The Great Depression and New Deal

Hoover quickly took over after Silent Cal opted not to run for a second term. He claimed, “Poverty would soon be banished”. In the election of 1928 there weren’t much difference between the platforms of the Republicans and the Democrats so the campaign was more about personalities and religion of the candidates than the issues.

The Coming of the Depression

Tuesday October 29the stock market crashed and lost $10 billion in market value. Most of it was panic selling and that was all gone in 5 hours. This was the final straw, but it alone did not cause the depression. Some of the causes include real estate speculation in Florida and California, than the busts, than banks failing, land remained underdeveloped and foreclosed. The unequal distribution of wealth made it harder for people to buy goods, European demands for American goods decline.

The fall came so quick and so hard that it destroyed many of the investment companies that were crated to buy and sell stock wiping out many investors and reduced business and consumer confidence. Roughly 26,000 businesses failed in 1930s. Those that remained cut back on production and lay off workers. Worldwide Germany defaulted on its reparation debts to France and England, which in turn made it difficult for them to repay the U.S. banks. A vicious cycle resulted in which depositors pulled out their money of banks and the whole thing was just made worse. Some examples of how bad it got. U.S. steel stock went from $262 to $22. GM went from $73 to $8. 1932 the economy hit rock bottom. The GDP fell by 1/3, prices by 40% and 11 million were out of work. Every industrial economy was hit, but the U.S., which had led the way, was hit the hardest.

Americans and the Depression

As the Depression worsened, people took to the streets looking for work. Men, women, and children lined the streets of major cities looking for food. Hoovervilles – or shantytowns – sprung up in parks and abandoned land. It was so bad that when the Soviet Union advertised for skilled workers 100,000 applied. (From what I can find about 1000 went). There was a reversal of movement. More people moved to rural America hoping they could grow food for their families. The suicide rate grew and the birth rate dropped –both to records. The reputation of business that had been carefully grown through the 20s was destroyed as Congress reported massive irregularities of selling worthless stock, Wall Street leaders unloaded their portfolios while telling their investors to hold tight. Some even stole money from charity funds.

Resignation and Protest

People responded in two ways. Many blamed themselves for their economic misfortune. Others held unorganized protests (unorganized because the unions that would have been the organizers had low memberships). In 1932 20,000 unemployed WWI vets demanded their pensions early but were turned away by federal soldiers led by Douglas MacArthur. Other protests erupted. The Farmers Holiday association blocked roads to the Midwest to prevent farm goods to get to market hoping to raise prices. The Communist Party was the only ones that gave some sort of political focus to the anger of the Americans. They created unemployed councils sponsored marches and demonstrations for public assistance. The press thought the country was about to go through another revolution to the point that riot insurance for businesses increased. Hoover refused to reduce the size of the army in the hopes of saving money because he thought they would be needed.

Hoover’s Response

Many people thought Hoover’s response was uncaring. His secretary of the treasurer had advised him that depressions were natural and that the economy would fix itself. At the beginning many were ok was the downturn as they were able to hire people for cheap. Many were urged to just tighten their belts. The economic downturn had never been so great and many in the government thought that intervention would do little to spur the economy – t hey didn’t understand how tied to consumer spending the economy had become – and they thought it would cause them to rely on government charity versus taking care of themselves. “Federal aid weakens the sturdiness of our national character”. As a result, Hoover continued to support associational action – in which private agencies directed regulatory and welfare policies. He believed that the private industries would voluntarily do what was right. He held frequent meetings and conferences encourage the private businesses to maintain price and wages without government interference. He often said the Tide had turned. – This just made him seem out of touch.

The worsening economic outlook

Some of the things that Hoover did actually made it worse. Signing of the Hawley Smoot tariff was one of them. Although he did this reluctantly it caused a decline in international trade because it raised the taxes on imported goods. Again in 1932, he pushed through a tax increase in an attempt to balance the budget. He even approved a bill to feed livestock – again showing how out of touch he was.

By 1932 he realized that voluntary action was not working and he signed the Reconstruction Finance Corporation – this gave money to failing banks, railroads, and other businesses. He then passed the Federal Home Loan Bank System, which helped homeowners facing foreclosure. He even approved of $2billion to create public works programs to get people back to work. He however would not support direct relief.

**The First New Deal**

**FDR and the Election of 1932**

FDR was born into a wealth family. He held several public offices including the state legislature, the undersecretary of the navy during WWI. In 1921 he contracted polio and lost the use of his legs – something most Americans didn’t know.

In his campaign speech he promised the American people a “New Deal” but he was very vague about what that actually meant. He said the government should guarantee “every man a right to make a comfortable living” while at the same time advocating for a balanced budget and even criticized Hoover for excessive government funding. The biggest difference between the two campaigns was the Democrats wanted to repeal Prohibition.

**The Coming of the New Deal**

The New Deal was considered an alternative to Socialism that was gaining hold in other countries. The goal was to reconcile democracy, individual liberty, and economic planning. When FDR came to office he didn’t have a plan. He relied on scholars and experts that he dubbed the brain trust. Many were leaders during the Progressive Era and like during the Progressive Era they did not speak with one voice.

**The Banking Crisis**

By mid 1933 most of the banking had been suspended – meaning people had no access their money. Roosevelt declared the “banking holiday” Where he closed all banks and called a special session of Congress. They passed the Emergency Banking Act on March 9th, which provided funds to those banks worth saving. It then passed the Glass-Steagall Act that barred commercial banks form becoming involved in the buying and selling of stocks (this wasn’t repealed until the 1990s). This also created the FDIC that insured accounts of individual depositors. (Today its $250,000) he also took the country off the gold standard so they could issue more money.

This was the first of many new pieces of legislation in what became known as the First Hundred Days. He continued to win passage of several other laws that he believed would help the economy recovery.

**The NRA**

The NIRA or the National Industrial Recovery Act became the centerpiece of his new programs. It created the NRA – National Recovery Admin. That would work with groups of business leaders to establish industry codes that set standards for output, prices, and working conditions. The NRA shows that from an early stage, the definition of freedom was changing. It wasn’t about the businesses doing what ever they wanted unregulated. To gain support from the laborers, section 7a was created that recognized the rights of workers to unionize – a departure from the open shop – and a step toward what workers called industrial freedom.

The NRA started quickly to create codes and publicize those who supported them. But soon it was engulfed in controversy. Large companies did most of the code writing and it was used to drive up prices, limit production, lay off workers and divide markets among themselves at the expense of smaller competitors. Many businesses ignored section 7a and the government did not have enough resources to enforce all 750 codes. It ended up not aiding in economic recovery or peace between workers and employers.

**Government Jobs**

They were afraid that if direct relief was used it would undermine the American belief in self-reliance. The first thing they did was pass the Economy Act, which reduced federal spending to build up confidence, but they couldn’t avoid it. So in May 1933, Congress passed the Federal Emergency Relief Admin that would make grants to local agencies that aided the poor of the Depression. FDR still believed that giving them temporary jobs was better. This was accomplished while making the nation better. The CCC – Civilian Conservation Corps was created in March 1933 that had unemployed men work on projects such as forest preservation, and flood control. The program ended in 1942 and over 3 million had worked for the CCC. Men were paid $30 a month, $25 of which was required to be sent home to their families.

**Public Works Projects**

A series of programs were created that put people to work on public projects. The PWA or the Public Works Administration spent $3.3 billion on roads, schools, hospitals, and other public facilities. The CWA or Civil Works Admin employed more than 4 million in construction of highways, tunnels, courthouses, and airports. But these programs drew a lot of criticism as people thought the government was creating a class of Americans that were dependent on Government jobs.

Other programs looked toward economic transformation not just economic relief. One such program was the TVA – Tennessee Valley Authority. The Tennessee Valley was the poorest region in the United States. They created dams to prevent flooding and provided cheap electricity for homes and factories. The TVA made the federal government in the direct competition with private businesses in selling electricity.

**The New Deal and Agriculture**

The farmers had it the worst. The AAA or Agricultural Adjustment Act was created to help elevate some of their problems. They proposed that prices could be raised by setting production quotas and paying farmers not to plant. (They destroyed crops already planted and killed 6 million pigs) Not all farmers benefitted though – mostly those that were property owning. The practice of paying to not grow also resulted in the eviction of many tenant and sharecroppers.

Around 1934 the life of the farmers was made worse by the most severe draught that had ever hit the U.S. It was made worse by the agricultural practices that had stripped the topsoil away and killed native grasses. More than 1 million farmers were displaced.

**The New Deal and Housing**

Owning a home was a status symbol as well as economic security. The Banking crisis though made this a near impossibility and many homes were foreclosed on. Hoover called owning a home an American birthright. Hoover did create a federal sponsored bank to issue home loans, but it wasn’t until the New Deal with the Home Owners Loan Corp and the Federal Housing Admin did the government enter the housing market. Both programs insured long-term mortgages by private banks. The government also built low rent housing. Home ownership became in the reach of many as a result.

Some other major pieces of legislation were the 21st Amendment that repealed Prohibition. the creation of the FCC that oversaw the nation’s broadcast airwaves and telephone communications, and the SEC – securities and exchange commission that regulate the stock and bond markets.

For the most part the First New Deal is considered a series of experiments. Some worked and some failed. Either way the federal government was changed, as was the landscape of America. But the Depression was not over. 10 million were still unemployed by the end of 1934.

**The Court and the New Deal** The Court was pretty much full of conservative Republicans and they began to undo much of the New Deal. They started with the NRA. This was done in the Schechter Poultry case. They were charged with violating the codes. The case went to the Supreme Court were the NRA was found unconstitutional because it gave legislative powers to the President and attempted to regulated businesses that were not participating in interstate commerce. In 1936, the AAA fell in the U.S. v. Butler case. Again it said that it was congressional power over economic activities saying the state could not establish a minimum wage for women and children. The first New Deal came to a halt.

**The Grassroots Revolt**

**Labor’s Great Upheaval**

By the mid 1930s labor surprised everyone by mobilizing against companies that resisted unions. This time however, the government stepped in on the side of the workers with the Wagner Act. Ethnic diversity was not as great so it was easier to communicate with the workers and the leaders that had survived the purge of the 1920s labor movement were much more militant. At the beginning of the New Deal, factories were miniature dictators where the business owners decided everything. The new labor movement wanted more than just better wages and conditions, they wanted an end to the arbitrary power in the workplace, basic civil liberties and the right to picket, distribute literature, and meet to discuss grievances. All of these required union recognition. 1934 over 2,000 strikes broke out many with violent results.

**The Rise of the CIO**

The strikes at this time were difficult for the AFL that normally organized by craft versus by industry. In 1934, several leaders wanted this changed, but the AFL wouldn’t budge. So John Lewis of the United Mine Workers formed the CIO or Congress of Industrial Organziation. Their goal was to create unions in the main industries of American Society.

In Dec, 1936, they introduced a new tactic, the Sit- IN. This was first done by the UAW – United Auto Workers at GM in Flint, Michagan. This tactic had been used by the IWW earlier. Instead of walking out and allowing the company to bring in strikebreakers, they stopped production and stayed inside. The mayor who had been elected with CIO support did not intervene. The workers actually took care of the plant – cleaned, oiled machines, took care of their own disputes. GM agreed to a contract in Feb of 1937. It wasn’t until 1941 that Ford signed a labor contract but it the UAW now had 400,000 members.

This tactic was used throughout the 30s – sometimes to the benefit of the workers, other times it failed. By 1940 – union membership rose to 9 million more than ever before. Unions were able to have a say in workplace management, the right to contest the amount and pace of work and the introduction of new technology. They introduced new grievance, and seniority systems.

**Labor and Politics**

The CIO worked with the government to protect Americans from economic and social insecurity, including public housing, universal health care, and unemployment and old age insurance. They blamed the Great Depression on the unequal distribution of wealth. Without the power to buy things, the economy would never recover. they wanted to raise wages and redistribute wealth. The language in the agreement with the UAW and GM saying that wages would be commensurate with the American Standard of Living helped many to agree with the belief that under consumption is what caused the Great Depression.

**Voices of Protest**

Others began to offer suggestions as to how the Depression could be solved.

Upton Sinclair was running for CA governor with the platform of using empty factories and land in cooperative ventures that would provide jobs for the unemployed.

Huey Long is another, he was the governor or LA and in 1930 became a U.S. Senator. Even though he was no longer in the state, he still controlled every branch of state government. He was often referred to as the Kingfish. He created a Share our Wealth movement. This called for most of the wealth of the richests Americans would be confiscated and redistributed in the form of $5,000 grants and a guartaneed job and an annual income for all citizens. He was about to announce his candidacy for President in 1935 when he was assassinated.

Father Charles Coughlin – the radio priest was another vocal opponent to what FDR was doing. He attacked wall street brokers and capitalists and wanted government ownership of key industries as a way to end the Depression. He shifted his ideas though and became an anti-Semite and supported European Fascism that was developing. As a result he lost his following.

Dr. Francis Townsend was a CA dr that said the govnerment would pay older Americans $200 a month with the requirement that they spend it. This way they didn’t have to work, so the younger Americans could.

All of the above helped spark the need for a second New Deal.

**The Second New Deal**

The first new deal focused on economic recovery while the second was economic security. As the idea of under consumption was accepted as the cause of the great Depression, the public urged the govenrmetn to shift from business recovery to residtricbute the national income so the purchasing power of the nation would be reinstated.

Several new initiaitves were taken to address this problem head on

New tax on large fortunes and corporate profits. Creation fot he Ruarl Electividcation Agency to bring electric power to homes so more Americans could buy electric appliances. Also promoted soil conservation and family farming realizing that if farmers standards of living was so far behind everyone else that the nation would never achieve prosperity, but all of its programs addressed land owners and not sharecroppers or tenant farmers so once again the program created to help the farmers failed.

**The WPA and the Wagner Act**

By 1934, Roosevelt began to pull back on the work programs created by the CCC, CWA and PWA. But he replaced them with the WPA – works Progress Admin. This hired 3 million each year in just about every field until 1943. This program truly changed the face of American landscape. Buildings, bridges, roads, airports, stadiums, swimming ools, sewage treatment plants. The difference with this program was that it hired white color professionals as well as manual laborers.

One of the most successful programs was its work with the Arts. It created the Federal Art Project, Federal Theater Project and Federal Music Project, Federal Dance Project. They used artists to decorate government builidings, writers to create local histories and guidebooks and actors to put on plays about the fear of fascism and communism.

In 1935, it also created the Naitoanl Youth Administration that helped teenagers as well as young adults.

It also created the Wagner Act which allowed for the National Labor Relations Board to supervise elections in which employees vote don union representation, outlawed unfair labor practices including the firing and blacklists of union leaders.

**The American Welfare State**

The main piece of the Second New Deal was the Social Security Act of 1935. This was unempoyemnt insurance, old age pensions, and aid to the disabled, the elderly poor and families with dependent children. Most of these were not new ideas – what was new was that the government was going to permanently supervise a system of social insurance.

**The Social Security System**

There were different opinions about how this should be administered, Congress that it should be administered by local and state governments and that the people should pay into it. Roosevelt wanted it to be funded by taxes on employers and workers saying that people had a “a legal, moral, and polticial right” to collect their old age pension and unemployement benefits. The resulting system was a combination. It was funded, controlled and standards were set by both nationally and local governments. Old age pensions were administered by the national government but paid for by taxes on employers and employees. These taxes also paid for unemployment and it was mostly controlled by the states. States paid for most of the direct aid to the poor under Aid to Dependent Chidlren and the requirements as well as benefits varied based on location. Neither domestic nor agricultural workers were eligible.

The debate over the government’s involvement shifted. Prior to the 1930s it was whether or not it should intervene; after the 1930s it was how it should intervene. The government never fully let go of the responsibility of guaranteeing AMericnas a living wage and protecting them agains economic and personal misfortune.

**A RECKONING WITH LIBERTY**

The Depression made people rethink their definition of liberty. Roosevelt said that “life ws no longer free; liberty no longer real; men could not longer follow the pursuit of happiness”. Freedom now was linked to the expanding national state or federal government. By 1935 a poll by Fortune magazine said that among poor respondants 90% believed that the government should guarantee that “every man who wants work has a job”.

FDR and the Idea of Freedom

Weekly FDR would inform the people of what was going on through a fireside chat. He was the first to use the radio to inform the public – most of the others used the newspapers. In these chats he created a new definition of liberalism – before this liberalism meant a limited government and free market economy. He now described it as a large, active, socially conscious state. Liberty became a greater security for the average man versus the liberty association with the liberty of contract – which meant liberty for the privelaged.

The sense of freedom that he tried to direct was actually used against him as they said it was the freedom from powerful government. He was criticized for reckless spending that undermined fiscal responsibility and the government regulations undermined American Freedom. The main organization against them was the Aemrican Liberty league. He was accused of sacrificing “individual freedom” in a misguided effort to improtve the conditions of the poor.

The election of 1936

Party politics were closely divided along class lines. The Republican nominee was Alfred Landon who was Teddy Roosevelt Progressive. He opposed Social Security as threats to individual freedom. But Roosevelt won by a landslide.

The Court Fight

His first industrial revolution