 1929 to 1933. *($326; almost one-half)*
4. In terms of dollar amount, how much did the GDP decrease between 1929 and 1933? *($283.1 million)*
5. The greatest decrease in GDP occurred between which two years? *(between 1931 and 1932; decreased $105.9 million)*
6. Which year had the greatest number of bank suspensions? *(1933)*
7. Which year had the highest unemployment rate? *(1933)*
8. Which year had the smallest per capita income? *(1933)*
9. If you were the president and had the means of changing the trends in the categories of the chart but could only change one category at a time, prioritize the categories according to urgency. Explain your prioritized list.

   *(Answers will vary.)*

10. If you were the president and could implement programs that would decrease the unemployment rate, what effects would likely be seen in per capita income? In GDP? Explain your answers. *(Per capita income would likely increase, and GDP would likely increase. If people who were not working got a job, per capita incomes would rise. These people have income to spend and would put money in circulation. If people wanted to buy more goods and services with their incomes, then businesses would produce more goods and services, so GDP would increase.)*

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## Handout 4.3: It IS a New Deal Cards

Directions: Cut out the cards. Take notes on the appropriate card as each topic is discussed. Use the back of each card as needed for additional notes.

A ♦

**Inaugural Address**

A ♠

**Bank Holiday**

A ♥

**Budget Message**

A ♣

**Protection of Gold**

K ♠

**Bank Legislation**

## Handout 4.4: New Deal Cards

**The Agriculture Adjustment Administration (AAA)** of 1933 raised farm prices through subsidies. It paid farmers not to raise certain crops and livestock, hoping that lower production would cause prices to rise. The Supreme Court struck down the tax that funded AAA subsidies to farmers. The Civil Works Administration (CWA) was a public works program funding jobs ranging from ditch digging to highway repairs to teaching. Created in November 1933, it was criticized as "make work" and abandoned in the spring of 1934. It provided a psychological and physical boost to its 4 million workers.
1

**The Civilian Conservation Corps (CCC)** of 1933 put 2.5 million men to work 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. Workers earned only $1 a day but received free board and job training. From 1934 to 1937, this program funded similar programs for 8,500 women. It taught men and women of America how to live independently, thus increasing self-esteem.
2

**Emergency Banking Act** On March 6, 1933, FDR shut down all the banks in the nation and forced Congress to pass this Act. It gave the government the opportunity to inspect the health of all banks. This re-established citizens' faith in banks. Inspectors found that most banks were healthy, and two-thirds of all banks were allowed to open soon after.
3

**The Fair Labor Standards Act of 1938** banned child labor and set a minimum wage. It also established a normal work week of 40 hours.
4

**The Farm Security Administration (FSA)** was created in 1937 (formerly called the Resettlement Administration in 1935) to aid sharecroppers.
5

**The Federal Art Project (FAP)** of 1935 was a part of the Works Progress Administration (WPA). This cultural program employed 5,300 artists at its height in 1936. Murals, paintings, sculptures and photography were all part of this program.
6

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**The Federal Deposit Insurance Corporation (FDIC)** was established by the Glass-Steagall Banking Act of 1933 to insure bank deposits of up to $5,000.
7

**The Federal Emergency Relief Administration (FERA)** of 1933 put money into public works programs, which were government-funded projects to build public facilities and create jobs.
8

**The Federal Housing Administration (FHA**) of 1934 worked to improve housing standards and conditions and to insure mortgages.
9

**The Federal Music Project (FMP)** of 1935 was a part of the Works Progress Administration (WPA). This cultural program employed about 16,000 musicians at its peak.
10

**The Federal Theatre Project (FTP)** of 1935 was a part of the Works Progress Administration (WPA) and employed 12,700 theatre workers at its peak. The Federal Theatre units presented more than 1,000 performances each month before nearly 1 million people. There were 1,200 plays produced in the four years of the project.
11

**The Federal Writers Project (FWP)** of 1935 was a part of the Works Progress Administration (WPA). This cultural program employed about 6,686 writers at its peak in 1936. It produced 3.5 million copies of 800 titles by 1941.
12

**The National Recovery Act (NRA)** of 1933 was known as the "Blue Eagle" from its popular symbol. Accompanied by the slogan "We Do Our Part," the NRA established codes for fair business practices. These codes regulated wages, working conditions, production and prices, and set a minimum wage. The Supreme Court invalidated the NRA in 1935. Some think that it hampered recovery by allowing the formation of cartels, restricting competition and reducing employment.
13

**The National Labor Relations Act** (Wagner Act) of July 1935 legalized collective bargaining and closed shops (workplaces open only to union members). Although it was designed to bring about industrial peace, it led to a wave of strikes, many of which were sit-down strikes. These tactics, although not always successful, proved quite powerful. In 1939, the Supreme Court outlawed the sit-down strike as being too potent a weapon and an obstacle to negotiation.
14

**National Youth Administration (NYA)** created under the Emergency Relief Act of 1935, provided more than 4.5 million jobs for young people. It gave part-time employment to students, established training programs and provided aid to unemployed youth.
15

**The Public Works Administration (PWA)** of 1933 launched projects, such as the Grand Coulee Dam on the Columbia River. It was intended both for industrial recovery and unemployment relief. Eventually more than $4 billion was spent on 34,000 construction projects. One of these projects was San Francisco's Golden Gate Bridge.
16

**The Rural Electrification Administration (REA)** of 1935 offered loans to electric companies and farm cooperatives for building power plants and extending power lines.
17

**The Securities and Exchange Commission (SEC)** of 1934 required full disclosure of information on stocks being sold. The SEC regulated the stock market. Congress also gave the Federal Reserve Board the power to regulate the purchase of stock on margin.
18

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**The Social Security Act of 1935** established the administration of a national pension fund for the aged and unemployed, as well as public assistance for dependent mothers, children and disabled people. It was financed by a payroll tax based on employer and employee contributions.
19

**Tennessee Valley Authority (TVA)** The Tennessee Valley Authority was created for the economic development of the Tennessee River watershed. Many jobs were created as a result of 20 dams built to control flooding, generate electricity and increase agricultural production.
20

**The Works Progress Administration (WPA)** was a part of the second phase of the New Deal. From 1935 until 1943, this agency provided work for about 3 million workers at a time. By 1943, it had helped between 8 million and 9 million people. Under the WPA, buildings, roads, airports and schools were constructed. Actors, painters, musicians and writers were employed through the Federal Theatre Project, the Federal Art Project and the Federal Writers Project.
21

**The Revenue Act of 1935** (Wealth Tax Act) raised the tax rate on individual incomes that exceeded $50,000 and also increased rates on the income and profits of corporations.
22

**The Civil Works Administration (CWA)** was a public program funding jobs ranging from ditch digging to highway repairs to teaching. Created in November 1933, it was criticized as "make work" and abandoned in the spring of 1934. It provided a psychological and physical boost to its 4 million workers.
23

## Handout 4.5: Label Mats

| | |
|---|---|
| **RELIEF** | **REFORM** |
| **RECOVERY** | **COMBINATION** |

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## Handout 4.6: New Deal Box

**Directions:**

1. Cover an empty cereal box with colored paper.
2. Conduct research to learn about the assigned New Deal program. Suggestions for research sources: www.fdrheritage.org, www.nisk.k12.ny.us/fdr/, www.fdrlibrary.marist.edu/
3. Use the research to create a New Deal box which includes at least the listed criteria.

Front of box:

- Complete name of the New Deal program
- Abbreviation of the New Deal program
- Art relating to the program
- A phrase about the program
- Purpose of the New Deal program

Top of box:

- Dates of program
- Purpose of program (relief, reform, recovery)

Side panel one:

- Following the "Nutrition Facts" format found on a cereal box, create a "Program Effects on the Economy" table that indicates an increase, decrease or no change of at least these five categories: unemployment rate, government spending, GDP, confidence-building and the role of government. Optional categories may include per capita income, specific population groups affected, specific purpose of program or other relevant information.

Example:

| **ABC EFFECTS ON ECONOMY** | ↓ |
|---|---|
| Unemployment rate | ↑ |
| Government spending | ↑ |
| GDP | ↑ |
| Confidence building | ↑ |
| Role of government | ↑ |

- Biographical information about Franklin D. Roosevelt
- Your name as the creator of the New Deal Box near the bottom of the panel

Side panel two:

- Description of the program in paragraph form
- Description of end of program or its current-day status

Back panel:

- The entire back of the box should have a game, word search, puzzle or cartoon about the New Deal program. Suggestions for puzzles and games: http://puzzlemaker.com.

## Handout 4.7: Assessment Editorial Cartoon

Morris in *The Hoboken Observer*, March 4, 1933
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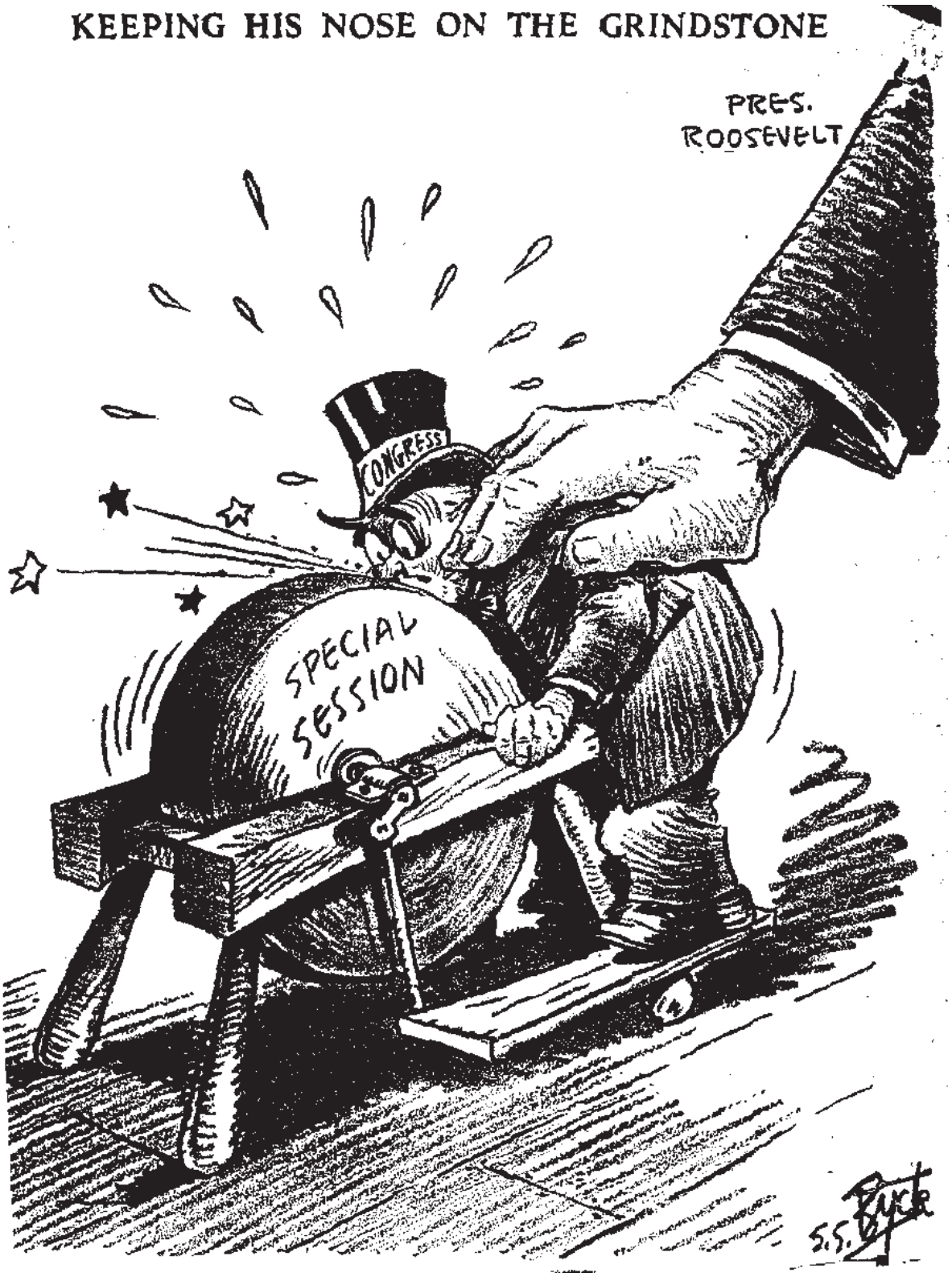
## Handout 4.8: Assessment Editorial Cartoon 2