Learning Outcomes

After reading this chapter, you should be able to do the following:

LO 1 Explain the underlying causes of the depression, and evaluate President Hoover’s attempts to help the economy.

LO 2 Describe the experiences of both urban and rural Americans during the depression, and explain ways in which the depression affected American politics.

LO 3 Evaluate FDR’s actions designed to alleviate the effects of the depression, and discuss the opposition he faced.

LO 4 Discuss the most significant long-term effects of the New Deal.
“In the 1920s, many things seemed possible. Now the hurdles seemed insurmountable. Fear overcame hope.”

In 1928, when Herbert Hoover defeated Al Smith for the presidency, Hoover had every reason to believe that the future of the country was bright. In his Inaugural Address, he expressed his belief that the United States was “rich in resources; stimulating in its glorious beauty; filled with millions of happy homes; blessed with comfort and opportunity.” He later said, “We in America today are nearer to the final triumph over poverty than ever before in any land in history. The poorhouse is vanishing from among us.” Just eight months after his inauguration, Hoover was facing a very different situation. The stock market had crashed, the bottom had fallen out of an already weakened housing market, the markets for agricultural goods stalled, demand for consumer goods fell precipitously leading factories to slow production, and the United States entered into the Great Depression.

The Great Depression caused massive unemployment and declining wages. People lost their homes, their savings, their aspirations, and their dreams. The poorest faced the literal threat of starvation. Breadlines became common. Nearly one in four working Americans was out of work, and in some cities it was nearly every other person.

The Great Depression affected people’s everyday lives in ways that are hard to describe. Americans were terrified of succumbing to a disaster they did not understand. In the 1920s, many things seemed possible. You were sure that if you worked hard you would have a job, and maybe even prosper. Now the hurdles seemed insurmountable. Colleges and universities produced year after year of graduates with little to no prospects for jobs. The birth rate declined. In an effort to increase the prices by limiting the amount of goods that reached markets, farmers in Iowa, Indiana, and elsewhere destroyed livestock and let milk rot, all while many urban dwellers teetered on the edge of starvation. Even Babe Ruth took a significant pay cut. Fear overcame hope. In the end, hope was revived before the economy was. The election of Franklin D. Roosevelt in 1932 inaugurated a new era of social and economic experimentation. Under Roosevelt’s guidance, a “New Deal” of government intervention into the economy and everyday lives of Americans attempted to rein in the economic collapse. This chapter examines the causes and effects of the Great Depression before turning to Franklin D. Roosevelt’s attempts to control them.
LO1 The Economics and Politics of Depression

There was no single cause of the Great Depression. Instead, a series of events combined to cause the economic crisis (see “The reasons why . . .” box).

Statistics

The stock market crash and the collapsing world economy pushed the United States into the deepest economic decline in its history. The simplest of statistics explain the disaster: Between 1929 and 1933, about 9,000 banks closed. Business investments in industrial construction declined from $23.3 billion in 1929 to $10.1 billion in 1932. The automobile industry’s earnings dropped 40 percent between 1929 and 1930. Between 1929 and 1932, the United States’s gross national product declined from $103.1 billion in 1929 to $47.7 billion in 1932. The stock market crash and the collapsing world economy pushed the United States into the deepest economic decline in its history.

Three events were of paramount importance in causing the Great Depression:

The stock market crash. Throughout the 1920s, the stock market seemed to reflect the strength of the U.S. economy, and stock investments increased dramatically. In part, this growth reflected the expansion of business profits during the 1920s. In addition, the federal government reduced taxes during the 1920s (especially for the wealthy), putting more money in the pockets of investors. But the most important factor affecting the rise of the stock market was credit. The most common form of credit for stock purchases was the call loan, which allowed a stock buyer to put down anywhere from 10 to 50 percent of a stock’s price and borrow the rest of the money in order to make the full payment. The lender could then “call back” the loan and demand repayment when a stock fell below a certain price. By the end of 1928, there was nearly $8 billion in outstanding call loans.

When, in September 1929, the Federal Reserve Board raised interest rates, a move they hoped would prevent overspeculation in the stock market, banks cut back on lending because costs had increased. With less money available for loans, fewer people were buying stock, so stock prices began to fall. After a slight recovery of prices in late September, the market collapsed. Journalists and social watchers had begun to spread the word that the economic bubble was about to burst, prompting a selling frenzy. By early November, stock values had decreased an unimaginable $26 billion, more than a third of what the stock market’s value had been in August. It would only get worse during the next two years. When the stock market finally stabilized in 1932, stocks had lost nearly 90 percent of their value.

Internal weaknesses in the American economy. The stock market crash compounded existing problems within the American economy. The agricultural sector had been in a severe depression since the early 1920s. The industrial sector, including the vital home construction and automobile industries, was beginning to slow down from its amazing growth in the previous decade. If these markets had been strong, the nation’s economy would not have been as vulnerable to the decline of the stock market. Instead, because so much of the 1920s boom was attributable to consumption, when people stopped buying goods the economy ground to a halt.

The European economy. The third reason had to do with problems in Europe. The economies of Britain, France, and Germany experienced problems similar to the United States’s in the late 1920s: declining industrial production, low prices in agriculture, and overspeculation in the stock market. But the biggest problem stemmed from the end of World War I, when the Treaty of Versailles forced Germany to pay back the costs of the war. These reparations were difficult for Germany to pay back because the war had destroyed its industrial infrastructure.

The solution came from U.S. banks. In order to pay the reparations, Germany borrowed from American banks. Britain and France, in turn, used that money to repay the debts they had incurred during the war, most often to the U.S. government. The United States was sending money to Germany, which was giving it to France and Britain, which were sending it back to the United States. This cycle of debt, though very unstable, was supported by U.S. businesses because the borrowed funds also allowed European countries to buy U.S. products.

When the stock market crashed, this system fell apart. U.S. businesses that had lost money in the crash cut back on production and stopped buying products from European countries. In addition, after the crash U.S. banks wanted their debts repaid. This was impossible. When European countries couldn’t pay back those loans and U.S. banks began to fail, the economic decline of both the United States and other countries became worse.
billion to $58 billion. The national unemployment rate skyrocketed from 3.2 percent in 1929 to nearly 25 percent in 1933. In some areas, the rate was even higher: In Detroit, for example, unemployment was more than 50 percent in the early 1930s. When people lost money, they could not buy products, forcing industries to slow production and lay off workers, which left even fewer consumers.

### Hoover

Naturally, most Americans looked to the president to solve the national crisis. But Hoover had a difficult time. One of his first efforts to help American businesses proved to be the most ruinous. In June 1930, Hoover signed the **Hawley-Smoot Tariff** (named for the congressmen who helped write the legislation). The bill raised American tariffs on foreign agricultural and manufactured goods by as much as 50 percent.

Hoover believed that raising prices on foreign products would protect American products from competition. But the effect was disastrous. European governments, already saddled with debts, were further damaged because the bill hurt their ability to earn money to pay back World War I debts. Furthermore, these nations retaliated with very high tariffs of their own, making it difficult for American businesses to sell their products overseas.

Despite the disastrous consequences of the Hawley-Smoot Tariff, Hoover was still hesitant to use the federal government to help Americans directly. He believed that citizens, businesses, and the government should work together voluntarily to overcome the depression, instead of being rescued through government-mandated programs. He thus formulated policies based on his idea of voluntary cooperation, which held that business leaders would make sacrifices for the benefit of the nation. But in both farming and banking, the idea of voluntary cooperation failed to stabilize the troubled industries. Simply asking industry leaders and laborers to sacrifice for the good of the country was not going to be enough.

Hoover had better luck providing some relief to the unemployed. But again, he relied most heavily on voluntary organizations. Unemployed workers, the Red Cross, and church groups came together to offer surplus food to those in need. The Unemployed Citizen’s League in Seattle, for instance, created a system whereby people could exchange work for food, clothing, and other goods.

Responding to perpetual public pressure, Hoover pledged some federal funds to assist the problem. He nearly doubled the budget for public works expenditures, which funded the Hoover Dam, one of the largest government construction projects ever undertaken. He also established the President’s Organization on Unemployment Relief (POUR), which persuaded local organizations across the country to raise money and to form voluntary groups that would sponsor soup kitchens and clothing exchanges.

But Hoover’s belief that the federal government should not come to the aid of its citizens elicited a stern rebuke from the population. In the depths of the Great Depression, relying on volunteerism was not enough.

### Hoover the Candidate for Reelection

Running for reelection, Hoover realized that he needed to do more to ease people’s financial woes. In January 1932, he established the Reconstruction Finance Corporation (RFC). The RFC was a federally funded agency that loaned money to businesses with the hope that they would hire more workers. The RFC also...
provided loans to states to undertake public projects such as buildings and roads. But Hoover’s plan, ambitious as it was, still didn’t help the average American quickly enough. The RFC’s cautious approach defeated its purpose of helping as many companies as possible. No matter what Hoover did, the Great Depression seemed hopeless to most Americans.

**LO² The Depression Experience in America**

Numbers tell only part of the story of the Great Depression. The experiences of millions of Americans suffering in terrible conditions between the late 1920s and the early 1930s tell the rest. As hundreds of thousands of people in the nation’s urban areas grappled with homelessness, rural America was pounded by a series of environmental catastrophes that made the situation even worse and exposed the fact that the government seemed powerless.

**Urban America**

City life during the depression was a stark contrast to the carefree 1920s. In many places, homeless Americans built makeshift towns on the outskirts of cities and in abandoned lots and parks. They derisively nicknamed these towns “Hoovervilles” after the president. These people built homes from abandoned cardboard boxes, scrap lumber and metal, and anything else they could find to devise shelter. In some places, Hoovervilles grew enormous. For many it was the only alternative to living on the street. Hoovervilles existed in virtually all of the nation’s cities, but homelessness was a problem much larger than a few shantytowns. By 1932, there were an estimated 250,000 homeless children in the country. The homeless problem was far greater than even these numbers indicate, because people living in Hoovervilles were usually not counted as “homeless.”

**African American Neighborhoods**

In these hard times, African Americans suffered more than urban white people. African American neighborhoods were often already in a depressed state before the stock market crash, as business slowdowns and other signs of a weak economy in the 1920s hurt black communities first. In many communities, African Americans were routinely the “last hired and first fired” for jobs. Thus, even before the depression hit Chicago’s South Side, home to...
236,000 African Americans, all the banks and businesses in the neighborhood had already closed.

Many African American communities turned to self-help as the best way to survive. In Harlem, Father Divine led his Divine Peace Mission and created a network of businesses, church groups, and self-help organizations, enabling him to serve over 3,000 meals a day to the destitute and homeless in the neighborhood. Community members in Harlem began a campaign against white shop owners and building owners who charged too much for consumer goods and rent. The agitation led to the establishment of the Consolidated Tenants League (which organized strikes against landlords who charged too much rent) and the Harlem Boycott of 1934 (which discouraged consumers from purchasing products at white-owned stores).

**Hunger**

In the cities, many suffered from hunger. Although the country’s farms produced plenty of food, the lack of funds to support commercial transportation prevented most food from reaching urban marketplaces. Breadlines formed in all of America’s cities. Hunger triggered a number of problems in the nation’s cities, ranging from malnourishment to riots and looting.

The problem of hunger triggered major political activity, especially among women, who actively participated in a number of riots all over the country. In 1930, women in Minneapolis, Minnesota, marched on a local food store and raided its shelves. Food riots expanded to other parts of the country in 1931 and 1932; nearly every city in the country had some kind of protest movement driven by the lack of food.

**Rural America**

Rural dwellers suffered as well. For the most part, the depression simply exacerbated a decade-long problem of overproduction and lowered revenues. But rural poverty was intensified by a massive drought and a series of severe dust storms in the South and Midwest during the early 1930s. Southern states like Arkansas, Alabama, and Mississippi received less than half their normal rainfall during the early 1930s. Crop failures became commonplace. From the early 1930s to the early 1940s, parts of Kansas, Oklahoma, Nebraska, and Texas were called the “Dust Bowl” because the dust storms and drought were so punishing. Crop losses plunged farmers even deeper into the debts they had acquired early in the Industrial Revolution. Foreclosures on farms became commonplace, and the dust storms and drought prompted an exodus from the rural regions of the country to the Far West. John Steinbeck’s novel *The Grapes of Wrath* (1939) traced the story of Dust Bowl migrants making their way to California, where they hoped for a better life. The Okies (as the Midwest migrants were called) were not always welcome in California, however, and they suffered discrimination, just as African Americans did.

**Cultural Politics**

While many businesses dried up during the depression, people still found time for leisure activities like attending movies or reading fiction. The films and novels of the period responded to the psychological needs of the people by offering either dreamy escapism or a leftist political message that criticized the current capitalist order. Cultural outlets grew so popular during the depression that one historian has argued that this “Cultural Front” helped move American politics as a whole to the left during the 1930s.

*In 1930, women in Minneapolis, Minnesota, marched on a local food store and raided its shelves.*
Movies

During the Great Depression, nearly 60 percent of the nation attended at least one film a week. Hollywood studios responded by churning out more than 5,000 movies during the 1930s. This prodigious output came courtesy of the “studio system.” Just as Henry Ford had pioneered the assembly line to mass-produce his automobiles, studios learned to streamline their production process to make many more movies. Both sound and color techniques were mastered in this era; they were employed with increasing frequency throughout the 1930s.

Responding to the psychological needs of depression-era audiences, Hollywood films served up seductive dreamscapes, most notably with stories of wealthy and carefree people. The “rags-to-riches” theme was immensely popular, as were musicals and gangster films. Hollywood films often took gentle jabs at the upper classes, while reassuring the audience that the old rags-to-riches dream was still alive.

The films of Frank Capra are the most renowned of the era, and they often dramatized the fight to rise from poverty to success. At a time when many individuals felt powerless, Capra’s films, such as perennial favorites Mr. Deeds Goes to Town (1936) and Mr. Smith Goes to Washington (1939), called for a return to the virtues of small-town communities, placing hope in the power of one man to stand up against the iniquities of big business, corrupt government, and a cynical media.

The struggle to realize the American dream was a popular theme in slapstick comedian Charlie Chaplin’s films as well, most notably in his Modern Times (1936). Chaplin’s character in the film, the Little Tramp, is rendered helpless in the face of daunting machines as the gears of business literally swallow him up. The Tramp is then thrown out of work and mistakenly jailed for being a dangerous radical. Modern Times captured the plight of American workers who were buffeted by the impersonal forces of modern industrial society.

Another performer buoyed everyone’s spirits with her carefree antics and her attempts to always remain on the sunny side of the street:
Shirley Temple. Like many other performers, her work provided an escape from the harsh realities of the depression, but she also came to symbolize the fact that Hollywood was not accurately portraying the real woes that most Americans faced in the 1930s.

Writers

In the 1930s a growing number of writers shared Chaplin’s critique. During the prosperous 1920s, writers felt ignored in a society dominated by business concerns. When the stock market crashed and the depression hit, many intellectuals felt energized. “One couldn’t help being exhilarated at the sudden collapse of that stupid gigantic fraud,” said the leftist social critic Edmund Wilson.

Intellectuals basically agreed on the cause of the depression: for too long, they said, America had been devoted to unbridled competition, sacrificing the good of society for individual wealth. Many intellectuals subsequently called for government control and greater centralized planning. This position was most skillfully articulated by philosopher John Dewey in many articles and his books *A Common Faith* (1934) and *Liberalism and Social Action* (1935), and by writer Alfred Bingham in his journal *Common Sense*.

More radical critics were drawn to the Communist Party. During the 1930s, communism seemed an attractive alternative to capitalism, mainly because the Soviet Union seemed to be thriving. There were certainly problems with this contention—namely, that the Soviet Union was not doing as well as it seemed (its successes were mostly a product of its international propaganda) and that what advances it did have were coming at a brutal human cost under the harsh regime of Josef Stalin. Nevertheless, many intellectuals drifted dramatically leftward during these years.

Fiction writers moved left as well. Chief among them was John Steinbeck, who aimed to create a proletarian literature that sympathetically portrayed the struggles of the working classes. African American authors such as Richard Wright used their writing to examine the political activities of the Communist Party and the struggles for African American civil rights. The Southern Agrarians, notably John Crowe Ransom and Allan Tate, wrote of their hopes for the nation to return to its rural roots in order to address the problems caused by modern industrial society.

Radio

Radio was wildly popular during the 1930s, as technological developments during the depression extended its reach into American homes. By 1926, the National Broadcasting Company (NBC) had hooked up stations around the country, creating the first nationwide radio network. The Columbia Broadcasting System (CBS) followed a year later.

The same songs were now popular nationwide, and a handful of them dealt with depression themes (most notably, Bing Crosby’s rendition of “Brother, Can You Spare a Dime?”). The songs of Woody Guthrie were about farmers affected by the depression. His song “This Land Is Your Land,” although today regarded as a celebration of the country, is actually about the nation’s suffering during the depression. The most popular music of the day, however, usually avoided economics and advised listeners to, as songwriters Dorothy Fields and Jimmy McHugh put it, stay “on the sunny side of the street.” The upbeat grandeur of large swing orchestras dominated popular music, led by such masters as Duke Ellington, Count Basie, Glenn Miller, and Tommy Dorsey.

Radio also featured sitcoms, the most popular of which was *Amos ‘n’ Andy*, which captured an amazing 60 percent of the American radio audience. Beginning in 1929, millions of Americans listened to the comical misadventures of two black friends (played by two white actors who mocked black speech) trying to make their way in Harlem. Most episodes focused on “getting ahead,” a topic on the minds of depression-era audiences. Amos was hardworking and hopeful, while his friend Andy was a lazy schemer, always looking to make a quick buck. Their elaborate plans inevitably failed for a variety of humorous reasons, but by the end of the show, offering a note of reassurance to their listeners, they always managed to salvage some self-respect.

In addition to its entertainment value, the radio also served as a key source of news.
course of the decade, a growing number of Americans, who had previously relied on newspapers to learn of daily events, preferred to get their news from radio commentators. Colorful personalities like Walter Winchell attracted listeners by freely combining the daily headlines with personal editorial opinions.

In sum, American popular culture in the 1930s was deeply influenced by the Great Depression. All forms of popular culture, from movies to fiction to radio, helped Americans deal with the nation’s economic crisis. They also helped push American politics leftward, something made evident by the radicalizing politics of the era.

Radicalizing Politics

Predictably, political events were especially contentious. The political climate of the early 1930s created the impression of a nation out of control.

Communist Party

In the United States, the party leading most of the organized protest was the Communist Party of the United States, which, under the direction of Earl Browder and William Z. Foster, sought to eliminate all private property and make the state responsible for the good of the people. With capitalism experiencing violent turbulence, communism seemed to many to be a plausible alternative. The party had led hunger marches in the early 1930s and continued its activities into the presidential election year of 1932. Its actions gained it considerable attention from the American public, making communism a greater force in American politics than ever before.

The Communist Party intended to use its strength during the depression to highlight racist dimensions of American society (which would show the worldwide communist effort to be the true egalitarian force in the world). Notably, the party funded the legal defense of nine African American boys who had been accused of raping a white woman in Scottsboro, Alabama, in 1931. The convictions of the Scottsboro Boys, as the nine came to be called, served notice to the world that the United States retained its racist ways despite its efforts to promote an egalitarian rhetoric. The boys were tried separately, and four were released in 1937, after six years in jail. The other five languished in prison, their guilt never established conclusively, and remained imprisoned until the 1940s.

The Bonus Army

But it was the protest of the Bonus Army that became one of the most influential protests in American history. The Bonus Army consisted of World War I veterans who demanded the immediate payment of their military bonuses (which were scheduled to be paid in the 1940s). In the spring and summer of 1932, about 15,000 veterans converged on Washington, D.C., to push Congress and the president to pass a bill authorizing early payment of the bonuses. Some illegally hopped on trains, and some came from as far away as California. When police attempted to evict the marchers, violence broke out and one police officer was killed. President Hoover then ordered the removal of all the protesters. On the
night of July 28, troops burned the veterans’ encampment to the ground. Two protesters were killed and hundreds were injured. Hoover became a vilified figure, increasingly unlikely to win reelection.

The Election of 1932

Lose he did. Franklin D. Roosevelt, governor of New York and a protégé of Al Smith, won the Democratic nomination in July 1932. Little known outside New York, Roosevelt had served under President Wilson and had been influenced by his cousin Theodore Roosevelt. After an unsuccessful run for vice president in 1920, Roosevelt was stricken by poliomyelitis, a disease that at times confined him to a wheelchair, which Roosevelt loathed and concealed from the public. Despite his polio, Roosevelt had responded to the Great Depression with vibrancy and cheer. His demeanor—jovial, flexible, perhaps unprincipled—sparked divergent opinions: Was he a humanitarian pragmatist or an arrogant politician? Regardless of one’s perception of the man, Roosevelt’s charm contrasted starkly with the somber Hoover, and Roosevelt’s victory was assured. He received 22.8 million votes to Hoover’s 15.7 million. The Electoral College was even more lopsided, as Roosevelt took 472 electoral votes to Hoover’s 59 (Map 23.1).

In the months between Roosevelt’s election in November and his inauguration on March 4, 1933, the Great Depression worsened. The Republicans blamed Roosevelt for the downturn because the president-elect would not comment on what he would do once in office. Hoover, meanwhile, was a lame duck president with little power. In February 1933, banks closed across the nation. Vagrants wandered the streets, and vigilantes had begun to incite riots.

LO3 The New Deal

In his inaugural speech, in which he eloquently declared, “The only thing we have to fear is fear itself,” Roosevelt tried to reassure the country about its future. Should the crisis continue, he would ask for power “to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe.” The very next day, March 5, 1933, Roosevelt declared a four-day national bank holiday and summoned Congress into special session to deal with the worsening situation.

These two actions signaled the beginning of a series of laws and programs intended to end the depression. Collectively called the “New Deal,” these measures were designed to regulate the economy, provide for national recovery, and create a social safety net for all Americans. The New Deal was a collection of initiatives, each aiming to address political, economic, and social demands all at once. Once enacted, the programs of the New Deal expanded the role of the federal government into the economic lives of ordinary Americans to an unprecedented degree.

The First New Deal

Over the course of his first hundred days in office, Roosevelt dramatically boosted the nation’s mood. With the help of what he called his Brain Trust (a

The Art Archive/Culver Pictures

Roosevelt and Hoover, Inauguration Day, 1933.

Read Roosevelt’s inaugural speech.
CHAPTER 23
The Great Depression and the New Deal

A group of leading intellectuals charged with formulating policy, Roosevelt proposed a series of dramatic measures meant to reorganize the country’s financial system and raise the living standards of all Americans, especially working Americans. He offered, he said, “relief, recovery, and reform,” and that is the best way to characterize what historians call the First New Deal.

Relief

First, FDR tried to provide relief to suffering people and the industries whose weaknesses compounded that suffering. Congress’s first act was to address the banking crisis. Many Americans, afraid that banks would collapse, refused to place their money in them. The Emergency Banking Relief Act, passed on March 9, 1933, established federal control over banks and, if necessary, rescued them with government loans. Roosevelt then took the United States off the gold standard, meaning that the government would no longer redeem paper money in gold. With the end of the gold standard, the price of silver, stocks, and commodities rose, encouraging investment in these areas and putting money back into the economy.

Roosevelt next turned to helping people directly. Congress increased the federal contribution to city and state relief agencies by creating the Federal Emergency Relief Administration (FERA), with funding of $500 million. FERA’s chief administrator, Harry Hopkins, preferred public works projects to direct payments to people, believing that the former were more considerate of the recipients’ pride. Thus FERA set about creating economic programs that would employ the unemployed.

Reflecting this belief, one of FERA’s most successful programs was the Civilian Conservation Corps (CCC), established in March 1933. The CCC enlisted unemployed young men ages eighteen to twenty-five in building and repairing highways, forest service sites, flood control projects, and national park buildings. By 1941, 2.5 million young men had worked in military-style CCC camps. Enlistees received $30 a month, part of which they had to send home. Other projects started in 1933 included the Public Works Administration (PWA), which built roads and buildings, and the Civil Works Administration (CWA), which provided seasonal employment.

In addition to financial relief, Roosevelt supported a proposal that he felt would bring psychological relief to millions of Americans: the end of Prohibition. In February 1933, the Democratic majority in Congress submitted a constitutional amendment to the states that repealed Prohibition, and in December it was ratified as the Twenty-first Amendment.

Recovery

FDR then turned to recovery. FDR’s signature recovery act (and arguably the First New Deal’s most meaningful piece of legislation) was the National Industrial Recovery Act (NIRA). Under the steward-
The New Deal

ship of Secretary of Labor Frances Perkins (the first-ever female cabinet member), the NIRA instituted programs to regulate industry, establish labor rights, and improve working conditions. Section 7a of the NIRA guaranteed the right of labor unions to organize. As a result, labor representatives sat down with business and government officials in committees to set working standards and wage levels. The codes drawn up by these committees in every American industry established a forty-hour workweek, banned child labor, and implemented a minimum weekly wage.

The NIRA’s most important creation was the National Recovery Administration (NRA). Led by General Hugh Johnson, the NRA focused on the issue of “cutthroat” competition. In the early years of the depression, competing companies and small businesses had fought for survival by slashing prices, thus destroying profit margins, lowering workers’ wages, and preventing national economic recovery. The NRA responded by enforcing fair-trade rules set by industry associations during the 1920s. More importantly, it encouraged companies and workers to meet and agree on prices and wages. Additionally, the NRA launched a public relations campaign in mid-1933, encouraging participants to stamp their products with a blue eagle and the NRA’s slogan, “We do our part.” The blue eagle became a symbol of the progressive optimism spurred by Roosevelt and his New Deal.

Reform

Besides securing the rights of laborers, FDR’s most dramatic gestures came through several reforms. In hindsight, we can see that these reforms changed the nature of American government for the rest of the twentieth century. These changes inserted the federal government into the American economy more forcefully than ever before by managing it, directing it, or controlling parts of it outright.

The first big program FDR passed was a farm reform proposal called the Agricultural Adjustment Act (AAA). The AAA attempted to address the great problem of agriculture, which was excess supply. The Agricultural Adjustment Administration offered farmers cash subsidies to not grow crops. With the drop in supply, the theory went, the cost of farm products would rise. Congress created the Emergency Farm Mortgage Act, which helped refinance farm loans and prevented a number of farms from being repossessed.

Second, an emphasis on cooperative planning found its broadest expression in the Tennessee Valley Authority (TVA), created by Congress in May 1933. The TVA gave the federal government the power to build a series of dams on the Tennessee River in order to improve river navigation and create electricity for the area’s rural residents. The TVA brought electricity to poor and isolated populations in seven states.

A third group of reforms governed banking. In May 1933, Congress passed the Federal Securities Act, which regulated the stock market and prosecuted individuals who took advantage of “insider” knowledge to enrich themselves in stocks and bonds. In June 1933, Congress passed the Glass-Steagall Banking Act, which regulated the size of banks and created the Federal Deposit Insurance Corporation (FDIC), a program that guaranteed individual deposits of up to $5,000. These steps reassured millions of Americans that it was safe to put their money in banks again.
The Hundred Days

Congress adjourned on June 16, 1933. Although it would enact many laws during the subsequent eighteen months, few would have the dramatic impact of these acts, all of which were passed within Roosevelt’s first hundred days in office.

Critics of the First New Deal

Despite his enormous popularity, Roosevelt never lacked for critics, many of whom looked on the New Deal with horror.

Criticism from the Republicans

Republicans argued that periodic downturns were an inevitable part of the business cycle. In their view, the best cure for the depression was to let market forces take their course, knowing that, in time, there would be a new era of growth and recovery.

Criticism from Conservative Democrats

Equally dismayed were conservative Democrats, who deplored Roosevelt’s tampering with the gold standard and feared that his programs were increasing the power of the federal government at the states’ expense. In 1934, Al Smith, the unsuccessful Democratic presidential candidate of 1928, and John W. Davis, the unsuccessful Democratic presidential candidate of 1924, joined a group of conservative politicians and business leaders in the Liberty League, an anti–New Deal organization. The League argued that many of Roosevelt’s measures were leading America toward socialism. Citizens’ lives, those in the League believed, ought not to be too much in the hands of the federal government. They saw it as immoral that farm products and livestock were being stored away or killed while a great number of Americans were suffering from hunger.

Southern Democrats also had their complaints. They were concerned that the new federal mandates might threaten Jim Crow segregation in the South. Because of their seniority in Congress, they were successful in exempting farm workers and domestic servants (who in the South likely would have been black) from receiving certain New Deal benefits.

Criticism from the Left

If conservative Democrats saw the New Deal as an overextension of federal power, other voices on the Left saw it as a timid set of reforms that merely reinforced the American status quo. America’s small Socialist Party, led by Norman Thomas, believed that the depression was evidence that capitalism was a failure. The New Deal, in the Socialists’ view, had made the mistake of shoring up capitalism rather than getting rid of it once and for all. The even smaller Communist Party, which favored the abolition of all forms of private property, used the Soviet Union as an example of an economic system that (in theory) had no unemployment at all. During these years, the Communist Party attracted support from numerous sources, notably from African American sharecroppers in the South, mainly because of the party’s opposition to racial segregation. Nevertheless, at its peak in 1938, Communist Party membership numbered just 75,000.

Another plan to redistribute wealth was proposed by novelist and Progressive crusader Upton Sinclair in his 1934 bid for governor of California. A former socialist, Sinclair championed a program called End Poverty in California (EPIC), which aimed to turn over idle factories and farms to workers’ cooperatives. A powerful coalition of conservative business interests banded together to defeat Sinclair in the November election.

Another dramatic plan for reform emerged in 1934, when Senator Huey Long of Louisiana announced his “Share Our Wealth” plan. A former governor, Long proposed punitive taxation of the rich and a guaranteed yearly payment of $5,000 to every American family. He wanted to go even further than the New Deal in making the national government every citizen’s guardian. The colorful Long had a history of flamboyance and corruption, and his national stature was on the rise when he was assassinated in September 1935.

A more extreme rival of the New Deal was Charles Coughlin, a Catholic priest from Detroit. Coughlin was a spellbinding speaker, as talented a public performer as Roosevelt, and his weekly radio show had a largely Catholic audience of more than 30 million. Coughlin went from being an early supporter of the New Deal to being one of its harshest critics, accusing Roosevelt of being in league with communists and Jewish bankers. In 1934, Coughlin founded the Union for Social Justice, which argued for radical redistribution of incomes and a nation free of bankers. Coughlin’s conspiratorial antisemitism eventually prompted his censure by the Catholic Church.

Criticism from the Courts

Amid these voices of dissent, Roosevelt faced a new challenge in the Supreme Court. In its May 1935
The Second New Deal

Despite the Supreme Court’s challenge, Roosevelt believed that, without a national plan for economic reform, the country would succumb to demagogues like Long and Coughlin. Emboldened by the Democratic victories in the 1934 elections, Roosevelt laid out a new set of proposals in January 1935 that would push the New Deal even further in assisting the working and lower classes. Ultimately enacted by Congress in July and August of 1935, these new reform measures are known collectively as the “Second New Deal.” Despite their passage, Roosevelt was aware that a judicial showdown about the constitutionality of his New Deal was on the horizon.

The Second New Deal can best be understood as Roosevelt’s attempt to gain support from the working and lower-middle classes. Even if it cost him the support of the wealthy (whom he called “economic royalists”), Roosevelt decided to co-opt the ideas of some of his leftist critics by (1) pressing for more jobs, (2) strengthening the position of labor, and (3) providing a greater social safety net.

More Jobs

One of the most notable programs of the Second New Deal was the Works Progress Administration (WPA), which employed over 8.5 million Americans before it closed in 1943. WPA workers built roads, dams, schools, subways, housing projects, and other federal projects. The WPA also sponsored cultural programs for unemployed artists and writers, who worked on original plays and artworks, compiled historical records, wrote a series of guidebooks for tourists, and gave classes and performances to the general public. In one of the most far-reaching WPA projects, the federal government hired historians and folklorists to interview former slaves about their journeys from slavery to freedom.

Roosevelt established other agencies designed to help Americans cope with the continuing depression. In May 1935, the administration created the Resettlement Administration (RA), which provided assistance in relocating workers away from economically weak areas and funded flood control and reforestation projects. The National Youth Administration (NYA), founded in June 1935, provided work relief programs, job training, and part-time work for men and women ages sixteen to twenty-five, including high school and college students.

Labor Support

Perhaps more significant than the creation of these jobs was Congress’s strengthening of July 1935, the legal position of trade unions with the National Labor Relations Act (NLRA), also known as the Wagner Act. Even with the guarantees established under the NRA, unions had been vulnerable to court injunctions that prevented strikes. Plus, management had often refused to negotiate with them. The Wagner Act established a National Labor Relations Board to oversee industrial compliance and resolve employee grievances against management. In subsequent years, union membership grew dramatically (despite the unemployment rate), even among unskilled workers in the mining, steel, and automobile industries.

The Social Safety Net

The third aspect of the Second New Deal (in addition to creating jobs and supporting unionization efforts) was the Social Security Act, passed in August 1935. This was probably the most far-reaching element of all 1930s legislation. Social Security was intended to provide a “safety net” for citizens who could not financially support themselves.

Different elements of the Social Security plan served different social needs. Social Security provided pensions to Americans age sixty-five and over. Unemployed people received assistance through a fund created by a payroll tax. Federal grants provided help for the disabled. Children of unwed mothers were covered under the Aid to Dependent Children Act (ADC), or “welfare.” A federal program for national health insurance would have widened the social

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The New Deal 399

Works Progress Administration (WPA)
New Deal agency whose workers built roads, dams, schools, subways, housing projects, and other federal projects; the WPA also sponsored cultural programs for unemployed artists and writers

Wagner Act
Legislation passed in July 1935, also known as the National Labor Relations Act (NLRA); strengthened the legal position of trade unions

Social Security Act
Most far-reaching element of all 1930s legislation, passed in August 1935; intended to provide a “safety net” for citizens who could not financially support themselves

Read several of the WPA slave narratives.

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safety net even more, but Congress shelved the idea after complaints from the medical profession.

As a plan for social welfare, Social Security was cautious and limited in comparison to models in other nations. Germany, for example, had been putting many social safety net programs in place since the 1880s. In this country, Social Security, particularly its old-age pension elements, proved to be the most popular and enduring of New Deal measures. Indeed, Roosevelt said many times that the Social Security Act was the greatest legacy of his presidency.

**Attacks on the Wealthy and Large Corporations**

As he pushed these programs through Congress, Roosevelt had observed the popularity of Huey Long’s denunciations of big business and the rich. Hence, Roosevelt usurped Long’s rhetoric and created a “soak the rich” tax reform plan (passed as the Revenue Act of 1935), which imposed steep income taxes (up to nearly 80 percent) on wealthy Americans and large corporations. The Public Utility Holding Company Act, passed the same year, placed rigorous political controls on utility companies and warned that if they did not offer good service at low cost to customers, they would be broken up.

**The New Deal’s Peak: 1935–1936**

Congress passed a number of other New Deal measures as well, regulating specific industries, providing for further rural electrification, and carrying out additional farm reforms. This burst of political activity consolidated Roosevelt’s reputation as a friend of the workingman and an opponent of special privilege. All together, the passage of so many transformative laws was a testament to the growing expectation that the government would take responsibility for the social welfare of its citizens.

By mid-1936, Roosevelt’s political successes had bestowed him with tremendous popularity with the public, even though the American economy had yet to substantially revive and some 80 percent of American newspapers (generally owned by Republicans) went on record as opposing his reelection. During that fall’s presidential campaign, the Republicans nominated Alfred Landon of Kansas, who was considerably more liberal than his party. Meanwhile, Charles Coughlin attempted to get his followers to join up with Huey Long’s, to coalesce behind the new Union Party and its nominee, William Lemke.

Roosevelt easily won the election, by 11 million votes, carrying every state except Maine and Vermont, which went to Landon. Lemke won fewer than a million votes, while the Socialist candidate, Norman Thomas, and the Communist candidate, Earl Browder, attracted barely a quarter of a million votes between them. Farmers and workers, who were pleased with the relief acts and the union protection, joined middle-class homeowners, who were bailed out by the mortgage protection laws, to support Roosevelt. The Democratic Party had more than three-quarters of the seats in both houses of Congress. In 1936, the New Deal appeared invincible.

**Decline and Consolidation**

After the election, the New Deal appeared to be at its height. But Roosevelt soon committed a series of political and economic errors that scuttled the most far-reaching elements of the New Deal. Rather
than disappearing altogether, the New Deal entered a period of consolidation, when its changes in culture, labor relations, and politics took firm root in American life.

**Court Packing**

The Democratic landslide of 1936 energized Roosevelt. In his second inaugural speech, he declared an attack on standards of living that left “one-third of a nation . . . ill-housed, ill-clad, [and] ill-nourished.” Soon after, in February 1937, Roosevelt made what was for him an unusual blunder. Vexed by the Supreme Court’s decision against the NRA in the Schechter case, its overturning of the AAA in 1936, and its unfavorable decision in five of seven other cases testing New Deal laws, Roosevelt resolved to change the Court’s ideological makeup.

The Constitution does not specify how many justices can sit on the Court, but by long-standing convention the number had been nine. Roosevelt now proposed laws that would allow him to appoint up to six new justices and would force judges to retire at age seventy. Given that the Court’s opinions reflected the Republican attitudes of the 1920s, Roosevelt felt the Court’s actions threatened American democracy in the 1930s. He felt he needed to fill the Court with supporters of the New Deal.

Congressional Democrats, arguing that Roosevelt had overreached, delayed considering this plan to “pack the court.” Yet the need for the legislation seemed to diminish after March of 1937, when Justice Owen Roberts changed from his previous position and unexpectedly began voting to uphold New Deal laws, creating a 5-to-4 pro–New Deal majority on the Court. Some observers speculated that Roberts had changed his mind to protect the principle of a nine-justice court. In any event, during the next four years, Roosevelt had the chance to appoint seven new justices, allowing him to change the political tilt of the Court.

But the court-packing episode cost Roosevelt some popular support from Americans who were cautiously monitoring the rise of authoritarian dictators in Europe. New economic problems compounded the damage. In early 1937, satisfied that the nation was well on its way to recovery, Roosevelt slashed enrollment in the WPA, and the Federal Reserve Bank raised interest rates to fight inflation. As a result, production slowed, unemployment shot up, and critics declared a “Roosevelt recession.” That fall, when Roosevelt called Congress into special session to pass emergency relief legislation, Congress failed to act on his proposals. The Democratic Party suffered losses in the 1938 election, and congressional conservatives of both parties joined to block future New Deal measures.

**Consolidation**

But all was not lost for FDR. The Supreme Court’s newfound support of New Deal programs actually strengthened the New Deal and ensured that its reforms would last several decades. Also, the expenditures that were passed in reaction to the “Roosevelt recession” of 1937, although not as dramatic as Roosevelt had hoped, greatly eased the economic decline. They also lent new legitimacy to the idea that government spending could help induce economic recovery. This demonstrated a growing acceptance of the ideas of the British economist John Maynard Keynes, who had long advocated that governments should engage in deficit spending in order to stimulate a depressed economy.

**LO 4 The Effects of the New Deal**

Although the major political accomplishments of the New Deal had ended by the late 1930s, the programs that had already become law continued to influence American politics, society, and culture for the remainder of the twentieth century. The New Deal thus effected changes in the American landscape more far-reaching than just economics or legislation. Most especially, they affected culture, crime, labor, politics, race relations, and minorities.

**Culture**

The New Deal included a number of programs that examined social realities that Hollywood and other cultural outlets often ignored. Problems such as poverty, crime, prostitution, and suicide had always existed in America, but New Deal cultural programs focused on their effects and placed them in the center of American social consciousness. For example, the Resettlement Administration hired photographers such as Dorothea Lange and Ben Shahn (whose photographs are represented in this chapter) to record the lives of Americans struggling through the depression. By documenting the breadlines, migrant camps, and withered farms of the era, these photographers made a powerful indictment of economic inequality. At the same time, the WPA hired artists to create murals, sculptures, and other artworks in post offices, airports, and schools. The
best known of these works depicted American farmers and workers and celebrated the working classes. The federal government also provided funds for actors in the Federal Theatre Project, musicians in the Federal Music Project, and writers in the Federal Writers’ Project.

Other writers contributed to the aesthetic of these government cultural programs. Magazines ran stories about depression refugees. For instance, Fortune sent the journalist James Agee to the rural Deep South to write about poverty there. He wrote a book that has become a classic: Let Us Now Praise Famous Men, made even more powerful by the stark photographs of Walker Evans. Rural poverty became a way to symbolize the experience of the depression as a whole, as in John Steinbeck's The Grapes of Wrath. This novel showed a newly responsive federal government sheltering migrants in a work camp and providing the poorest of Americans with decent living conditions.

Crime

The New Deal also initiated a war on crime in an effort to snuff out the gangster-ridden crime syndicates of the 1920s. Spearheaded by U.S. Attorney General Homer Cummings and Director of the Federal Bureau of Investigation (FBI) J. Edgar Hoover, this initiative strengthened the FBI and led to the arrest and/or execution of notable American criminals Bonnie and Clyde (in 1934, for armed robbery), Charles Arthur “Pretty Boy” Floyd (in 1934, for armed robbery and murder), and John Dillinger (in 1934, alleged leader of the violent Dillinger gang). These criminals had become something like folk heroes in the 1930s, for both their seeming invincibility and their rebuke of the established system that had brought on the Great Depression. Removing them from the scene assured Americans that the law would dictate right and wrong in America.

Labor

The New Deal benefited the American labor movement. Previous economic downturns had usually increased union rolls, but they had also made union members vulnerable to layoffs and replacement by strikebreakers. But after the New Deal, the NLRA guaranteed unions the right to organize and negotiate with their employers. In 1935, a new, broadly based trade union, eventually to be called the Congress of Industrial Organizations (CIO), began recruiting unskilled men and women on a large scale, particularly in the mining and clothing industries. Under the able leadership of John L. Lewis and advocating a “culture of unity” to bring workers together despite differences in ethnic or racial background, the CIO rapidly became the nation’s most powerful labor union.

Greater size engendered greater militancy. On December 31, 1936, for example, workers at General Motors (GM), led by Walter Reuther, went on strike in Flint, Michigan, demanding better pay, better working conditions, and recognition of their union, the United Auto Workers. Rather than simply not show up to work, as previous generations of strikers had done, GM workers staged a sit-down strike, locking themselves in the factory so that strikebreakers could not take their places. Although Roosevelt was openly critical of the strike, he refused to use federal troops to stop the strike. Roosevelt believed that industrial peace could be achieved only by integrating
unions into the economy. Ultimately, GM gave in and negotiated with the union.

Not all strikes concluded so peacefully. For example, on Memorial Day 1937, strikebreaking police fired on a line of picketers in front of the Republic Steel plant in Chicago, killing ten workers. Roosevelt stepped in and helped convince the steel factory and mine owners to come to terms with unions. Such successes led to a rapid rise in unionization. By the 1950s, more than 20 percent of all American workers belonged to unions.

Politics

The New Deal also dramatically altered American politics. Many workers revered Roosevelt, and his photograph was a ubiquitous fixture in urban households and small businesses.

The result was a fundamental realignment of American politics. “New immigrant” Catholic and Jewish voters, many of whom had been alienated by the Democratic Party’s tilt toward southern conservatives, now flocked to the party. Democratic southern whites, who could not countenance joining the Republican Party, which was, after all, the party of Lincoln, joined them. So did a large majority of African Americans, whose gratitude for New Deal relief programs led them to abandon the Republican Party in favor of the Democrats. The Democrats thus made a national majority by fashioning the alliance of the “producing” classes (farmers and laborers) they had dreamed of since the Populist movement.

Continued Segregation

The successes of this New Deal coalition set in motion fundamental changes in the Democratic Party itself. The support of African Americans reflected the fact that some New Deal programs seemed to combat discrimination. The CCC, for example, briefly housed both black and white workers together. In addition, a number of black officials appointed to government posts assembled as an informal Black Cabinet to discuss African American issues, although FDR did not appoint a single black person to a cabinet position. Roosevelt relied especially heavily on his powerful wife, Eleanor Roosevelt, to serve as a conduit to the African American community.

Nevertheless, opposition to ending desegregation came from many quarters: labor unions, for example, consistently excluded African Americans...
from their ranks and prevented the inclusion of nondiscrimination clauses in the Wagner Act. At the same time, the Roosevelt administration often gave in to segregationist demands in the 1930s, meaning that many of the key benefits of the New Deal were denied to America’s black population. The doling out of benefits primarily to America’s white population has led one historian to label the New Deal as a time “when affirmative action was white.”

**The Indian New Deal**

At the same time, Roosevelt sought to address the concerns of other minorities. Shortly after his election in 1932, Roosevelt appointed John Collier as commissioner of the Bureau of Indian Affairs. In 1924, Congress had granted American citizenship to all Indians, an event that was thought to be the culmination in the perpetual attempt to incorporate Indians into American society. Collier took a different perspective. He sought to restore Indian culture and heritage and to regenerate tribal autonomy. He used a variety of New Deal agencies to create an Indian Civil Conservation Corps and Works Progress Administration. He also lobbied for the Indian Reorganization Act of 1934, which authorized the acquisition of land for reservations and provided special federal appropriations for schools and other forms of Indian self-government. Collier faced stern critics, including assimilated Indians who tried to discredit his ideas as communist plots against America. But for the most part, his ideas began a new chapter in American Indian history, redirecting the federal government’s efforts from forcing assimilation to respecting self-reliance.

**Women**

Women were also of course greatly affected by the New Deal. During the depression, increasing numbers of women went to work. While economically valuable, these efforts to support their families provoked hostility from many Americans who thought women workers were taking jobs away from men. Indeed, some scholars have seen within the Great Depression a “crisis of manhood,” where men were unable to feed and clothe their families and where women had to come in to shoulder these responsibilities. In this critical mold, many New Deal policies addressed women as mothers rather than as workers, creating jobs programs for men, for instance, while providing support for women primarily in their domestic roles. In the Aid to Families With Dependent Children program, for instance, single mothers were eligible for aid only after they endured means and morals testing, testifying that they were not engaging in and benefiting from immoral behavior. Similarly, many of the programs targeting women became derided as temporary relief efforts (such as welfare) rather than full-scale entitlements earned by workers (such as Social Security and unemployment insurance). In the words of one historian, women were “pitied but not entitled” to New Deal benefits.

**And in the end . . .**

The New Deal did not end the Great Depression. Throughout the 1930s, nearly 10 million men remained unemployed. What the New Deal did was bring the federal government closer to the lives of ordinary citizens than ever before, reshaping national politics and culture with a host of relief, recovery, and reform initiatives. In so doing, it transformed the way Americans thought about their government, leading them to assume that the government was there to prevent them from going without food or shelter, to assure them that they would not be helpless during times of unemployment, and to provide financial security when they needed it.

**What else was happening . . .**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>Vannevar Bush at MIT invents the “differential analyzer,” or analog computer.</td>
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<tr>
<td>1931</td>
<td>Japan, seeking raw materials for its own industrial growth, invades Manchuria, bringing Japan and China into conflict that would erupt into war in 1937.</td>
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<tr>
<td>1933</td>
<td>Ruth Wakefield bakes the first chocolate chip cookie.</td>
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<tr>
<td>1934</td>
<td>The first laundromat, the “washeteria,” opens in Texas.</td>
</tr>
<tr>
<td>1934</td>
<td>Amid its own economic depression, Hitler becomes dictator of Germany.</td>
</tr>
<tr>
<td>1937</td>
<td>Hormel introduces its canned pink mystery meat, Spam.</td>
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got old. This change also inspired a movement to oppose the New Deal initiatives, although this “small-government” coalition would not mature until later in the twentieth century.

Emboldened by his successes, in 1940 Roosevelt decided to run for an unprecedented third term as president. Just as he had been willing to override tradition in his Supreme Court packing plan, so now he overrode the tradition established by George Washington of holding the presidency for no more than two terms. Running against Republican nominee Wendell Willkie, FDR urged voters not to “switch horses in mid-stream.” Americans overwhelmingly responded, voting him to a third term as president. With the 1940 election, the nation left the problems of the 1930s behind and attempted to gain strength to meet the challenges posed by a world at war. It is to that world conflict that we now turn.