America's History

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The Great Depression and the New Deal

1929–1939

LEARNING OBJECTIVES

After you have studied this chapter and the related materials, you should be able to answer the following questions:

1. How and why did the federal government influence American economic and political issues during the 1930s?
2. How did President Roosevelt respond to economic depression, and why did he respond in this manner? What were the primary differences between the first and second New Deal?
3. How did labor unions respond to the New Deal?
4. How did the New Deal affect American society both during the 1930s and thereafter?

The Early Years of the Depression, 1929–1932

Down and Out: Life in the Great Depression

During the 1930s, President Franklin D. Roosevelt launched a program of federal activism—which he called the New Deal—that would change the nature of American government. The New Deal represented a new form of liberalism, known as social-welfare liberalism, a fresh interpretation of the ideology of individual rights that had long shaped the character of American society and politics.

The American economy went rapidly downhill between 1929 and 1932. U.S. gross domestic product fell almost by half, from $103.1 billion to $58 billion. Consumption dropped by 18 percent, construction by 78 percent, and private investment by 88 percent. Fifteen million people were unemployed by 1933, and many others took wage cuts to keep their jobs. Those that were "down and out" did what they could to survive. But not all Americans were devastated by the depression. The middle class did not disappear, and the rich lived in luxury.

The first line of defense was private charity, particularly religious organizations. But by 1931, these services became overwhelmed. The government did not provide public support for the elderly. Few Americans had any retirement savings. Americans adapted to depression conditions. Couples delayed marriage and reduced the number of children they conceived.

The marriage rate fell to a statistical low, while the birth rate dropped from 97 births per one thousand women to 75 by 1933.

Women endured additional burdens, such as campaigns against hiring married women. Three-quarters of the school districts of the country banned married women from being hired as teachers. Despite such conditions, female employment increased during the 1930s as women worked more to feed their families.

Europe, particularly Germany, felt the impact of a world-wide economic recession.
Within the United States, there were regional variations: the South fared better than the rest of the nation because it lacked heavy industry which experienced a steeper downturn. Bank failures were concentrated in the Midwest and Plains.
Black men suffered twice the unemployment rate of white men in northern industrial cities and the southern states. Black women experienced a triple unemployment rate compared to white women.

Herbert Hoover Responds

As the depression continued, the president drew upon two powerful American traditions. The first was the belief that economic outcomes were the responsibility of individual people. People's fate was in their own hands, not in the workings of the market. The second tradition was voluntarism—the idea that the business community could regulate itself.

President Herbert Hoover

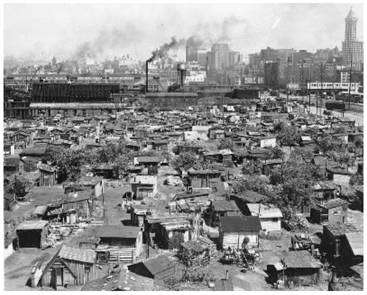
Hoover recognized that voluntarism from corporate leaders might not be enough and turned to government action. Soon after the stock market crash, he won cuts in federal taxes in an attempt to boost private spending and corporate investment. He also called on state and local governments to increase capital expenditures on public works. In 1931, he secured an increase of $700 million in federal spending on public works.

Hoover's most innovative program, which was continued during Roosevelt's New Deal, was the Reconstruction Finance Corporation (RFC), which Congress approved in January 1932. To stimulate economic activity, the RFC provided federal loans to railroads, banks, and other institutions.

This plan might have worked, but the RFC was too cautious in lending the money. Although Congress allocated $1.5 billion to the RFC, the agency had expended only 20 percent of these funds by the end of 1932. Compared with previous chief executives—and in contrast to his popular image as a "do-nothing" president—Hoover had responded to the national emergency with government action on an unprecedented scale. But the nation's needs were also unprecedented, and Hoover's programs failed to meet them.

Rising Discontent

As the depression continued, many citizens came to hate Herbert Hoover. Terms, such as "Hoovervilles" (shantytowns where people lived in packing crates) and "Hoover blankets" (newspapers), were introduced into the American vocabulary to reflect the growing discontent with Hoover's failing policies.



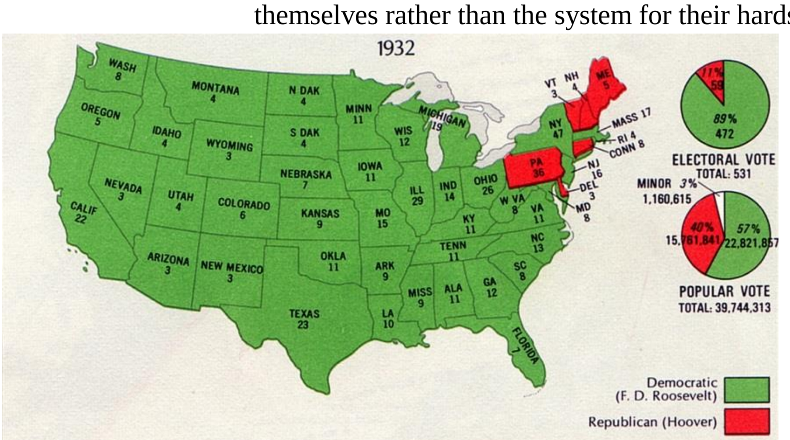
Seattle's "Hooverville" where approximately 1,000 people lived.

Even as some Americans were going hungry, farmers formed the Farm Holiday Association and destroyed food rather than accepting prices that would not cover their costs. Bitter labor strikes occurred in the depths of the depression, despite the threat that strikers would lose their jobs.Veterans staged the most publicized—and most tragic—protest. In the summer of 1932, the "Bonus Army" of 15,000 unemployed World War I veterans marched on Washington to demand immediate payment of their bonuses; newsreels showing the U.S. Army moving against its own veterans made Hoover's popularity plunge even lower.

Bonus Amry protestsers clash with soldiers in Washington DC, 1932

The 1932 Election

As the 1932 election approached, the nation overall was not in a revolutionary mood. Many middle-class Americans had internalized the ideal of the self-made man and blamed themselves rather than the system for their hardships.The Republicans nominated Hoover once again for president, and the Democrats nominated Governor Franklin Delano Roosevelt of New York. In 1921, Roosevelt had suffered an attack of polio that left both his legs paralyzed, yet he emerged from the illness a stronger, more resilient man. Roosevelt won the election easily, receiving 22.8 million votes to Hoover's 15.7 million,



1932 Election Map and Results

Elected in November, Roosevelt would not begin his presidency until March of 1933. (Ratified in 1933, the Twentieth Amendment set January 20 as the permanent inauguration day.) As FDR waited, Americans suffered through the worst winter of the depression. Nationwide, unemployment continued to climb to staggering levels of 60 percent in some cities. Public-welfare institutions were totally overwhelmed.

Despite dramatic increases in their spending, private charities and public relief agencies only reached a fraction of the needy. The nation's banking system was so close to collapse that many state governors closed banks temporarily to avoid further withdrawals. By March 1933, the nation had hit rock bottom.

The New Deal Arrives, 1933–1935

Roosevelt and the First Hundred Days

A wealthy aristocrat from a patrician family, Roosevelt was an unlikely figure to inspire millions of ordinary Americans. But he established a close rapport with the American people; his use of radio-broadcasted "fireside chats" fostered a sense of intimacy.Roosevelt's personal charisma allowed him to dramatically expand the role of the executive branch in initiating policy, thereby helping to create the modern presidency.

To draft legislation and policy, Roosevelt relied heavily on financier Bernard Baruch and a "Brains Trust" of professors from Columbia, Harvard, and other leading universities. He also turned to his talented cabinet, including Secretary of the Interior Harold L. Ickes, Frances Perkins at the Labor Department, Henry A. Wallace at Agriculture, and Henry Morgenthau Jr., the secretary of the treasury.

Bernard Baruch

Roosevelt could have done little, however, without a sympathetic Congress. The 1932 election had swept Democratic majorities into both the House and Senate. The first months of the administration produced a whirlwind of activity in Congress known as the "Hundred Days" in which fifteen major bills were enacted. Four areas were targeted: banking failures, agricultural overproduction, the business slump, and soaring unemployment. Derided by opponents as an "alphabet soup" because of the many abbreviations they spawned (CCC, WPA, AAA, etc.), the new policies and agencies represented the dawn of a new American state.

The first problem Roosevelt confronted was the banking crisis; the president declared a national "bank holiday" and called Congress into special session. The result was the **Emergency Banking Act**, which permitted banks to reopen but only if a Treasury Department inspection showed they had sufficient cash reserves.
In his first fireside chat, the president reassured citizens that the banks were safe; when the banks reopened, there were more deposits than withdrawals.

A second banking law, the **Glass-Steagall Act**, further restored public confidence by creating the **Federal Deposit Insurance Corporation (FDIC)**, which insured deposits up to $2,500. Roosevelt also removed the U.S. Treasury from the gold standard, which allowed the Federal Reserve to lower interest rates. It had been raising them since 1931, which deepened the downturn.

The **Agricultural Adjustment Act (AAA)** established a system for seven major commodities (wheat, cotton, corn, hogs, rice, tobacco, and dairy products) that provided cash subsidies to farmers who cut production in the hopes that prices would rise. The AAA's benefits were distributed unevenly; subsidies went primarily to the owners of large and medium-sized farms, while renters and sharecroppers received a few dollars in relief payments.

The **National Industrial Recovery Act launched the National Recovery Administration (NRA)**, which established a system of self-governing private associations in six hundred industries.The NRA's codes established prices and production quotas. But large companies tended to dominate the NRA's code-drafting process, thus solidifying the power of large businesses at the expense of smaller ones.

The **Federal Emergency Relief Administration (FERA)**, set up in May 1933 under the direction of Harry Hopkins, offered federal money to the states for relief programs and was designed to keep people from starving until other recovery measures took hold.

FDR and Harry Hopkins

Established in November 1933, the **Civil Works Administration (CWA)** put 2.6 million men and women to work; at its peak, it employed 4 million in public works jobs. The CWA lapsed the next spring when Republican opposition compelled New Dealers to abandon it.

A more long-term program, the **Civilian Conservation Corps (CCC)**, mobilized 250,000 young men to do reforestation and conservation work. "CCC boys" built thousands of bridges, roads, trails, and other structures in state and national parks.

Civilian Conservation Corps Camps

More than half a million Americans lost their homes between 1930 and 1932. In response, Congress created the **Home Owners Loan Corporation (HOLC)** to refinance home mortgages. In just two years of operation, the HOLC helped more than a million Americans retain their homes. The **Federal Housing Act of 1934** extended the program under a new agency, the **Federal Housing Administration (FHA)**. The HOLC, FHA, and the subsequent Housing Act of 1937 permanently changed the mortgage system and extended homeownership.

The New Deal under Attack

Business leaders and conservative Democrats formed the Liberty League in 1934 to lobby against the New Deal and its "reckless spending" and "socialist" reforms. In *Schechter v. United States*, the Supreme Court ruled that the National Industrial Recovery Act represented an unconstitutional delegation of legislative power to the executive branch.

Senator Huey Long

Citizens like **Francis Townsend** thought that the New Deal had not gone far enough; Townsend proposed the Old Age Revolving Pension Plan. In 1935, **Father Charles Coughlin** organized the National Union for Social Justice to attack Roosevelt's New Deal and demand nationalization of the banking system and expansion of the money supply.

Because he was Canadian-born and a priest, Coughlin was not likely to run for president; the most direct threat to Roosevelt came from **Senator Huey Long** of Louisiana.In 1934, Senator Long broke with the New Deal and established his own national movement, the Share Our Wealth Society.

Coughlin and Long offered feeble solutions to the depression and quick-fix plans that addressed only part of the problem. Both men showed little respect for the principles of representative government.

<u>The Second New Deal and the Redefining of Liberalism, 1935–1938</u>

The Welfare State Comes into Being

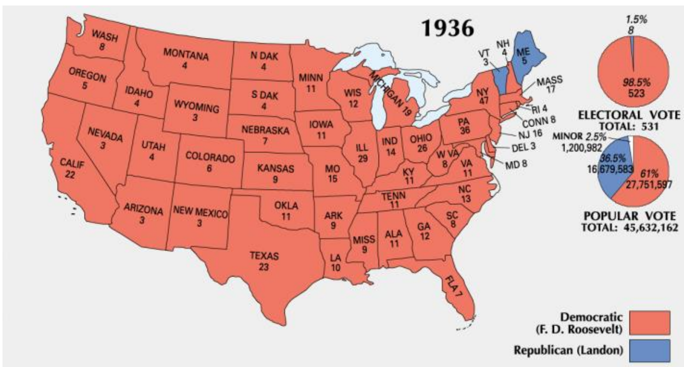
As the depression continued and attacks on the New Deal mounted, Roosevelt—with his eye on the 1936 election—began to move to the left and construct a new coalition and broaden the scope of his response to the depression.The first beneficiary of Roosevelt's change in direction was the labor movement. After the Supreme Court declared the NRA unconstitutional in 1935, labor representatives demanded legislation that would protect the right to organize and bargain collectively.The **Wagner Act of 1935** upheld the right of industrial workers to join a union and established the nonpartisan **National Labor Relations Board** to further protect workers' rights.

The **Social Security Act of 1935** provided pensions for most workers in the private sector to be financed by a federal tax that both employers and employees would pay and established a joint federal-state system of unemployment compensation. The Social Security Act was a milestone in the creation of the modern welfare state. Never before had the federal government assumed such responsibility for the well-being of a substantial portion of the citizenry.

The Second New Deal created what historians call **"New Deal Liberalism."** Classical liberalism held individual liberty to be the foundation of a democratic society. Roosevelt and his advisors redefined the idea and created policy to preserve individual liberty through government assistance.

From Reform to Stalemate

Under Harry Hopkins, the **Works Progress Administration (WPA)** put relief workers directly onto the federal payroll; between 1935 and 1943, the WPA employed 8.5 million Americans, but only reached one-third of the unemployed. Ralph Landon, the Republican challenger to Roosevelt in 1936, accepted the legitimacy of most New Deal programs but criticized their inefficiency and expense. The Republican candidate also pointed to authoritarian regimes in Italy and Germany, directed by Benito Mussolini and Adolph Hitler, respectively, and hinted that Roosevelt harbored similar dictatorial ambitions.



1936 Election Map and Results

Roosevelt beat Landon in a landslide; there was no third-party threat, as Huey Long had been assassinated in September of 1935. Roosevelt received 60 percent of the popular vote and carried every state except Maine and Vermont.

As he felt the future of New Deal reforms might be in doubt, Roosevelt asked for fundamental changes in the structure of the Supreme Court only two weeks after his inauguration. Roosevelt proposed the addition of one new justice for each sitting justice over the age of seventy—a scheme that would have increased the number of justices from nine to fifteen; opponents protested that he was trying to "pack" the Court with justices who favored the New Deal. The issue became a moot point when the Supreme Court upheld several key pieces of New Deal legislation and a series of resignations created vacancies on the Court. Roosevelt managed to reshape the Supreme Court to suit his liberal philosophy through seven new appointments, including Hugo Black, Felix Frankfurter, and William O. Douglas.

The **"Roosevelt recession"** of 1937 to 1938 dealt the most devastating blow to the president's political effectiveness in his second term. A steady improvement in the economy had caused Roosevelt to slash the budget, causing a tightening in credit, a market downturn, and rising unemployment. Roosevelt spent his way out of the down-turn; he and his economic advisors were groping toward John Maynard Keynes's theory of using deficit spending in order to stimulate the economy. Keynesian economics gradually won wider acceptance as defense spending during World War II ended the Great Depression.

Through Roosevelt's second term, a conservative coalition composed of southern Democrats, rural Republicans, and industrial interests in both parties impeded social legislation. Change was over by 1939.

The New Deal's Impact on Society

A People's Democracy

Labor and the New Deal

The New Deal accelerated the expansion of the federal bureaucracy, and power was increasingly centered in the nation's capital, not in the states.Labor's dramatic growth in the 1930s represented one of the most important social and economic changes of the decade. Organized labor won the battle for recognition, higher wages, seniority systems, and grievance procedures. The **Congress of Industrial Organizations (CIO)** served as the cutting edge of the union movement by promoting "industrial unionism"—organizing all of the workers in one industry, both skilled and unskilled, into one union. Hoping to use its influence to elect candidates that were sympathetic to labor and social justice, the CIO quickly allied itself with the Democratic Party. The labor movement still had not developed into a dominant force in American life, and many workers remained indifferent or even hostile to unionization.

Franics Perkins, Secretary of Labor

Under the experimental climate of the New Deal, Roosevelt appointed the first female cabinet member, Frances Perkins, who served as secretary of labor. Eleanor Roosevelt had worked to increase women's power in political parties, labor unions, and education; as first lady, she pushed the president and the New Deal to do more and served as the conscience of the New Deal. New Deal programs were marred by grave flaws; some NRA codes set a lower minimum wage for women than men, and the Civilian Conservation Corps (CCC) did not hire women at all. When they did hire women, New Deal programs tended to reinforce the broader society's gender and racial attitudes.

Race and the New Deal

Although some New Deal programs reflected prevailing racist attitudes, blacks received significant benefits from programs that were for the poor, regardless of race. Yet no significant civil rights legislation was passed during the decade. Racism in the South, symbolized by the **Scottsboro case of 1931** and the dispossession of sharecroppers by the Agricultural Adjustment Act, forced many blacks to leave the land. Mary McLeod Bethune headed the "black cabinet," an informal network that worked for fairer treatment of blacks by New Deal agencies. Blacks had voted Republican since the Civil War, but in 1936, blacks outside the South gave Roosevelt 71 percent of their votes and have remained overwhelmingly Democratic ever since.

During the 1920s and 1930s, agriculture in California became a big business—large scale, intensive, and diversified. Corporate-owned farms produced specialty crops—lettuce, tomatoes, peaches, grapes, and cotton—whose staggered harvests required a lot of transient labor during picking seasons. Thousands of workers, initially migrants from Mexico and Asia and later from the Midwestern states, trooped from farm to farm, harvesting those crops for shipment to eastern markets. Some of these migrants also settled in the rapidly growing cities along the West Coast, especially the sprawling metropolis of Los Angeles.

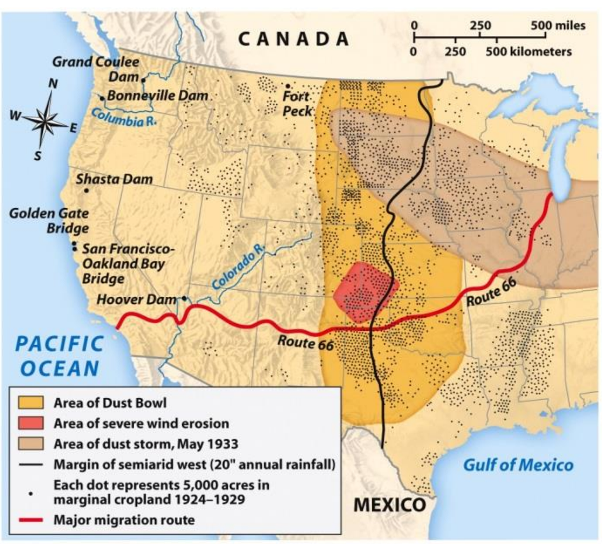
The economic downturn brought dramatic changes to the lives of thousands of Mexican Americans. A formal deportation policy for illegal immigrants instituted by the Hoover administration was partly responsible for the decline in numbers, but even more Mexicans left voluntarily in the first years of the depression. Under the New Deal, the situation of Mexican Americans improved. New Deal initiatives supported jobs in the WPA, the NYA, and the CCC. New Deal programs did not improve the migrant farm labor system under which so many people of Mexican descent labored. But Mexicans joined the New Deal coalition in large numbers because of the Democrats commitment to ordinary Americans.

Men and women of Asian descent—mostly from China, Japan, and the Philippines—formed a tiny minority of the American population but were a significant presence in some western cities and towns. Migrants from Japan and China had long faced discrimination. As farm prices declined during the depression and racial discrimination undermined the prospects of the rising generation for nonfarm jobs, about 20 percent of the immigrants returned to Japan. Chinese Americans were even less prosperous than their Japanese counterparts. In the hard times of the depression, they turned for assistance both to traditional Chinese social organizations such as huiguan (district associations) and to local authorities. Few benefited from the New Deal.Until the repeal of the Chinese Exclusion Act in 1943, Chinese immigrants were classified as “aliens ineligible for citizenship” and therefore excluded from most federal programs.

Because Filipino immigrants came from a U.S. territory, they were not affected by the ban on Asian immigration passed in 1924.As the depression cut wages, Filipino immigration slowed to a trickle and was virtually cut off by the Tydings-McDuffie Act of 1934. The act granted independence to the Philippines (which since 1898 had been an American dependency), classified all Filipinos in the United States as aliens, and restricted immigration to fifty persons per year.

The Indian Reorganization Act of 1934 and other changes in federal policies under the “Indian New Deal” were well intentioned but did little to improve the lives of Native Americans.

Reshaping the Environment



The Dust Bowl and Federal Building Projects in the West, 1930-1941

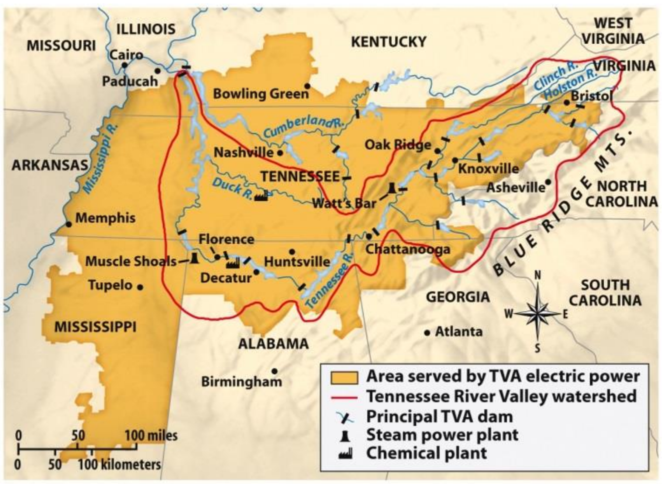
The expansion of federal responsibilities in the 1930s created a climate conducive to conservation efforts, as did public concern heightened by the devastation in the **Dust Bowl**. Although the long-term success of New Deal resources policy was mixed, it innovatively stressed scientific management of the land, conservation instead of commercial development, and the aggressive use of public authority to preserve and improve the natural environment.

Between 1930 and 1941, a severe drought afflicted farmers in the semiarid states of Oklahoma, Texas, New Mexico, Colorado, Arkansas, and Kansas. But the Dust Bowl was primarily a human creation. Farmers had pushed the agricultural frontier beyond its natural limits, stripping the land of its native vegetation and destroying the delicate ecology of the plains. When the rains dried up and the winds came, nothing remained to hold the soil. Huge clouds of thick dust rolled over the land, turning the day into night.

This ecological disaster prompted a mass exodus. Their crops ruined and their debts unpaid, at least 350,000 "Okies" (so-called whether or not they were from Oklahoma) loaded their meager belongings into beat-up Fords and headed to California. Many were drawn by handbills distributed by commercial farmers that promised good jobs and high wages; instead, they found low wages and terrible living conditions. John Steinbeck's novel *The Grapes of Wrath* (1939) immortalized them and their journey, and New Deal photographer Dorothea Lange's haunting images of migrant camps in California gave a personal face to some of the worst suffering of the depression.

The Dust Bowl helped to focus attention on land management and ecological balance. Agents from the **Soil Conservation Service** in the Department of Agriculture taught farmers the proper technique for tilling hillsides. Government agronomists tried to prevent soil erosion through better agricultural practices and windbreaks like the Shelter-belts.

The most extensive New Deal environmental undertaking was the **Tennessee Valley Authority**. It integrated flood control, reforestation, and agricultural and industrial development, and a hydroelectric grid provided cheap power for the valley's residents. Cabins, shelters, picnic areas, and lodges in American state parks, built in a "government rustic" style, are witness to the New Deal ethos of recreation coexisting with conservation.



The Tennessee Valley Authority, 1933-1952

The West benefited enormously from the New Deal's attention to the environment. The largest project was the Grand Coulee Dam built by the PWA and the **Bureau of Reclamation** in 1941. The project provided electricity and irrigation for the state's major crops.

New Deal projects affecting the environment can be seen throughout the country—CCC and WPA workers built the Blue Ridge Parkway; government workers built the San Francisco Zoo, Berkeley's Tilden Park, and the canals of San Antonio; the CCC helped to complete the Appalachian Trail and the Pacific Crest Trail through the Sierra Nevada.

The New Deal and the Arts

New Deal administrators encouraged artists to create projects that would be of interest to the entire community, not just the cultured elite. "Art for the millions" became a popular New Deal slogan and encouraged the painting of murals in hundreds of public buildings.
The **Federal Art Project** gave work to many young artists who would become the twentieth century's leading painters, muralists, and sculptors, like Jackson Pollock. Under the **Federal Music Project** and **Federal Writer's Project**, over 15,000 musicians and 5,000 writers found work.

The WPA arts projects reflected a broad cultural trend known as the "documentary impulse." The documentary, probably the decade's most distinctive genre, influenced practically every aspect of American culture: literature, photography, art, music, film, dance, theater, and radio.

The Legacies of the New Deal

By creating a powerful national bureaucracy and laying the foundation of a social welfare state, the New Deal redefined the meaning of American liberalism. For the first time, Americans experienced the federal government as a part of their everyday lives through Social Security payments, farm loans, relief work, and mortgage guarantees. The government made a commitment to intervene when the private sector could not guarantee economic stability, and federal regulation brought order and regularity to economic life.

The federal government accepted primary responsibility for the individual and collective welfare of the people with the development of the welfare state. Defects of the emerging welfare system were that it did not include national health care and failed to reach a significant minority of American workers, including domestics and farm workers, for many years.

The New Deal completed the transformation of the Democratic Party that had begun in the 1920s toward a coalition of ethnic groups, city dwellers, organized labor, blacks, and a broad cross-section of the middle class that would form the backbone of the Democratic coalition for decades to come.

Ben Shahn, *The Promise of the New Deal* (1938)

KEY TERMS

“social welfare” liberalism The liberal ideology implemented in the United States during the New Deal of the 1930s and the Great Society of the 1960s. It uses the financial and bureaucratic resources of the state and federal governments to provide economic and social security to individual citizens, interest groups, and corporate enterprises. Social welfare programs include old-age pensions, unemployment compensation, subsidies to farmers, mortgage guarantees, and tax breaks for corporations.

deficit spending High government spending in excess of tax revenues based on the ideas of British economist John Maynard Keynes, who proposed in the 1930s that governments should be prepared to go into debt to stimulate a stagnant economy.

Keynesian economics The theory, developed by British economist John Maynard Keynes in the 1930s, that purposeful government intention into the economy (through lowering or raising taxes, interest rates, and government spending) can affect the level of overall economic activity and thereby prevent severe depressions and runaway inflation.