24

THE GREAT DEPRESSION AND THE NEW DEAL, 1929–1939

Once I built a tower, to the sun.
Brick and rivet and lime,
Once I built a tower,
Now it's done,
Brother, can you spare a dime?

E. Y. Harburg and Jay Gorney,
"Brother, Can You Spare a Dime?," 1932

When the new Democratic president, Franklin D. Roosevelt, said in his 1933 inaugural address, "the only thing we have to fear is fear itself," he struck a note that the millions who listened to him on the radio could well understand. In 1933, after having experienced nearly four years of the worst economic depression in U.S. history, Americans were gripped by fear for their survival.

In the past, overproduction and business failures had periodically caused economic downturns measured in months that would be followed by recovery and eventual prosperity. These depressions and recessions were thought to be nothing more than part of the natural rhythm of the business cycle in a free market economy. However, depressions that included widespread bank failures and the collapse of investment and credit systems often resulted in long-term and deeper depressions extending several years, such as the depressions of 1837, 1873, and 1893.

This depression of the 1930s felt different. It lasted far longer, caused more business failures and unemployment, and affected more people—both middle class and working class—than any preceding period of hard times. This was in fact not just an ordinary depression, but the *Great Depression*. Before it was over, two presidents—Herbert Hoover and Franklin Roosevelt—would devote 12 years to seeking the elusive path toward recovery.

Causes and Effects of the Depression, 1929–1933

What caused the spectacular business boom of the 1920s to collapse dramatically in October 1929?

Wall Street Crash

The ever-rising stock prices had become both a symbol and a source of wealth during the prosperous 1920s. A "boom" was in full force both in the United States and in the world economy in the late 1920s. On the stock exchange on Wall Street in New York City, stock prices had kept going up and up for 18 months from March 1928 to September 1929. On September 3, the Dow Jones Industrial Average of major stocks had reached an all-time high of 381. An average investor who bought $1,000 worth of such stocks at the time of Hoover's election (November 1928) would have doubled his or her money in less than a year. Millions of people did invest in the boom market of 1928— and millions lost their money in October 1929, when it collapsed.

Black Thursday and Black Tuesday Although stock prices had fluctuated greatly for several weeks preceding the crash, the true panic did not begin until a Thursday in late October. On this Black Thursday—October 24, 1929—there was an unprecedented volume of selling on Wall Street, and stock prices plunged. The next day, hoping to stave off disaster by stabilizing prices, a group of bankers bought millions of dollars of stocks. The strategy worked for only one business day, Friday. The selling frenzy resumed on Monday. On Black Tuesday, October 29, the bottom fell out, as millions of panicky investors ordered their brokers to sell —but almost no buyers could be found.

From that day on, prices on Wall Street kept going down and down. By late November, the Dow Jones index had fallen from its September high of 381 to 198. Three years later, stock prices would finally hit bottom at 41, less then one-ninth of their peak value.

Causes of the Crash

While the collapse of the stock market in 1929 may have triggered economic turmoil, it alone was not responsible for the Great Depression. The depression throughout the nation and the world was the result of a combination of factors, and economists continue to debate their relative importance.

Uneven Distribution of Income Wages had risen relatively little compared to the large increases in productivity and corporate profits. Economic success was not shared by all, as the top 5 percent of the richest Americans received over 33 percent of all income. Once demand for their products declined, businesses laid off workers contributing to a downward spiral in demand, and more layoffs.

Stock Market Speculation Many people in all economic classes believed that they could get rich by "playing the market." People were no longer investing their money in order to share in the profits of a company—they were speculating that the price of a stock would go up and that they could sell it for a quick profit. *Buying on margin* allowed people to borrow most of the cost of the stock, making down payments as low as 10 percent. Investors depended on the price of the stock increasing so that they could repay the loan. When stock prices dropped, the market collapsed, and many lost everything they had borrowed and invested.

Excessive Use of Credit Low interest rates and a belief of both consumers and business that the economic boom was permanent led to increased borrowing and installment buying. This over-indebtedness would result in defaults on loans and bank failures.

Overproduction of Consumer Goods Business growth, aided by increased productivity and use of credit, had produced a volume of goods that workers with stagnant wages could not continue to purchase.

Weak Farm Economy The prosperity of the 1920s never reached farmers, who had suffered from overproduction, high debt, and low prices since the end of World War I. As the depression continued through the 1930s, severe weather and a long drought added to farmers' difficulties.

Government Policies During the 1920s, the government had complete faith in business and did little to control or regulate it. Congress enacted high tariffs which protected U.S. industries but hurt farmers and international trade.

Some economists have concentrated blame on the Federal Reserve for its tight money policies, as hundreds of banks failed. Instead on trying to stabilize banks, the money supply, and prices, The Federal Reserve tried to preserve the gold standard. Without depositors' insurance, people panicked to get their money out of the banks, which caused more bank failures.

Global Economic Problems Nations had become more interdependent because of international banking, manufacturing, and trade. Europe had never recovered from World War I, but the United States failed to recognize Europe's postwar problems (The United States reacted differently after World War II. See Chapter 26). Instead, U.S. insistence on loan repayment in full and high tariffs policies weakened Europe and contributed to the worldwide depression.

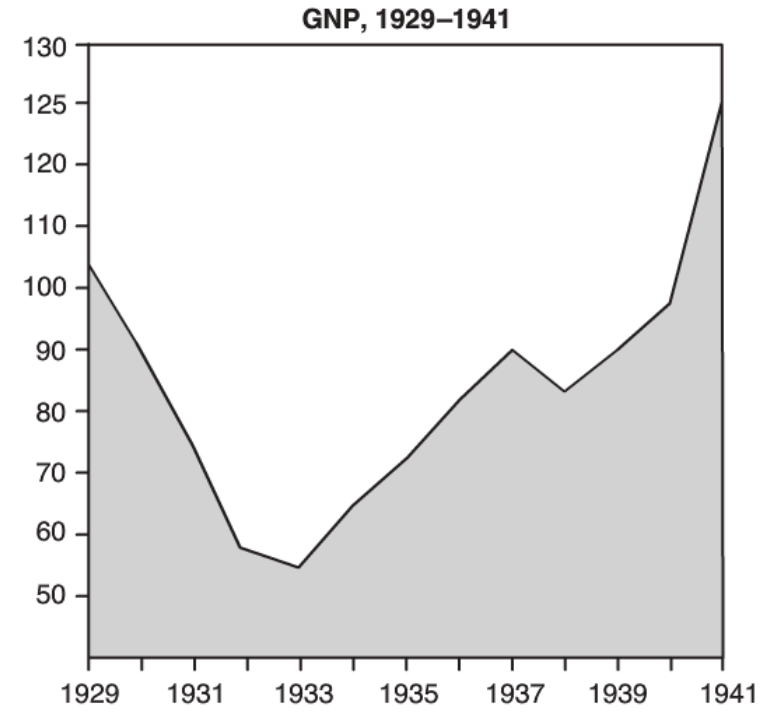
Effects

It is difficult to imagine the pervasive impact of the Great Depression. While in retrospect it can be seen that the economic decline reached bottom in 1932, complete recovery came only with the beginning of another world war, in 1939. The Great Depression's influence on American thinking and policies has even extended beyond the lifetimes of those who experienced it.

Various economic statistics serve as indicators that track the health of a nation's economy. The U.S. Gross National Product—the value of all the goods and services produced by the nation in one year—dropped from $104 billion to $56 billion in four years (1929 to 1932), while the nation's income declined by over 50 percent. Some 20 percent of all banks closed, wiping out 10 million savings accounts. As banks failed, the money supply contracted by 30 percent. By 1933, the number of unemployed had reached 13 million people, or 25 percent of the workforce, not including farmers.

The crash ended Republican domination of government. People accepted dramatic changes in policies and the expansion of the federal government.

The social effects of the depression were felt by all classes. Those who had never fully shared in the prosperity of the 1920s, such as farmers and African



Source: U.S. Bureau of the Census. *Historical Statistics of the United States, Colonial Times to 1970*

Americans, had increased difficulties. Poverty and homelessness increased, as did the stress on families, as people searched for work. Mortgage foreclosures and evictions became commonplace. The homeless traveled in box cars and lived in shantytowns, named "Hoovervilles," in mock honor of their president.

Hoover's Policies

At the time of the stock market crash, nobody could foresee how long the downward slide would last. President Hoover was wrong—but hardly alone—in thinking that prosperity would soon return. The president believed the nation could get through the difficult times if the people took his advice about exercising voluntary action and restraint. Hoover urged businesses not to cut wages, unions not to strike, and private charities to increase their efforts for the needy and the jobless. Until the summer of 1930, he hesitated to ask Congress for legislative action on the economy, afraid that government assistance to individuals would destroy their self-reliance. Gradually, President Hoover came to recognize the need for more direct government action. However, he took the traditional view that public relief should come from state and local governments, not the federal government.

Responding to a Worldwide Depression

Repercussions from the crash on Wall Street were soon felt in the financial centers of Europe. Through trade and the Dawes Plan for the repayment of war debts, European prosperity was closely tied to that of the United States. Hoover's first major decision concerning the international situation was one of the worst mistakes of his presidency.

Hawley-Smoot Tariff (1930) In June 1930, the president signed into law a schedule of tariff rates that was the highest in history. The Hawley-Smoot Tariff passed by the Republican Congress set tax increases ranging from 31 percent to 49 percent on foreign imports. In retaliation for the U.S. tariff, however, European countries enacted higher tariffs of their own against U.S. goods. The effect was to reduce trade for all nations, meaning that both the national and international economies sank further into depression.

Debt Moratorium By 1931, conditions became so bad both in Europe and the United States that the Dawes Plan for collecting war debts could no longer continue. Hoover therefore proposed a moratorium (suspension) on the payment of international debts. Britain and Germany readily accepted, but France balked. The international economy suffered from massive loan defaults, and banks on both sides of the Atlantic scrambled to meet the demands of the many depositors withdrawing their money.

Domestic Programs: Too Little, Too Late

By 1931, Hoover was convinced that some federal action was needed to pull the U.S. economy out of its doldrums. He therefore supported and signed into law programs that offered assistance to indebted farmers and struggling businesses.

Federal Farm Board The Farm Board was actually created in 1929, before the stock market crash, but its powers were later enlarged to meet the economic crisis. The board was authorized to help farmers stabilize prices by temporarily holding surplus grain and cotton in storage. The program, however, was far too modest to handle the continued overproduction of farm goods.

Reconstruction Finance Corporation (RFC) This federally funded, government-owned corporation was created by Congress early in 1932 as a measure for propping up faltering railroads, banks, life insurance companies, and other financial institutions. The president reasoned that emergency loans from the RFC would help to stabilize these key businesses. The benefits would then "trickle down" to smaller businesses and ultimately bring recovery. Democrats scoffed at this measure, saying it would only help the rich.

Despair and Protest

By 1932, millions of unemployed workers and impoverished farmers were in a state bordering on desperation. Some decided to take direct action to battle the forces that seemed to be crushing them.

Unrest on the Farms In many communities, farmers banded together to stop banks from foreclosing on farms and evicting people from their homes. Farmers in the Midwest formed the Farm Holiday Association, which attempted to reverse the drop in prices by stopping the entire crop of grain harvested in 1932 from reaching the market. The effort collapsed after some violence.

Bonus March Also in the desperate summer of 1932, a thousand unemployed World War I veterans marched to Washington, D.C., to demand immediate payment of the bonuses promised them at a later date (1945). They were eventually joined by thousands of other veterans who brought their wives and children and camped in improvised shacks near the Capitol. Congress failed to pass the bonus bill they sought. When two veterans were killed in a clash with police, Hoover ordered the army to break up the encampment. General Douglas MacArthur, the army's chief of staff, used tanks and tear gas to destroy the shantytown and drive the veterans from Washington. The incident caused many Americans to regard Hoover as heartless and uncaring.

The Election of 1932

The depression's worst year, 1932, happened to be a presidential election year. The disheartened Republicans renominated Hoover, who warned that a Democratic victory would only result in worse economic problems.

Democrats At their convention, the Democrats nominated New York Governor Franklin D. Roosevelt for president and Speaker of the House John Nance Garner of Texas for vice president. As a candidate, Roosevelt pledged a "new deal" for the American people, the repeal of Prohibition, aid for the unemployed, and cuts in government spending.

Results In voters' minds, the only real issue was the depression, and which candidate—Hoover or Roosevelt—could do a better job of ending the hard times. Almost 60 percent of them concluded that it was time for a change. The Roosevelt-Garner ticket carried all but six states, Republican strongholds in the Northeast. Desperate for change, many Socialists deserted their candidate,

Norman Thomas, to support Roosevelt. Not only was the new president a Democrat but both houses of Congress had large Democratic majorities.

Hoover as "Lame-Duck" President For the four months between Roosevelt's election and his inauguration in March 1933, Hoover was still president. However, as a "lame duck," Hoover was powerless to cope with the depression, which continued to get worse. He offered to work with the president-elect through the long period, but Roosevelt declined, not wanting to be tied to any of the Republican president's ideas. The Twentieth Amendment (known as the *lame-duck amendment*), passed in February 1933 and ratified by October 1933, shortened the period between presidential election and inauguration. The amendment set the start of each president's term for January 20.

Franklin D. Roosevelt's New Deal

The new president was a distant cousin of President Theodore Roosevelt and was married to Theodore's niece, Eleanor. More than any other president, Franklin Delano Roosevelt—popularly known by his initials, FDR—expanded the size of the federal government, altered its scope of operations, and greatly enlarged presidential powers. He would dominate the nation and the government for an unprecedented stretch of time, 12 years and two months. FDR became one of the most influential world leaders of the 20th century.

FDR: The Man

Franklin Roosevelt was the only child of a wealthy New York family. He personally admired cousin Theodore and followed in his footsteps as a New York state legislator and then as U.S. assistant secretary of the navy. Unlike Republican Theodore, however, Franklin was a Democrat. In 1920 he was the Democratic nominee for vice president. He and James Cox, the presidential candidate, lost badly in Warren G. Harding's landslide victory.

Disability In the midst of a promising career, Roosevelt was paralyzed by polio in 1921. Although he was wealthy enough to retire, he labored instead to resume his career in politics and eventually regained the full power of his upper body, even though he could never again walk unaided and required the assistance of crutches, braces, and a wheelchair. Roosevelt's greatest strengths were his warm personality, his gifts as a speaker, and his ability to work with and inspire people. In 1928, campaigning from a car and in a wheelchair, FDR was elected governor of New York. In this office, he instituted a number of welfare and relief programs to help the jobless.

Eleanor Roosevelt Roosevelt's wife, Eleanor, emerged as a leader in her own right. She became the most active first lady in history, writing a newspaper column, giving speeches, and traveling the country. Though their personal relationship was strained, Eleanor and Franklin Roosevelt had a strong mutual respect. She served as the president's social conscience and influenced him to support minorities and the less fortunate.

New Deal Philosophy

In his campaign for president in 1932, Roosevelt offered vague promises but no concrete programs. He did not have a detailed plan for ending the depression, but he was committed to action and willing to experiment with political solutions to economic problems.

The Three R's In his acceptance speech at the Democratic convention in 1932, Roosevelt had said: "I pledge you, I pledge myself, to a new deal for the American people." He had further promised in his campaign to help the "forgotten man at the bottom of the economic pyramid." During the early years of his presidency, it became clear that his New Deal programs were to serve three R's: *relief* for people out of work, *recovery* for business and the economy as a whole, and *reform* of American economic institutions.

Brain Trust and Other Advisers In giving shape to his New Deal, President Roosevelt relied on a group of advisers who had assisted him while he was governor of New York. Louis Howe was to be his chief political adviser. For advice on economic matters, Roosevelt turned to a group of university professors, known as the Brain Trust.

The people that Roosevelt appointed to high administrative positions were the most diverse in U.S. history, with a record number of African Americans, Catholics, Jews, and women. For example, his secretary of labor was Frances Perkins, the first woman ever to serve in a president's cabinet.

The First Hundred Days

With the nation desperate and close to the brink of panic, the Democratic Congress looked to the new president for leadership, which Roosevelt was eager to provide. Immediately after being sworn into office on March 4, 1933, Roosevelt called Congress into a hundred-day-long special session. During this brief period, Congress passed into law every request of President Roosevelt, enacting more major legislation than any single Congress in history. Most of the new laws and agencies were commonly referred to by their initials: WPA, AAA, CCC, NRA.

Bank Holiday In early 1933, banks were failing at a frightening rate, as depositors flocked to withdraw funds. As many banks failed in 1933 (over 5,000) as had failed in all the previous years of the depression. To restore confidence in those banks that were still solvent, the president ordered the banks closed for a bank holiday on March 6, 1933. He went on the radio to explain that the banks would be reopened after allowing enough time for the government to reorganize them on a sound basis.

Repeal of Prohibition The new president kept a campaign promise to enact repeal of Prohibition and also raised needed tax money by having Congress pass the Beer-Wine Revenue Act, which legalized the sale of beer and wine. Later in 1933, the ratification of the Twenty-First Amendment repealed the Eighteenth Amendment, bringing Prohibition to an end.

Fireside Chats Roosevelt went on the radio on March 12, 1933, to present the first of many fireside chats to the American people. The president assured his listeners that the banks which reopened after the bank holiday were safe. The public responded as hoped, with the money deposited in the reopened banks exceeding the money withdrawn.

Financial Recovery and Reform Programs As the financial part of his New Deal, FDR persuaded Congress to enact the following measures:

- The Emergency Banking Relief Act authorized the government to examine the finances of banks closed during the bank holiday and reopen those judged to be sound.
- The Glass-Steagall Act increased regulation of the banks and limited how banks could invest customers' money. The Federal Deposit Insurance Corporation (FDIC) guaranteed individual bank deposits. The gold standard was restricted to international transactions, and the Americans could no longer exchange their dollars for gold.
- The Home Owners Loan Corporation (HOLC) provided refinancing of small homes to prevent foreclosures.
- The Farm Credit Administration provided low-interest farm loans and mortgages to prevent foreclosures on the property of indebted farmers.

Relief for the Unemployed A number of programs created during the Hundred Days addressed the needs of the millions of unemployed workers. These plans created jobs with government stimulus dollars to provide both relief and to create more demand for goods and services, which it hoped would create more jobs in the private sector.

- The Federal Emergency Relief Administration (FERA) offered outright grants of federal money to states and local governments that were operating soup kitchens and other forms of relief for the jobless and homeless. The director of FERA was Harry Hopkins, one of the president's closest friends and advisers.
- The Public Works Administration (PWA), directed by Secretary of the Interior Harold Ickes, allotted money to state and local governments for building roads, bridges, dams, and other public works. Such construction projects were a source of thousands of jobs.
- The Civilian Conservation Corps (CCC) employed young men on projects on federal lands and paid their families small monthly sums.

- The Tennessee Valley Authority (TVA) was a huge experiment in regional development and public planning. As a government corporation, it hired thousands of people in one of the nation's poorest regions, the Tennessee Valley, to build dams, operate electric power plants, control flooding and erosion, and manufacture fertilizer. The TVA sold electricity to residents of the region at rates that were well below those previously charged by a private power company.

Industrial Recovery Program The key measure in 1933 to combine immediate relief and long-term reform was the National Recovery Administration (NRA). Directed by Hugh Johnson, the NRA was an attempt to guarantee reasonable profits for business and fair wages and hours for labor. With the antitrust laws temporarily suspended, the NRA could help each industry (such as steel, oil, and paper) set codes for wages, hours of work, levels of production, and prices of finished goods. The law creating the NRA also gave workers the right to organize and bargain collectively. The complex program operated with limited success for two years before the Supreme Court declared the NRA unconstitutional (*Schechter v. U.S.*) in 1935.

Farm Production Control Program Farmers were offered a program similar in concept to what the NRA did for industry. The Agricultural Adjustment Administration (AAA) encouraged farmers to reduce production (and thereby boost prices) by offering to pay government subsidies for every acre they plowed under. The AAA met the same fate as the NRA. It was declared unconstitutional in a 1935 Supreme Court decision.

Other Programs of the First New Deal

Congress adjourned briefly after its extraordinary legislative record in the first Hundred Days of the New Deal. Roosevelt, however, was not finished devising new remedies for the nation's ills. In late 1933 and through much of 1934, the Democratic Congress was easily persuaded to enact the following:

- The Civil Works Administration (CWA) was added to the PWA and other programs for creating jobs. This agency hired laborers for temporary construction projects sponsored by the federal government.
- The Securities and Exchange Commission (SEC) was created to regulate the stock market and to place strict limits on the kind of speculative practices that had led to the Wall Street crash in 1929. The SEC also required full audits of and financial disclosure by corporations to protect investors from fraud and insider trading.
- The Federal Housing Administration (FHA) gave both the construction industry and homeowners a boost by insuring bank loans for building new houses and repairing old ones.

- A new law took the United States off the gold standard in an effort to halt deflation (falling prices). The value of the dollar was set at $35 per ounce of gold, but paper dollars were no longer redeemable in gold.

The Second New Deal

Roosevelt's first two years in office were largely focused on achieving one of the three R's: recovery. Democratic victories in the congressional elections of 1934 gave the president the popular mandate he needed to seek another round of laws and programs. In the summer of 1935, he launched the second New Deal, which concentrated on the other two R's: relief and reform.

Relief Programs

Harry Hopkins became even more prominent in Roosevelt's administration with the creation in 1935 of a new and larger relief agency.

Works Progress Administration (WPA) Much bigger than the relief agencies of the first New Deal, the WPA spent billions of dollars between 1935 and 1940 to provide people with jobs. After its first year of operation under Hopkins, it employed 3.4 million men and women who had formerly been on the relief rolls of state and local governments. It paid them double the relief rate but less than the going wage for regular workers. Most WPA workers were put to work constructing new bridges, roads, airports, and public buildings. Unemployed artists, writers, actors, and photographers were paid by the WPA to paint murals, write histories, and perform in plays.

One part of the WPA, the National Youth Administration (NYA), provided part-time jobs to help young people stay in high school and college or until they could get a job with a private employer.

Resettlement Administration (RA) Placed under the direction of one of the Brain Trust, Rexford Tugwell, the Resettlement Administration provided loans to sharecroppers, tenants, and small farmers. It also established federal camps where migrant workers could find decent housing.

Source: Carl Morris, Eugene, Oregon, Post Office, c. 1939, WPA Federal Arts Project. Oregon Scenic County Images

Reforms

The reform legislation of the second New Deal reflected Roosevelt's belief that industrial workers and farmers needed to receive more government help than members of the business and privileged classes.

National Labor Relations (Wagner) Act (1935) This major labor law of 1935 replaced the labor provisions of the National Industrial Recovery Act, after that law was declared unconstitutional. The Wagner Act guaranteed a worker's right to join a union and a union's right to bargain collectively. It also outlawed business practices that were unfair to labor. A new agency, the National Labor Relations Board (NLRB), was empowered to enforce the law and make sure that workers' rights were protected.

Rural Electrification Administration (REA) This new agency provided loans for electrical cooperatives to supply power in rural areas.

Federal Taxes A revenue act of 1935 significantly increased the tax on incomes of the wealthy few. It also increased the tax on large gifts from parent to child and on capital gains (profits from the sale of stocks or other properties).

The Social Security Act

The reform that, for generations afterward, would affect the lives of nearly all Americans was the passage in 1935 of the Social Security Act. It created a federal insurance program based upon the automatic collection of payments from employees and employers throughout people's working careers. The Social Security trust fund would then be used to make monthly payments to retired persons over the age of 65. Also receiving benefits under this new law were workers who lost their jobs (unemployment compensation), persons who were blind or otherwise disabled, and dependent children and their mothers.

The Election of 1936

The economy was improving but still weak and unstable in 1936 when the Democrats nominated Roosevelt for a second term. Because of his New Deal programs and active style of personal leadership, the president was now enormously popular among workers and small farmers. Business, however, generally disliked and even hated him because of his regulatory programs and prounion measures such as the Wagner Act.

Alf Landon Challenging Roosevelt was the Republican nominee for president, Alfred (Alf) Landon, the progressive-minded governor of Kansas. Landon criticized the Democrats for spending too much money but in general accepted most of the New Deal legislation.

Results Roosevelt swamped Landon, winning every state except Maine and Vermont and more than 60 percent of the popular vote. Behind their president's New Deal, the Democratic party could now count on the votes of a new coalition of popular support. Through the 1930s and into the 1960s, the Democratic

or New Deal coalition would consist of the Solid South, white ethnic groups in the cities, midwestern farmers, and labor unions and liberals. In addition, new support for the Democrats came from African Americans, mainly in northern cities, who left the Republican party of Lincoln because of Roosevelt's New Deal.

Opponents of the New Deal

Opinion polls and election results showed that a large majority of Americans supported Roosevelt. Nevertheless, his New Deal programs were extremely controversial and became the target of vitriolic attacks by liberals, conservatives, and demagogues.

Liberal Critics

Socialists and extreme liberals in the Democratic party criticized the New Deal (especially the first New Deal of 1933–1934) for doing too much for business and too little for the unemployed and the working poor. They charged that the president failed to address the problems of ethnic minorities, women, and the elderly.

Conservative Critics

More numerous were those on the right who attacked the New Deal for giving the federal government too much power. These critics charged that relief programs such as the WPA and labor laws such as the Wagner Act bordered on socialism or even communism. Business leaders were alarmed by (1) increased regulations, (2) the second New Deal's prounion stance, and (3) the financing of government programs by means of borrowed money—a practice known as *deficit financing*. Conservative Democrats, including former presidential candidates Alfred E. (Al) Smith and John W. Davis, joined with leading Republicans in 1934 to form an anti-New Deal organization called the American Liberty League. Its avowed purpose was to stop the New Deal from "subverting" the U.S. economic and political system.

Demagogues

Several critics played upon the American people's desperate need for immediate solutions to their problems. Using the radio to reach a mass audience, they proposed simplistic schemes for ending "evil conspiracies" (Father Coughlin), guaranteeing economic security for the elderly (Dr. Townsend), and redistributing wealth (Huey Long).

Father Charles E. Coughlin This Catholic priest attracted a huge popular following in the early 1930s through his weekly radio broadcasts. Father Coughlin founded the National Union for Social Justice, which called for issuing an inflated currency and nationalizing all banks. His attacks on the

New Deal became increasingly anti-Semitic and Fascist until his superiors in the Catholic Church ordered him to stop his broadcasts.

Dr. Francis E. Townsend Before the passage of the Social Security Act, a retired physician from Long Beach, California, became an instant hero to millions of senior citizens by proposing a simple plan for guaranteeing a secure income. Dr. Francis E. Townsend proposed that a 2 percent federal sales tax be used to create a special fund, from which every retired person over 60 years old would receive $200 a month. By spending their money promptly, Townsend argued, recipients would stimulate the economy and soon bring the depression to an end. The popularity of the Townsend Plan persuaded Roosevelt to substitute a more moderate plan of his own, which became the Social Security system.

Huey Long From Roosevelt's point of view, the most dangerous of the depression demagogues was the "Kingfish" from Louisiana, Senator Huey Long. Immensely popular in his own state, Long became a prominent national figure by proposing a "Share Our Wealth" program that promised a minimum annual income of $5,000 for every American family, to be paid for by taxing the wealthy. In 1935, Huey Long challenged Roosevelt's leadership of the Democratic party by announcing his candidacy for president. Both his candidacy and his populist appeal were abruptly ended when he was killed by an assassin.

The Supreme Court

Of all the challenges to Roosevelt's leadership in his first term in office, the conservative decisions of the U.S. Supreme Court proved the most frustrating. In two cases in 1935, the Supreme Court effectively killed both the NRA for business recovery and the AAA for agricultural recovery by deciding that the laws creating them were unconstitutional. Roosevelt interpreted his landslide reelection in 1936 as a mandate to end the obstacles posed by the Court.

Court Reorganization Plan President Roosevelt did not have an opportunity to appoint any Justices to the Supreme Court during his first term. He hoped to remove the Court as an obstacle to the New Deal by proposing a judicial-reorganization bill in 1937. It proposed that the president be authorized to appoint to the Supreme Court an additional justice for each current justice who was older than a certain age (70 ½ years). In effect, the bill would have allowed Roosevelt to add up to six more justices to the Court—all of them presumably of liberal persuasion. Critics called it a "Court-packing" bill.

Reaction Republicans and many Democrats were outraged by what they saw as an attempt to tamper with the system of checks and balances. They accused the president of wanting to give himself the powers of a dictator. Roosevelt did not back down—and neither did the congressional opposition. For the first time in Roosevelt's presidency, a major bill that he proposed went down to decisive defeat by a defiant Congress. Even a majority of Democratic senators refused to support him on this controversial measure.

Aftermath Ironically, while Roosevelt was fighting to "pack" the Court, the justices were already backing off their former resistance to his program. In 1937, the Supreme Court upheld the constitutionality of several major New Deal laws, including the Wagner (Labor) Act and the Social Security Act. Also, as it happened, several justices retired during Roosevelt's second term, enabling him to appoint new justices who were more sympathetic to his reforms.

Rise of Unions

Two New Deal measures—the National Industrial Recovery Act of 1933 and the Wagner Act of 1935—caused a lasting change in labor-management relations by legalizing labor unions. Union membership, which had slumped badly under the hostile policies of the 1920s, shot upward. It went from less than 3 million in the early 1930s to over 10 million (more than one out of four nonfarm workers) by 1941.

Formation of the C.I.O.

As unions grew in size, tensions and conflicts between rival unions grew in intensity. The many different unions that made up the American Federation of Labor (A.F. of L.) were dominated by skilled white male workers and were organized according to crafts. A group of unions within the A.F. of L. wanted union membership to be extended to all workers in an industry regardless of their race and sex, including those who were unskilled. In 1935, the industrial unions, as they were called, joined together as the Committee of Industrial Organizations (C.I.O.). Their leader was John L. Lewis, president of the United Mine Workers union. In 1936, the A.F. of L. suspended the C.I.O. unions. Renamed the *Congress* of Industrial Organizations, the C.I.O. broke away from the A.F. of L. and became its chief rival. It concentrated on organizing unskilled workers in the automobile, steel, and southern textile industries.

Strikes

Even though collective bargaining was now protected by federal law, many companies still resisted union demands. Strikes were therefore a frequent occurrence in the depression decade.

Automobiles At the huge General Motors plant in Flint, Michigan, in 1937, the workers insisted on their right to join a union by participating in a sit-down strike (literally sitting down at the assembly line and refusing to work). Neither the president nor Michigan's governor agreed to the company's request to intervene with troops. Finally, the company yielded to striker demands by recognizing the United Auto Workers union (U.A.W.). Union organizers at the Ford plant in Michigan, however, were beaten and driven away.

Steel In the steel industry, the giant U.S. Steel Corporation voluntarily recognized one of the C.I.O. unions, but smaller companies resisted. On Memorial Day, 1937, a demonstration by union picketers at Republic Steel in Chicago ended in four deaths, as the police fired into the crowd. However, eventually almost all the smaller steel companies agreed to deal with the C.I.O. by 1941.

automatically followed FDR, and the 1938 elections brought a reduced Democratic majority in Congress. A coalition of Republicans and conservative Democrats blocked further New Deal reform legislation. Also, beginning in 1938, fears about the aggressive acts of Nazi Germany diverted attention from domestic concerns toward foreign affairs.

Life During the Depression

Millions of people who lived through the Great Depression and hard times of the 1930s never got over it. They developed a "depression mentality"—an attitude of insecurity and economic concern that would always remain, even in times of prosperity.

Women

During the depression, added pressures were placed on the family as unemployed fathers searched for work, and declining incomes presented severe challenges for mothers in the feeding and clothing of their children. To supplement the family income, more women sought work, and their percentage of the total labor force increased. Women were accused of taking jobs from men, even though they did not get the heavy factory jobs that were lost to all, and most men did not seek the types of jobs available to women. Even with Eleanor Roosevelt championing women's equality, many New Deal programs allowed women to receive lower pay than men.

Dust Bowl Farmers

As if farmers did not already have enough problems, a severe drought in the early 1930s ruined crops in the Great Plains. This region became a *dust bowl,* as poor farming practices coupled with high winds blew away millions of tons of dried topsoil. With their farms turned to dust, and their health often compromised, thousands of "Okies" from Oklahoma and surrounding states migrated westward to California in search of farm or factory work that often could not be found. The novelist John Steinbeck wrote about their hardships in his classic study of economic heartbreak, *The Grapes of Wrath* (1939).

In response to one of the worst ecological disasters in American history, the federal government created the Soil Conservation Service in 1935 to teach and subsidize the plains farmers to rotate crops, terrace fields, use contour plowing, and plant trees to stop soil erosion and conserve water. For those who could stay behind, the region recovered, but environmental issues remained.

African Americans

Racial discrimination continued in the 1930s with devastating effects on African Americans, who were the last hired, first fired. Their unemployment rate was higher than the national average. Black sharecroppers were forced off the land in the South because of cutbacks in farm production. Often, despite their extreme poverty, jobless African Americans were excluded from state and local relief programs. Hard times increased racial tensions, particularly in the South

where lynchings continued. Civil rights leaders could get little support from President Roosevelt, who feared the loss of white southern Democratic votes.

Improvements Some New Deal programs, such as the WPA and the CCC did provide low-paying jobs for African Americans, though these jobs were often segregated. Blacks also received moral support from Eleanor Roosevelt and Secretary of the Interior Harold Ickes in a famous incident in 1939. The distinguished African American singer Marian Anderson had been refused the use of Constitution Hall in Washington, D.C., by the all-white Daughters of the American Revolution. Eleanor Roosevelt and Ickes promptly arranged for Anderson to give a special concert at the Lincoln Memorial.

Over one hundred African Americans were appointed to middle-level positions in federal departments by President Roosevelt. One of them, Mary McLeod Bethune, had been a longtime leader of efforts for improving education and economic opportunities for women. Invited to Washington to direct a division of the National Youth Administration, she established the Federal Council on Negro Affairs for the purpose of increasing African American involvement in the New Deal.

Fair Employment Practices Committee An executive order in 1941 set up a committee to assist minorities in gaining jobs in defense industries. President Roosevelt took this action only after A. Philip Randolph, head of the Railroad Porters Union, threatened a march on Washington to demand equal job opportunities for African Americans.

American Indians

John Collier, a long-time advocate of American Indian rights, was appointed commissioner of the Bureau of Indian Affairs in 1933. He established conservation and CCC projects on reservations and gained American Indian involvement in the WPA and other New Deal programs.

Indian Reorganization (Wheeler-Howard) Act (1934) Collier won Roosevelt's support for a major change in policy. In 1934, Congress repealed the Dawes Act of 1887, which had encouraged American Indians to be independent farmers, and replaced it with the Indian Reorganization Act. The new measure returned lands to the control of tribes and supported preservation of Indian cultures. Despite this major reform, critics later accused the New Deal of being paternalistic and withholding control from American Indians.

Mexican Americans

Mexican Americans also suffered from discrimination in the 1930s. In California and the Southwest, they had been a principal source of agricultural labor in the 1920s. However, during the depression, high unemployment and drought in the Plains and the Midwest caused a dramatic growth in white migrant workers who pushed west in search of work. Discrimination in New Deal programs and competition for jobs forced many thousands of Mexican Americans to return to Mexico.

HISTORICAL PERSPECTIVES: WAS THE NEW DEAL REVOLUTIONARY?

Roosevelt's New Deal was unique. In later decades, there would be nothing quite like it in terms of either the challenges faced or the legislative record achieved. Recognizing its scope, historians have debated whether the New Deal represented a revolutionary break with the past or an evolutionary outgrowth of earlier movements.

The first historical interpretations tended to praise the New Deal as a continuation or revival of the Progressive reform movement. In the late 1950s, Arthur M. Schlesinger Jr. saw the New Deal in terms of his theory of a recurring political cycle from a period of liberal reforms to a period of conservative reaction and back again to reform.

Some liberal historians such as Carl Degler went further and characterized the New Deal as a third American Revolution that went far beyond earlier reforms. They argued that such measures as the NRA, the WPA, and the Social Security Act redefined the role of government in American society. In his *Age of Reform* (1955), Richard Hofstadter agreed that the New Deal had ventured beyond traditional reform movements. It was unique, he said, because it concentrated not on regulating corporate abuses as in the past but on providing social-democratic guarantees for different groups in such forms as Social Security, housing credits, and minimum wage laws.

Revisionists of the 1960s and 1970s viewed the New Deal differently. William E. Leuchtenburg in *Franklin D. Roosevelt and the New Deal* (1963) depicted a "halfway revolution" that helped some (farmers and labor unions), ignored others (African Americans), and implemented changes without being either completely radical or conservative. Leuchtenburg believed Roosevelt did the best he could given both his own personal ideas and the political realities of the time. A highly critical interpretation came from New Left scholars (radical thinkers of the 1970s), who argued that the New Deal was a missed opportunity that did not do enough to meet society's needs. They saw New Deal measures as conservative in purpose, aimed at preserving capitalism from a worker revolution. New Left historians have been criticized for judging the New Deal in terms of the 1970s rather than the 1930s.

In recent years, some historians have questioned whether it is useful to characterize the New Deal as either conservative on the one hand or revolutionary on the other. They see the New Deal as nothing more or less than a pragmatic political response to various groups. In their view, Roosevelt and his political advisers had no central plan but simply responded to the different needs of special interests (farmers, business, labor, and elderly). In defense of Roosevelt, they ask: If the nation in general and the South in particular was essentially conservative, then how far could the New Deal go in improving race relations? If the government bureaucracy was relatively small in the 1930s, how could it be expected to implement massive new programs?

KEY TERMS BY THEME

Causes of the Depression (WXT)
stock market crash
Black Tuesday
Dow Jones index
buying on margin
uneven income distribution
excessive debt
overproduction
Federal Reserve
postwar Europe
debts and high tariffs

Effect of the Depression (WXT)
Gross National Product
unemployment
bank failures
poverty and homeless

Hoover Administration (POL)
Herbert Hoover
self-reliance
Hawley-Smoot Tariff (1930)
debt moratorium
Farm Board
Reconstruction Finance Corporation
bonus march (1932)
Twentieth Amendment ("lame-duck")

Roosevelt Administration (POL)
Franklin D. Roosevelt
Eleanor Roosevelt
New Deal
relief, recovery, reform
Brain Trust
Frances Perkins
Hundred Days
bank holiday
repeal of Prohibition
fireside chats
Federal Deposit Insurance Corporation
Public Works Administration
Harold Ickes
Civilian Conservation Corps
Tennessee Valley Authority
National Recovery Administration
Schechter v. U.S.
Securities and Exchange Commission
Federal Housing Administration

Second New Deal (POL)
Works Progress Administration
Harry Hopkins
National Labor Relations (Wagner) Act (1935)
Social Security Act (1935)
election of 1936
New Deal coalition
John Maynard Keynes
recession of 1937

New Deal Opponents (POL)
Father Charles Coughlin
Francis Townsend
Huey Long
Supreme Court
reorganization plan
conservative coalition

Rise of Unions (WXT)
Congress of Industrial Organizations
John L. Lewis
sit-down strike
Fair Labor Standards Act
minimum wage

Impact on Americans (POE)
depression mentality
drought; dust bowl; Okies
John Steinbeck, *The Grapes of Wrath*
Marian Anderson
Mary McLeod Bethune
Fair Employment Practices Committee
A. Philip Randolph
Indian Reorganization (Wheeler-Howard) Act (1934)
Mexican deportation

Questions 1–3 refer to the excerpt below.

"The farmers are being pauperized by the poverty of industrial populations and the industrial populations are being pauperized by the poverty of the farmers. Neither has the money to buy the product of the other, hence we have overproduction and under consumption at the same time and in the same country.

"I have not come here to stir you in a recital of the necessity for relief for our suffering fellow citizens. However, unless something is done for them and done soon, you will have a revolution on hand. . . .

"There is a feeling among the masses that something is radically wrong . . . . they say that this government is a conspiracy against the common people to enrich the already rich."

—Oscar Ameringer, editor of the *Oklahoma Daily Leader,* testimony to the House Committee on Labor, February, 1932

1. Which of the following most directly supports the author's analysis?

(A) Gross national product fell from $104 billion in 1929 to $56 billion in 1932

(B) Bank assets fell from $72 billion in 1929 to $51 billion in 1932

(C) Farm income fell from $11.4 billion in 1929 to $6.3 billion in 1932

(D) Government spending rose from $3.2 billion in 1929 to $4.6 billion in 1932

2. Which of the following was most directly related to the phrase in the testimony "the necessity for relief for our suffering fellow citizens"?

(A) Twenty percent of the banks were closed

(B) The Dawes Plan was suspended

(C) The Federal Farm Board was created

(D) Twenty-five percent of the workforce was unemployed

3. Which of the following would most likely support a belief that the government was "against the common people"?

(A) Creation of the Reconstruction Finance Corporation

(B) Treatment of the Bonus Marchers

(C) Efforts to stabilize farm prices

(D) Passage of the Hawley-Smoot Tariff

Questions 4–6 refer to the excerpt below.

"Illumined by the stern-lantern of history, the New Deal can be seen to have left in place a set of institutional arrangement that constituted a more coherent pattern than is dreamt of in many philosophies. That pattern can be summarized in a single word: security—security for vulnerable individuals, to be sure, as Roosevelt famously urged in his campaign for the Social Security Act of 1935, but security for capitalists and consumers, for workers and builders as well. Job-security, life-cycle security, financial security, market security—however it might be defined, achieving security was the leitmotif of virtually everything the New Deal attempted."

—David M. Kennedy, historian, *Freedom From Fear,* 1999

4. Who among the following individuals or groups would most directly oppose the philosophy of the New Deal as explained in this excerpt?

(A) American Liberty League
(B) Brain Trust
(C) Huey Long
(D) Dr. Francis Townsend

5. Which of the following most directly addressed "security for capitalists?"

(A) Federal Emergency Relief Act
(B) National Recovery Administration
(C) Social Security Act
(D) Security and Exchange Commission

6. Which of the following was designed to provide long term "job security" for workers?

(A) Civilian Conservation Corps
(B) Civil Works Administration
(C) National Labor Relations Act
(D) Works Progress Administration

Questions 7–8 refer to the excerpt below.

"Though Franklin himself never tried to discourage me and was undisturbed by anything I wanted to say or do, other people were frequently less happy about my actions. I knew, for instance, that many of my racial beliefs and activities in the field of social work caused . . . grave concern. They were afraid that I would hurt my husband politically and socially, and I imagine they thought I was doing many things without Franklin's knowledge and agreement. On occasion they blew up to him and to other people. I knew it at the time, but there was no use in my trying to explain, because our basic values were very different"

—Eleanor Roosevelt, *This I Remember,* 1949

7. Eleanor Roosevelt expressed the most independence from President Franklin Roosevelt and his advisers in her

(A) support for socialism
(B) support for American Indians
(C) opposition to racial discrimination
(D) opposition to social work

8. The excerpt suggests that Eleanor Roosevelt knew that her positions could most harm her husband's standing with which of the following groups?

(A) The Catholic Church
(B) White ethnic groups
(C) Wall Street capitalists
(D) Southern Democrats

SHORT-ANSWER QUESTIONS

Briefly answer the questions in complete sentences. A thesis is not required.

Question 1. Answer a and b.

a) Briefly explain a New Deal policy developed to address the Great Depression problems for TWO of the following:
   - banking
   - conservation
   - housing
   - unemployment

b) Briefly explain the composition of the New Deal political coalition.

Queston 2. Answer a, b, and c.

a) Briefly explain the internal migration that resulted from the Dust Bowl.

b) Briefly explain the impact of the Great Depression on migration of ONE of the following
   African Americans
   Mexican Americans

c) Briefly explain ONE similarity or difference between the Great Depression of 1929 and the Depression of 1893.

Question 3. Answer a, b, and c.

a) Briefly explain ONE cause of the Great Depression that was different from causes of 1893 or 1873 depressions.

b) Briefly explain ONE example of continuity between the policies of the Progressive era and the New Deal era.

c) Briefly explain ONE New Deal reform that went beyond the reforms of the Progressive Era.

Question 4 is based on the excerpts below

"When the New Deal was over, capitalism remained intact. The rich still controlled the nation's wealth, as well as its laws, courts, police, newspaper, churches, colleges. Enough help had been given to enough people to make Roosevelt a hero to millions, but the same system that had brought depression and crisis—the system of waste, of inequality, of concern for profit over human need—remained."

—Howard Zinn, historian, *A People's History of the United States,* 1999

"Most of Roosevelt's solutions did little. The public hoopla of 'job programs' barely dented unemployment numbers, which still stood at 12.5 percent in 1939, or ten times what they had been under Coolidge. . . . Did FDR do anything right? Yes. By taking the United States off the gold standard, he saved what was left of the banking system. But as they say, even a blind squirrel finds a nut once in a while."

—Larry Schweikart, historian, *48 Liberal Lies about American History,* 2008

4. Using the excerpts, answer a, b, and c.
   a) Briefly explain ONE development during the New Deal era not mentioned in the excerpts that supports Zinn's point of view.
   b) Briefly explain ONE development during the New Deal era not mentioned in the excerpts that supports Scheikart's point of view.
   c) Briefly explain ONE additional development that supports the position that the New Deal produced a "limited welfare state."

THINK AS A HISTORIAN: USING DOCUMENTS IN ARGUMENTS

When using information from sources in an essay or document-based question (DBQ), identify the source by the author's name rather than its document or page number and quote only the key words. Add clarifying information as needed. Which of the following uses information from a source more effectively?

1. Eleanor Roosevelt was aware that her advocacy for civil rights caused "grave concern" among her husband's political advisers.
2. In the quotation from Eleanor Roosevelt on page 523, she says that "I knew, for instance, that many of my racial beliefs and activities in the field of social work caused . . . grave concern."