

HIST 212
Assessment Unit 6: “The Great Depression and World War II”
Guide to Responding

1. The short-term cause of the Great Depression was a financial crisis as a result of the Stock Market crash of 1929. The long-term, systemic cause was stagnating and declining incomes, which drove down consumer spending in the new consumer society that had emerged in the 1920s. Reckless speculation in the years leading up to the 1929 crash resulted in unrealistically high stock prices, which led banks to continue to pour their investors' money into stocks. When this bubble burst in 1929, banks lost money and often went bankrupt, and investors lost their savings and investments in the process. In the 1920s, farm incomes stagnated due to falling farm prices as a result of excess supply. Incomes for industrial workers also declined as advances in technology eliminated jobs, while trade protectionism worldwide drove down exports, resulting in the oversupply of manufactured goods, which led to depressed wages, as employers sought to maintain profits as prices for their products declined (deflation). Thus, farmers and factory workers with stagnant or reduced incomes were unable to purchase consumer goods at a rate that would sustain economic growth in an economy that was increasingly dependent on consumer spending. New Deal initiatives sought to deal with both the causes of the financial crisis and the decline in incomes and consumer spending. To restrain reckless speculation, the Securities and Exchange Commission was created in 1933. The Glass-Steagall Banking Act (1933) created the Federal Deposit Insurance Corporation (FDIC), which insured the bank accounts of average investors in banks which were FDIC members. Under this act, banks that were insured by the FDIC could not invest their depositors' savings in the stock market. To increase incomes and spur consumer spending, the New Deal saw the passage of the Agricultural Adjustment Act (AAA—1933) in which the federal government bolstered farm prices through subsidies to provide stable incomes for farmers. The Civilian Conservation Corps (CCC—1933) and the Works Progress Administration (WPA—1935) provided jobs for the unemployed through government public works projects. The Social Security Act (1935) provided incomes for the indigent through both temporary pensions (cash payments) for those who had just lost their jobs and permanent pensions for the elderly, the disabled, and unmarried women with children.

2. The United States entered into World War II as a result of the Japanese attack on Pearl Harbor in 1941 and the declaration of war against the United States by Germany and Italy. In contrast, Germany did not attack U.S. territory before the United States entered into World War I in 1917. German U-boats did sink American ships in the Atlantic prior to the United States' declaration of war, but Germany, in its statement regarding "unrestricted submarine warfare," had previously warned the United States that its U-boats would be attacking all ships conducting trade with Great Britain and her allies. One could argue that in the case of both World War I and World War II, the United States entered these wars to protect its economic interests. A German victory over Great Britain in either World War I or World War II would have been disastrous for the United States, considering the country's long-term economic as well as cultural links to that island nation. Nearly a year before the attack on Pearl Harbor and the German declaration of war, the United States was providing military supplies to Great Britain due to the Lend-Lease Bill of 1941. Japanese hegemony in the Pacific would have also severely damaged U.S. economic interests in that region. Even before Pearl Harbor, the United States took offensive actions to protest Japanese aggression in the Far East. After the Japanese occupation of French Indo-China in 1941, the United States froze Japanese assets in the country and restricted oil exports to Japan. In both wars, the U.S. government expanded its powers to meet war demands. The War Industries Board (WIB) in World War I and the War Production Board (WPB) in World War II had the authority to order manufacturers to produce war materials. In both wars, civilians were asked to make sacrifices for the troops. In World War II, consumer goods were rationed and the Office of Price Administration set maximum prices for such goods. In both wars, women and African Americans obtained jobs usually retained for white men due to the draft and the resulting labor shortage. These developments boosted the movement for equality for these two groups. Government propaganda and surging patriotism in both wars resulted in discrimination and hostility against immigrants from enemy countries. In World War II, public hostility was largely directed against the Japanese, and along the West Coast, the U.S. government required Japanese Americans to be relocated into internment camps for the duration of the war.