

The Great Depression in the Americas

Causes of the Great Depression in the United States

What were the political and economic causes of the Great Depression in the US?

- **The Boom of the 1920s**
- Economic growth characterized by
 - Rapid expansion of the automobile industry
 - Growth in housing
 - New consumer goods and electrical items
 - Increase in service and financial sectors
- Prosperity – GNP growth during the 1920s, 4.2 % per year however the real wages of workers did not increase – weakening of trade unions and focus on profit



How important was the stock market crash of 1929?

- Speculation led to loss of confidence - investors started selling, not buying and share values fell – market crashed and Great Depression followed – millions were unemployed, business collapsed, banks failed

Explanations of the GD in the US

- The causes fall into following categories:

The Role of the global economy:

- Developments in transport, technology and credit – world more economically united – nations more vulnerable to international events beyond their control

The Role of US Republican governments

- 1920s minimal government interference in economic activity – laissez- faire approach
 - Self-regulating nature of markets
 - Commitment of tariff policies – limited trade
- Republican Presidents of the 1920s – (Warren Harding, Calvin Coolidge, Herbert Hoover) – widely blamed

The role of US Investors:

- Boom years encouraged investors to be greedy, seek quick profits throughout irresponsible investment - unsafe investment practices caused the stock market crash and contributed to Depression

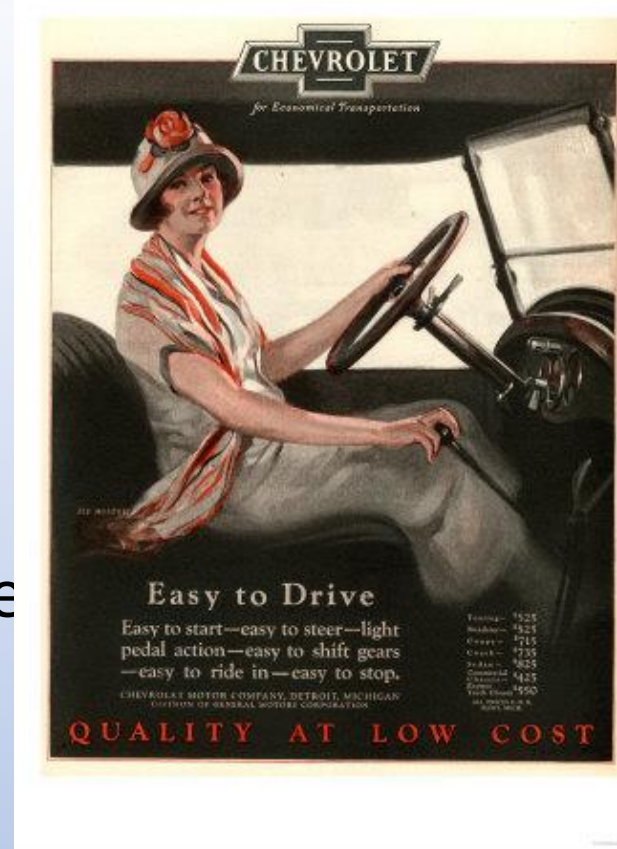
The Nature of the Capitalist System: The Long-Term Causes of the Depression:

Overproduction:

- Modern agricultural methods led to agricultural overproduction in the US – caused by the opening of the prairies, greater exploitation of natural resources

Globalization:

- Development of the 19th century - world trade grew substantially: 1914- 13% of total trade
- Overproduction; changes in transportation (quicker and cheaper), more railways, faster steamships, refrigeration methods, and improved ports

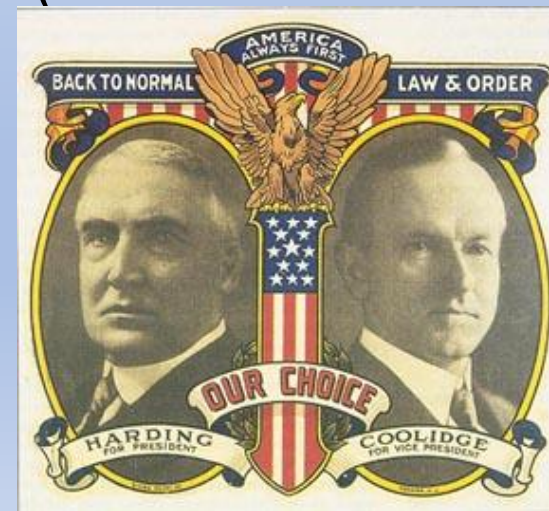


The First World War and its Effects on the Depression:

- WWI – end of exchange rate stability associated with the Gold Standards (which disrupted international trade)
- After 1914 - Germany no more a great economic/colonial power; Britain heavily in debt to the US; France weak due to heavy losses
- WWI affected trends in industry:
 - Heavy industry; textiles ship building and engineering - in decline
 - Prices of primary products fell, but after 1914 – again in demand; farmers borrowed money to cultivate “marginal” lands
 - end of the war – drop in demand for raw materials, food, heavy industry, etc.
 - After 1918 – tariff barriers common – to limit and protect trade – world economy less open to trade; peace treaties further restricted European economic development

The Impact of WWI on the USA

- US economy strong throughout the war
 - US changed from a net borrower to a net lender
 - Wall Street NY, major world financial center
 - 'Tertiary sector' – insurance, financial services, entertainment – all centered in the USA
 - US economy- able to diversify due to technological progress – motor vehicle industry (major growth sector), fueled by new financial practices (credit agreements); construction was booming



Structural Weaknesses in the US Economy:

- During the war – farmers prospered – by 1920s – falling prices and decreasing demand – problem of overproduction due to mechanization
 - European imports fell/ production outstripped demand – globally
- Farmers demanded government protection from falling prices
 - **1922 Fordney – McCumber Tariff** – placed higher duties on imported agricultural goods/ protected domestic producers
- Underlying problem – too much production of the wrong crops – was not addressed – higher machinery costs reduced profit
- Diversification of US industry – a problem – industries that were in decline (coal, textile) were large-scale employers – newer industry – construction, motor vehicles – made considerable profits
- Because of restrictive trade policies after 1922 industries depended on the home market – dangerous because
 - Less disposable income in agricultural sector/ fewer consumer goods bought
 - Despite availability of credit – demand for new products was not continuous (once obtained a product lasted)
 - Despite cheaper food prices – real wages did not increase much – workers generally better off than farmers, not much money available for spending
- By 1928-29, even growth industries – entering downturn – investors experiencing crisis of confidence in the US economy

What was the Wall Street Crash and why was it important?

- **Role of Government Bonds** – before 1914 – private shareholding was limited; between 1917 and 1919 – US government sold 27 million worth of bonds – Victory and Liberty Bonds
- Bonds were a way for governments to raise funds – buyer of bonds was lending money to the government/ government agreed to repay with interest (over 30 y period)
- Buying private company **shares** was a next step – however interest on shares was not guaranteed – if the company did poorly – there would be less income or income could be lost – it is riskier but **dividend** is higher

Stock Market Prices:

- **1925 to 1929** – number of shares listed on the Stock Exchange rose from 500,000 to over 101 million/ about 2 million investors
- It was easy to establish companies and “float “ them on the stock exchange – offer general public ownership in the company for profits
 - Easy loans by stockbrokers
 - By late 1920s – investors were trying to make quick profits as prices of shares were rising daily – buying on the margin – with buying on the margin investors, brokers and business all gain until confidence breaks down (fear that shares might be worthless)
 - Everybody suddenly wants to sell and price of shares fall dramatically – investors have to pay back the brokers – but since no profits were made, they had to withdraw money from personal bank accounts
- by 1929 not enough people were left to buy the shares – too expensive/ inflated
- by October 1929 investors stopped buying, started selling – value of many companies fell sharply – many investors lost money and needed to withdraw from their bank accounts but banks did not have sufficient funds, this caused panic and many tried to withdraw all of their funds caused the banks to fail – which meant firms were unable to pay wages or dividends – went out of business
- **October 24th 1929 – Black Thursday** – start of the downturn – marked the start of the steep drop in share prices
 - **12/9 million shares sold, total loss of \$14 billion** =- prices continued to fall, wiping out ca. \$30 billion in stock values by Mid-November

Effects:

- The crash revealed inherent problems of the US economy
- Buying power reduced and borrowers unable to repay loans
- Banks anxious to make new loans
- Companies reducing production – leads to unemployment



BLACK TUESDAY

NEW YORK, TUESDAY, OCTOBER 29, 1929

THE STOCK MARKET CRASH OF 1929

BY BARBARA SILBERDICK FEINBERG

NEW YORK, OCTOBER 29— Another hurricane of liquidation hit the stock market today, as financial uncertainty fed on rumor and turned to panic. Frightened investors ordered their brokers to sell at any price, and the stock market crashed. Those on the floor of the Wall Street exchange waded in paper and tried to add up their losses.

It is believed those losses total billions of dollars. Thousands of accounts were wiped out as a record



Crowds Gathered On Wall Street As The Market Went Into Historical Decline

number of shares were traded. Some stocks were almost given away. Millions of shares traded hands.

Brokers on the floor of the Exchange have never seen a day like this. The shock on Wall Street spread to other exchanges and markets. It

was a country-wide collapse of security values in which losses were the most disastrous and far reaching in the history of the Stock Exchange. There was near-panic on the Chicago commodities exchange. Rumors spread from one end of the United

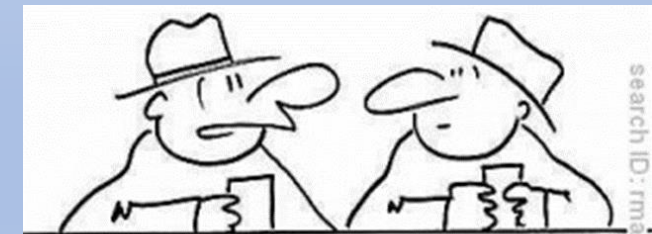
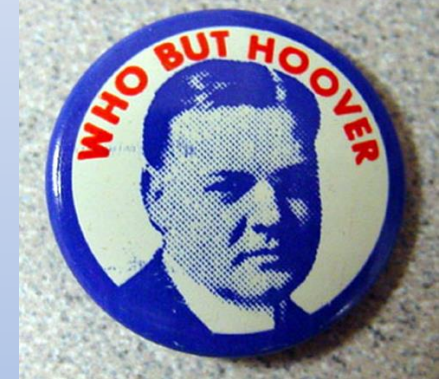
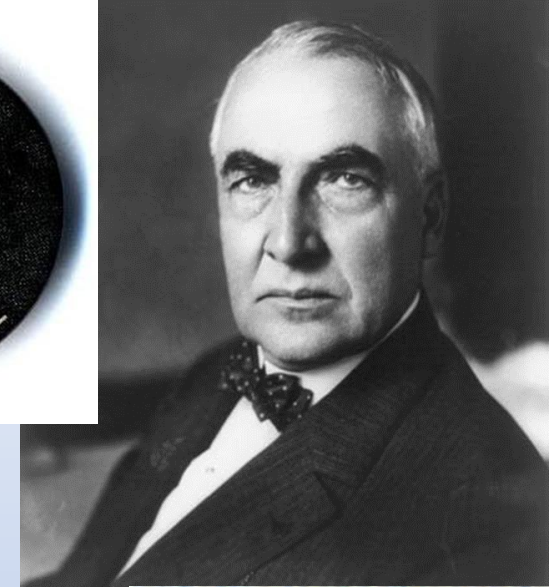
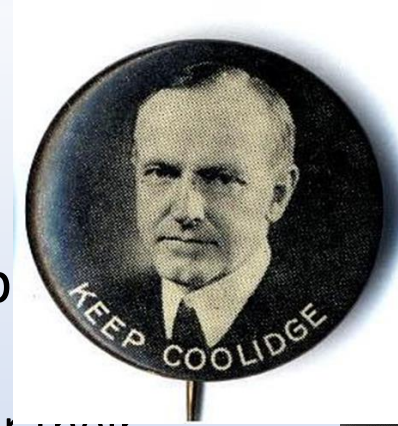
Who was most responsible for the Great Depression?

US Tariff Policy and its impact:

- Pre-war policy was to reduce import duties, but after 1918 US increased them – tariffs major source of disagreements in the SU
- 1920s Republican party had majority in Congress and Republican President Warren Harding feared foreign competition
- Sept. 1922 – Harding **signed Fordney-McCumber Tariff Bill** - raised import duty on goods coming into the US to 38.5% (from 25%) - this outraged trading partners/ who responded by increasing own duties
 - Restricted world trade
 - This act was heavily criticized by many economists
 - Led to fall in farmers real income – reduced farmers ability to buy other goods (economic isolationism)
- **June 17th 1920 – The Hawley-Smoot Tariff** – raised import duties on 3200 products to 66% - President Hoover was forced to sign the law- but opposed it; Trading partners responded angrily

The Role of the Government

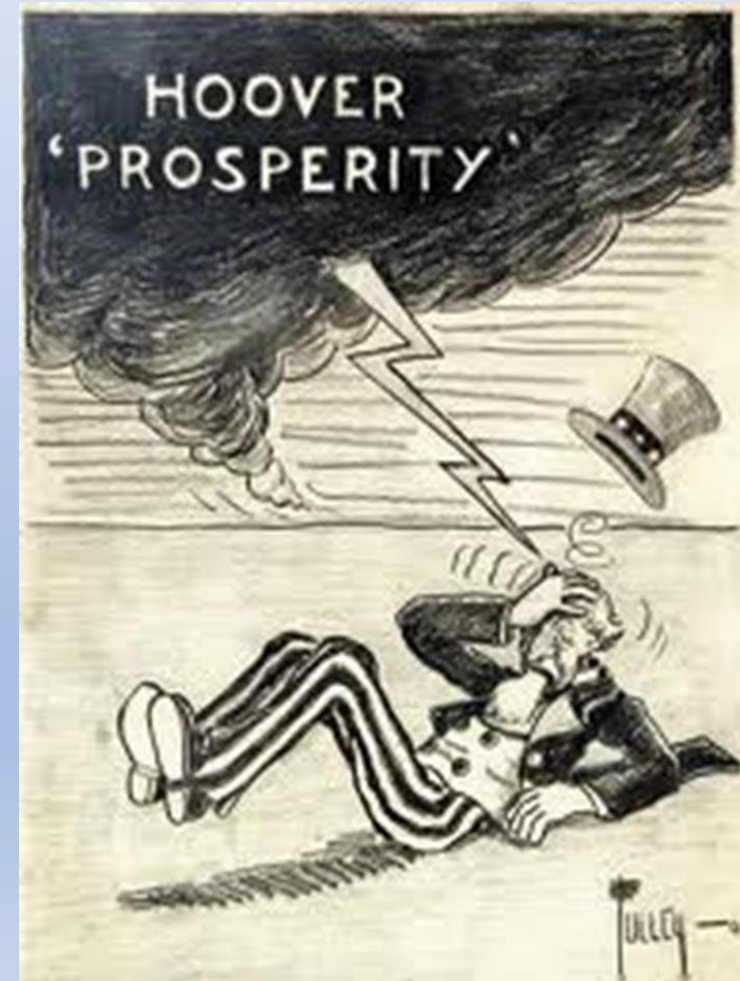
- Role of the government during this time is a controversial topic
- Criticisms of the Republican Presidents:
 - **Warren Harding, Calvin Coolidge, and Herbert Hoover** – criticized for their role
 - Coolidge – criticized for having little understanding of foreign policy or economics
 - All three supported laissez-faire capitalism
 - **John Maynard Keynes** – offered bitter criticisms
 - Followers of **Milton Friedman** – blamed Federal Government for failing to regulate the money supply
- **Historiography: Historians on the Great Depression (p. 54):**
 - Hugh Brogan – called Republican irresponsible
 - Esmond Wright – stated that most historians regarded Coolidge as complacent, inactive and lacking vision
 - David Reynolds - thought Hoover did too little too late
 - Eugene Lyons – viewed Hoover as a scapegoat who was unfairly blamed for the depression
 - Martin L. Fausold - describes Hoover as coping well with the economic problems of the 1920s.



"My wife's a Keynesian — she's always spending herself out of depressions."

The Cause against Harding, Coolidge and Hoover:

- Main criticisms of the 1920s Republican Presidents are:
 - Failed to use their powers to prevent the growing gap between rich and poor – created unstable financial situation that left the US vulnerable
 - They put too much faith in businesses – allowed big corporations to exploit workers – domestic debt increased; poorly regulated stocks and shares
 - Accepted **“get rich quick”** business morals / encouraged speculation and encouraged dishonest business
 - **Lack of government regulation** led to a major stock market crash in 1929, which was a major cause of the Great Depression
 - Failed to support weaker sectors of the economy and made business too dependent on restricted customer base, weakened labor unions

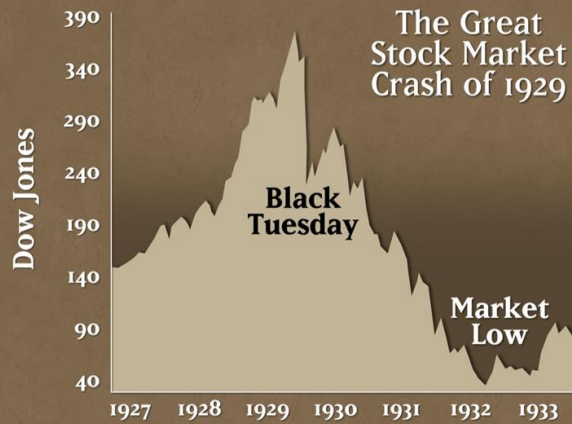


The Alternative View:

- Arguments used to justify Republican Policies:
- **Political Realities: Priority of US government in the 1920s was to reduce the costs of federal government** – growth of income through businesses – regulation/ restriction seen as contrary
- **Unrealistic alternative suggestions** – government help would not have likely solved their problems – if government subsidized farm prices – that would lead to producing more food/ materials that could not be sold – subsidies would not have solved the problem of production outstripping demand. Increased taxes to pay for higher wages – would not make much difference
- **The influence of public opinion** – little popular support for income equality or stricter regulation on businesses and finance; even labor unions wanted greater share of business profits rather than regulation

The Wall Street Crash and the Great Depression:

Stock Market before and after Black Tuesday



- Collapse of the US Stock Market – brought about the depression
 - If the economy had been healthier, the Wall Street Crash might simply have been another financial crisis
- **Federal Reserve** held partly responsible – expansion of the stock market worried the Federal Reserve – Federal Reserve could have regulated investments and companies more – **Friedman and Schwartz** – more government intervention was necessary to manage spending, boost Demand and control capitalism (brought about by the New Deal)
- Federal Reserve bank of NY created in 1914 – could lend money to stop banks from failing – but they did not release the funds and this inaction caused crash to become a depression



Ch. 3: The US and the First New Deal

What was the impact of the GD on the US?

The Economic Impact of the Depression:

- By 1933, according to official government sources, 12.8 million Americans were unemployed; Labor Research Association put the figure closer to 17 million/ figures ignored part time workers or those underemployed
 - Distribution of unemployment was uneven – 1/3 of US workforce was unemployed but in Cleveland OH, 50%, Toledo 80%
 - Car production fell 80%
 - Towns with military bases, government buildings, state universities – fared better
- Economic growth rate declined 6.7% in 1929 to 14.7 in 1932 - coal industry declined, iron and steel production fell by 59%, agricultural market collapsed – income fell from 13.9 billion in 1929 to 7.1 billion by 1933; farm wages fell from \$2.30 in 1929 to \$1.15 by 1933
 - Availability of credit vanished – many bank closed



The Social Impact of the Depression:

- **Enormous strain on family life**

- Decline in number of marriages (1.23 million in 1929 to 982000 in 1932), falling birth rate, and increase in suicides, growing number of homeless
 - Emergency of shanty towns; also known as Hooverville
- **Hobos** – men who travelled on railway wagons looking for work (2 million of them)
- no federal unemployment benefits; attitude – if you're able bodied and unemployed – it's your own fault
 - some towns organized relief programs – temporary housing, jobs, clothes – but not enough
- due to unemployment, income tax fell and most governmental aid declined further
- **private charities** (like Salvation Army) – established soup kitchens/ but were able to supply on 6% of the need
- **Human Cost** – 20% of NYC children were undernourished
 - Most people sold their possessions, used up savings, received relief
 - To discourage, states imposed penalties, removed right to vote
 - In the countryside, farmers couldn't afford to harvest, crops rotted, farms repossessed





How effectively did Hoover deal with the problems caused by the Depression?

- Hoover worked long hours to tackle the problems caused by the Depression; however, his response was limited – Republican Party believed in self-help and voluntary co-op
 - Many measures Hoover introduced failed to meet the needs of the time
- Hoover's Agricultural Policies
- **Agricultural Marketing Act 1929**- tried to tackle falling prices, through marketing – but was not given power to reduce production
 - Act established Grain Stabilization Corp (1931) keeping grain prices high (twice the international price) – highly criticized
 - Congress proposed a bill to reduce production / Hoover objected
 - Hoover's agricultural policies failed due to overproduction and ignoring the foreign situation/ introduced Hawley-Smooth Tariff
- Voluntarism:
- Hoover tried to persuade businesses to pledge to maintain wage and employment levels; municipal government to create public work schemes
- Established **Emergency Committee for Employment** to coordinate voluntary relief agencies
 - 1931 – Established National Credit Corp (NCC) – to help smaller banks make loans
 - Banks continued to fail
 - Policies not enough for the severity of situation – voluntarism collapsed; businesses broke their pledges on wages, public charities



How effectively did Hoover deal with the problems caused by the Depression?

- The Reconstruction Finance Corporation (RFC)
- Change in Hoover's policy – RFC most radical of Hoover's measures/ seen as forerunner to the New Deal
- RFC – established in January 1932 – received \$2 billion to make loans to rescue banks, insurance, railroad, and construction
 - Aim was to restore confidence – mostly large scale enterprises benefited (see pg. 87 for statistics)
- The Emergency Relief and Construction Act:
- Authorized Reconstruction Financial Corporation to lend states \$1.5 billion to finance public works – only if bankrupt
- In 1932 Hoover agreed to Glass-Steagall Act - \$750 million loans to private businesses but blocked Garner- Wagner Relief Bill (which would have allowed Congress to provide unemployment benefits).
- The “do nothing” president?
- Given various measures introduced – unfair to portray Hoover as ‘do nothing’ president – success of policies depended on other factors – he needed state governments to keep spending, farmers to cut production, employers to retain workers, reform of the banking industry – which did not happen and the crisis continued

How effectively did Hoover deal with the problems caused by the Depression?

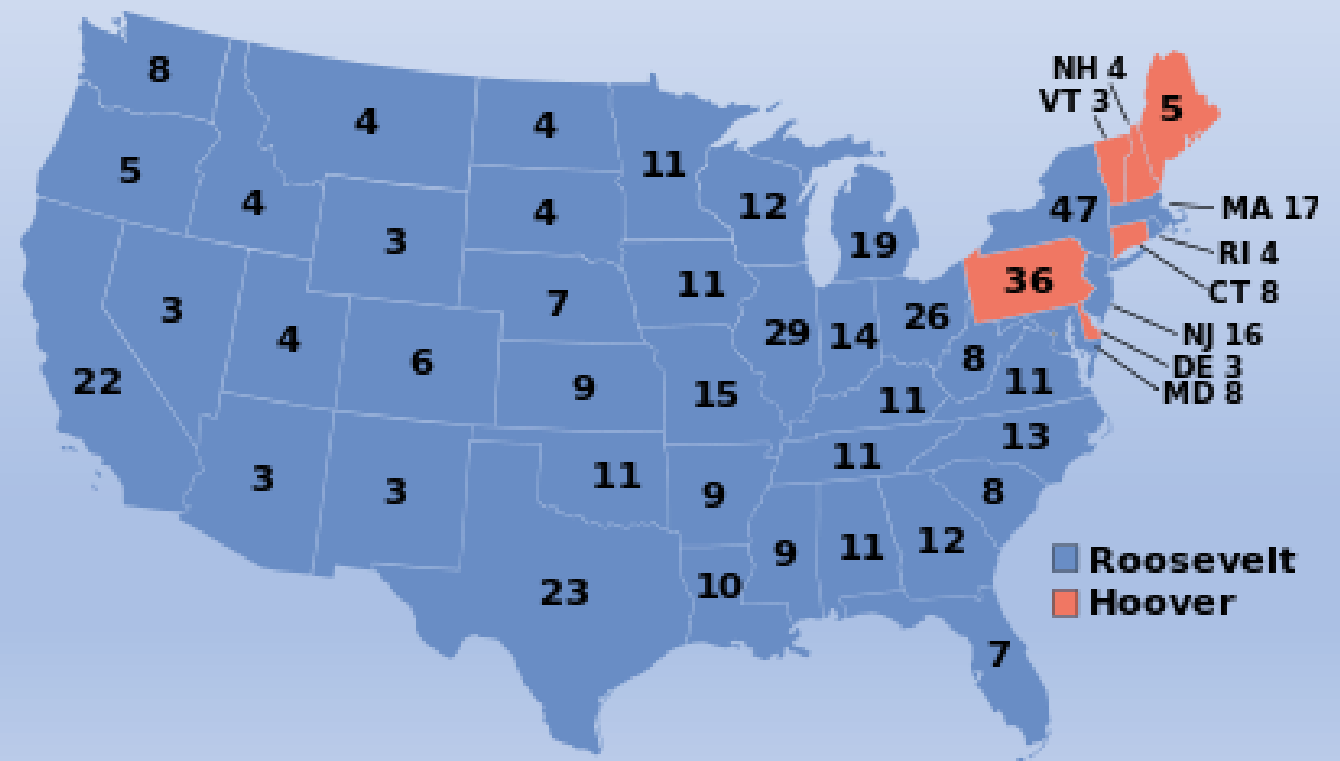
The Bonus March

- Damaged Hoover's image
- 1924 – government voted to pay Veterans bonus in 1945 – June 1932 Veterans peacefully protested to move up the date of the payment/ HOR passed the **Bonus Bill**, but **Senate defeated the Bill**; Hoover refused to meet the protesters
- July 28th Hoover issued order to remove protesters- **General Douglas MacArthur** sent in troops and police with tear gas, burned camps, killed 2 protesters
 - Hoover did not criticize MacArthur and defended his actions
- **The 1932 Presidential Election** – FDR won in 42 states; Hoover won 40% of popular vote
 - Hoover concentrated campaign on “things would be worse if a Democrat won”
 - FDR's optimism prevailed, gave American people hope



- Wins 42 out of 48 states
- Electoral vote 472 to 59
- Gets over 22 million popular votes (57% of vote)
- Public registers resentment toward Hoover at polls

FDR wins in a landslide



Historians and Hoover's responses to the Depression:

<u>Hoover's response was ineffective/ he should have done more</u>	<u>Hoover did too much – but made things work</u>	<u>Hoover was effective/ praise</u>
<p>Charles Kindleberger</p> <ul style="list-style-type: none"> • GD would end sooner and would have been less severe if administrators were more willing to lend money 	<p>Paul Johnson</p> <ul style="list-style-type: none"> • Economy would have recovered without any intervention through a natural recovery of the trade cycle • Hawley-Smooth Act made matters worse 	<p>James Patterson and Hugh Brogan</p> <ul style="list-style-type: none"> • Hoover was active in trying to combat Depression • He called for federal intervention, cancelled war debt payments
<p>Paul Boyer</p> <ul style="list-style-type: none"> • Continuation of depression was due to Hoover's inability to accept responsibility 		

How effective was the First New Deal in solving the problems caused by the Depression?

- First 100 Days, there was a huge amount of legislation passed: relief, recovery, reform (see list of agencies pg. 96)
- **Banking Reforms:**
- 1932- banks closing ca. 40 per day/ little gold reserves and deposits
- **March 9th 1933 – Emergency Banking Relief Act** - solved immediate banking crisis – closed banks for 4 days, while finances were examined
- **The Reconstruction Finance Corporation** – authorized to support banks by buying bank stocks – 5,000 banks reopened and money available to restart the loan industry
 - FDR – explained crisis on the radio / appealed to people to deposit money
 - By April 1933, banking crisis was over
- Truth-in-Securities Act passed in May 1933 – regulating stock sales, to give investors the confidence
- **Criticisms:** FDR could have passed reforms before inauguration, some thought that there should have been even more government control and that government legislation favored large banks



How effective was the First New Deal in solving the problems caused by the Depression?

• Solving the Problems of Farming:

- Farming given more prominence than industry
 - Agriculture employed 30% of the workforce
 - If agriculture recovered farmers could make mortgage payments
 - Farmers were FDR's supporters during election
- Biggest agricultural problems were low prices and overproduction
- **Farm Credit Act – 1933** – reorganized all the agencies dealing with agricultural credit; made loans available to struggling farmers and offered loans to bankrupted farmers to get their farms back via Frazier-Lemke Farm Bankrupt Act
- **Overproduction** - FDR was willing to pay farmers for not producing so that prices could start to rise – this was done through Agricultural Adjustment Act (AAA)
 - the system was voluntary, based on acreage left uncultivated
 - the approach proved generally successful (with minimal destruction of crops)
- **Result:** Farm income rose from \$4.5 billion in 1932 to \$ 6.9 billion by 1935
 - Wealthier farmers benefited most; also number of employed on farms decreased due to machinery



On the eve of the Depression in 1929, with unemployment at a healthy 3%, optimism was at an all time high. No one imagined the path that the United States would take; a path that would see the economy slump uncontrollably - taking **unemployment to 24.9%** and the number of unemployed from 1.5 million to a bewildering figure of **13 million**.

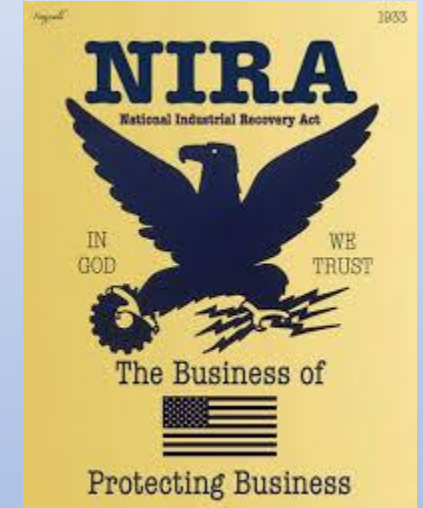
The following figures are the **percentages of unemployed workers** in the United States from 1929 to 1943. The figures are from the *United States Bureau Of The Census*.

YEAR	%
1929	3.2 %
1930	8.7 %
1931	15.9 %
1932	23.6 %
1933	24.9 %
1934	21.7 %
1935	20.1 %
1936	16.9 %
1937	14.3 %
1938	19.0 %
1939	17.2 %
1940	14.6 %
1941	9.9 %
1942	4.7 %
1943	1.9 %

How effective was the First New Deal in solving the problems caused by the Depression?

Reviving Industry:

- Economy grew by 10% from 1933-36 but unemployment remained at 14%
- FDR – **NIRA – National Industry Recovery Act in June 16th 1933** – last legislation of the First Hundred Days/ main author of it was General Hugh Samuel Johnson
 - NRA – National Recovery Administration – industries agreed to codes of practice on issues, such as child labor, long hours, low pay
 - However many codes drawn up too quickly and proved unworkable and small firms disadvantaged by the codes
 - **PWA – The Public Works Administration** – idea providing government money for public work schemes- use skilled unemployed on large-scale public works projects – hope that they would stimulate a range of industries
 - Program leader, Harold Ickes , was given \$3.3 billion – careful to spend, scheme developed slowly - but in the end between 1933 and 1939 it was responsible for building 13000 US schools and 50 000 miles of roads.



Supporting Homeowners:

- Many had their homes repossessed – Home Owners Loan Corporation - provided low interest loans to allow adjustments of mortgages (could be rescheduled for longer period to help the unemployed)

How effective was the First New Deal in solving the problems caused by the Depression?

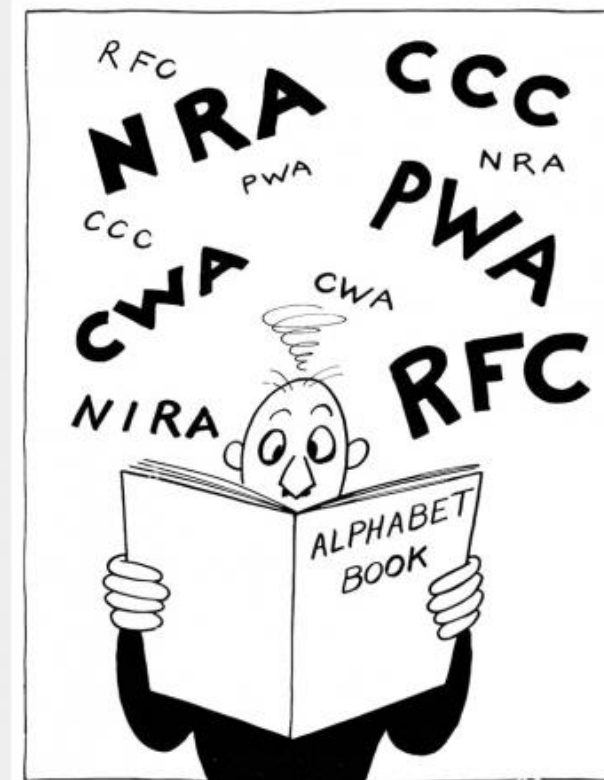
Tackling Regional Deprivation:

- Tennessee Valley Authority Act of May 1933 – established TVA (**Tennessee Valley Authority**)
- Area containing 7 of the poorest states – half of states' population dependent on relief
 - In 1932, only 2 % of farmers had electricity
- TVA aimed to make region more prosperous; encouraging industry and agriculture
 - Construction of 33 dams designed to generate electricity – it also generated work, transforming the region



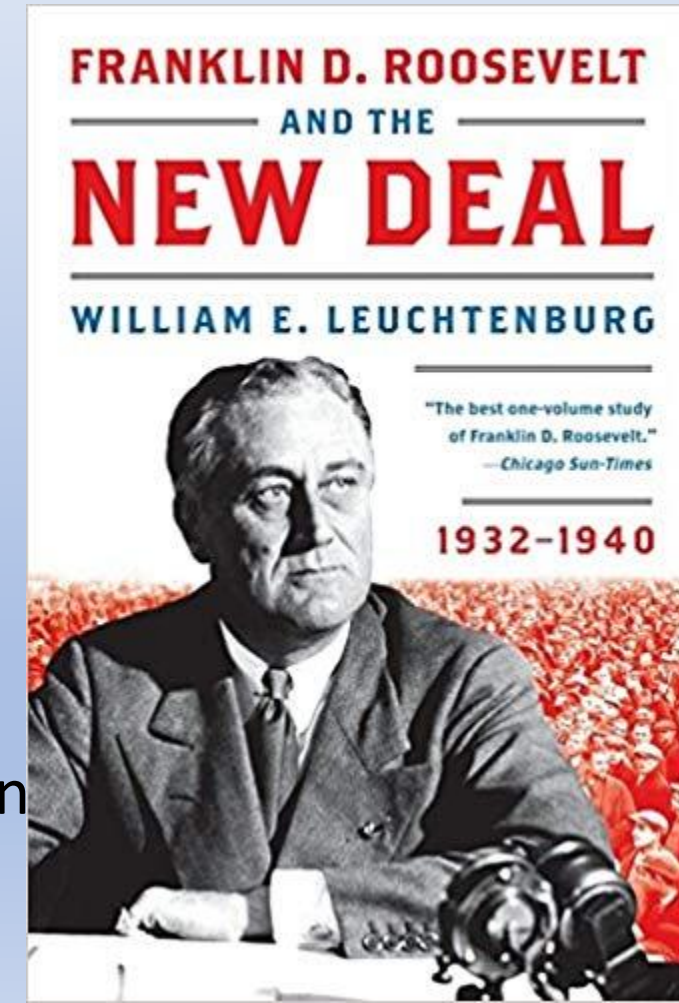
What was the significance of FDR's First Hundred Days?

- Actions of the government restored confidence – people trusted FDR – first 100 days were vital in creating new sense of hope and optimism
- After 100 Days
 - Some changes – Civil Works Administration (CWA) in November 1933, supporting the unemployed throughout the winter/ found temporary work of unemployed
- **FHA – Federal Housing Administration** was set up; stabilizing housing market/ FHA guaranteed private mortgages, reduced down payments, extended repayment times
- **SEC – Securities and Exchange Commission** – regulated trading in stocks and bonds
- Measures taken by FDR's government were a response to a series of crises (Richard Hofstadter, John Flynn – conservative historians)



Historians and the New Deal:

- Years after the New Deal – most historians positive about the impact – saw US government as taking responsibility for social welfare (Carl Degler, William Leuchtenberg)
- **Historians of the New Left** – Howard Zinn, Paul Conkin, Barton Bernstein – in 1960s – solutions of the New Deal were limited – failed to raise the impoverished or redistribute income
- **1970s historians** – criticized new Deal for setting the US on the wrong course – Milton Friedman – encouraged government to spend, raised inflation
- **Recent historians** – more balanced view – New Deal recognized organized labor, introduced greater regulation and provided greater financial security for Americans – David Kennedy, Paul Johnson
- **Hugh Brogan** – New Deal was a success as it preserved American democracy, the constitution, and capitalism.



Opposition, Criticism, and the Second and Third New Deals

Why was there opposition to the New Deals?

- Some critics of the New Deal argued that FDR's policies destroyed the American belief in freedom; others argued reforms did not go enough to tackle the problems – opposition took two forms: those who believed that the New Deal interfered too much with the American way of life' and those who felt it did not go far enough
- Many Americans believed it was not the business of the government to create jobs, control prices and introduce regulation on work conditions

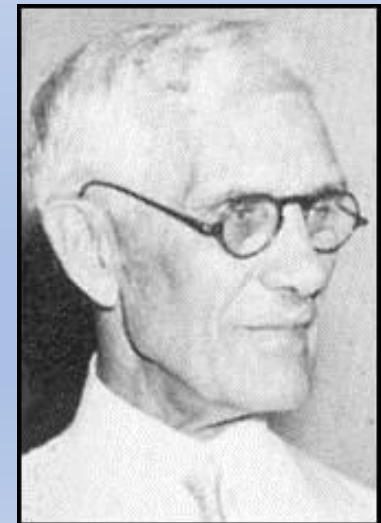
Who opposed the New Deals?

- **Republican opposition to the New Deal**
 - Many Republicans thought it was not government's role to deal with wages, viewed support for the unemployed through taxes as unfair to wealthy, complained about the deficit, and that schemes did not work as unemployment wasn't falling – Republican criticism may have affected FDR's decision to cut back on government programs and tightened the availability of credit
- **The Liberty League**
 - Founded in 1934/ beliefs similar to those of republican
 - League argued since New Deal saved capitalism, it was time to roll back all governmental regulations



Who opposed the New Deals?

- The Challenge from the Left – wanted further change
 - Charles Coughlin and the National Union for Social Justice
 - Coughlin was a priest, radio host-initially supported the New Deal, he called it a “Christ’s Deal”, but said the New Deal had failed to provide social justice/ his aim was complete “wealth redistribution”
 - Francis Townsend and Old Age Revolving Pensions
 - Townsend was a retired doctor; proposed every unemployed American, over age of 60 should be given \$200; he argued that it would boost the economy – scheme to be funded by taxation
 - “Townsend clubs” – membership reached 500,000
 - Collapsed – Townsend’s partner found guilty of stealing money from the funds; pressure of such groups influenced passing of the Social Security Act



The Challenge from the Left – wanted further change

- Huey Long – and “Share our Wealth”
 - Most serious individual challenge, Long was a Governor of Louisiana
 - Long produced radical plan – “Share our Wealth” – planned to confiscate wealth over 3 million and limit income to a maximum of \$1 million - proposed to use the proceeds to allow everyone to buy a home, car, and radio.
 - Long was popular – decided to run against FDR in 1936, but he was assassinated in 1935
- Sinclair and ‘End Poverty in California’
 - Upton Sinclair – novelist, proposed that unemployed should work in state-run co-ops and be paid in currency that could only be spent in co-ops
 - Despite concerns, opposition to New Deal were not a serious threat to FDR’s presidency




I, GOVERNOR OF CALIFORNIA

And How I Ended Poverty

▲ True Story of the Future

BY
UPTON SINCLAIR



This is not just a pamphlet.
This is the beginning of a Crusade.
A Two-Year Plan to make over a State.
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use an old party for a new job.
The EPIC plan:
(E)nd (P)overty (I)n (C)alifornia!

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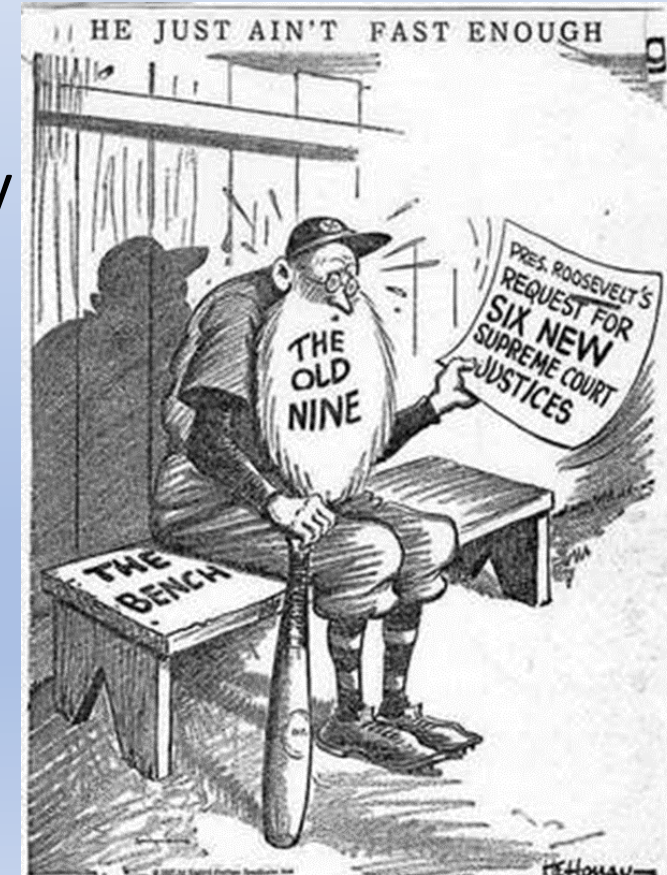
Opposition to New Deal

The New Deal and the issue of Freedom:

- Under Roosevelt, liberty was extended by providing economic security and equality; however critics have argued that the policies destroyed freedom as they ‘attacked’ the American way of life – took US closer to socialism

The Supreme Court

- Greatest challenge came from the Supreme Court – increasingly declaring New Deal unconstitutional
- **Black Monday – 27th May 1935**, Supreme Court found Farm Mortgage Act unconstitutional and found National Industry Recovery Act unconstitutional as a result of sick chickens case
- Supreme Court ruling suggested that the government had no powers to oversee nationwide economic affairs, undermining much of the New Deal
- FDR – attempted to reform the court, increasing number of judges from 9 to 15- this failed, seen by some as a dictator



4.3 Did the New Deal Benefit Everyone?

- Failed to ease the plight of the Long-Term unemployed who did not find jobs until outbreak of WW2
 - Failed to help **the dust-bowl migrants** – dust storms – droughts and soil erosions/ 80,000 farmers left for California, but found little work – lived in terrible conditions, many returned home

4.4 What was the impact of the criticism?

- Criticisms helped to inform some of the policies implemented in the Second New Deal – much more radical than the first
 - Social security Act, Fair Labor Standards, Rural Electrification
- Criticism of deficit financing resulted in Roosevelt cutting back on government programs in 1937, this led to rise in unemployment
- Supreme Court criticisms – attempt to increase the number of justices
- Increased criticisms from African American community, they gained little from the New Deal

How successful was the Second New Deal?

- More radical/ aim to improve position of the poor, sought to help small businesses
- FDR in stronger political position following 1934 midterm elections
 - Big business and the Supreme Court were the strongest opposition

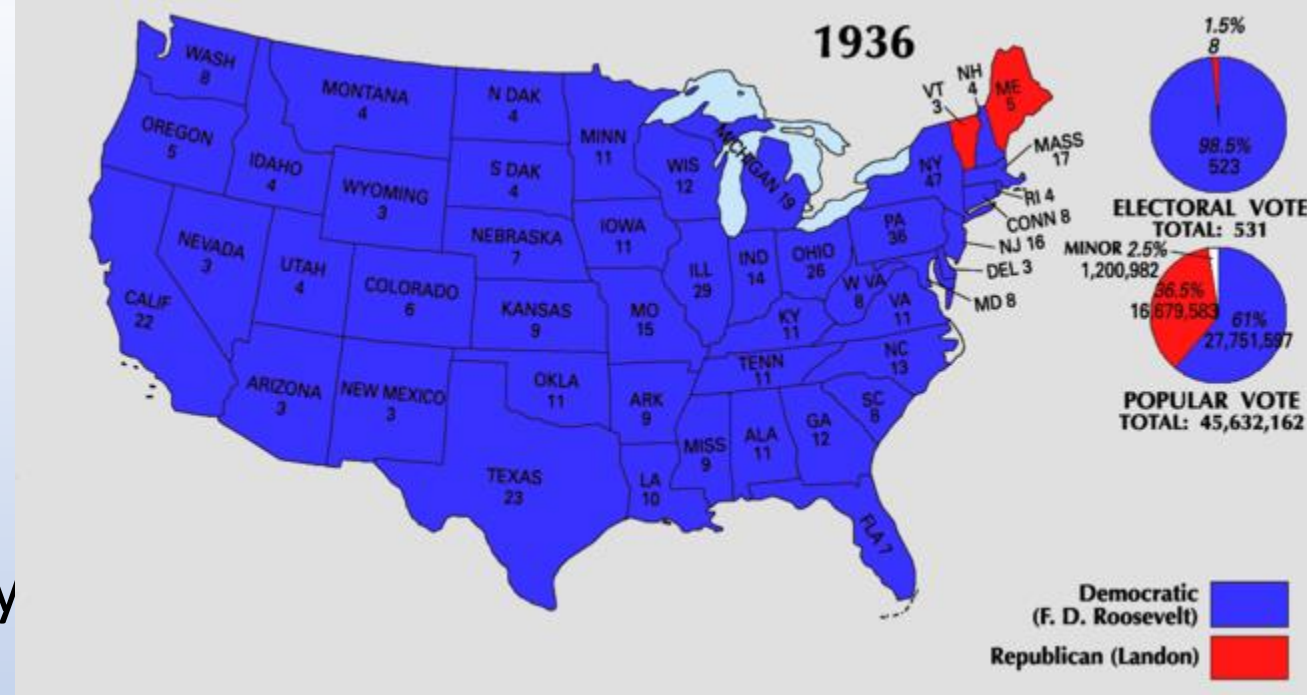


The Measures of the Second New Deal

- Roosevelt met democratic senators on May 14 1935/ they put pressure on him to take more radical steps – within 88 days he implemented most of its legislative program
- **The National Labor Relations Act (Wagner Act) – July 1935**
 - Forced employers to recognize unions, forbade firing for being union members; gave workers some legal protection
 - Established National Labor Relations Board – allowed to negotiate wages
 - Successful – rise in union membership from 3.7 million (1935) to 8.5 million (1940)
- **The Works Progress Administration (WPA) – April 1935**
 - Funding \$45.5 billion/ found work for some; about 8 million over 8 years
 - Biggest employer in the US – construction of La Guardia airport
 - WPA was not allowed to compete with private firms or build private housing; encouraged youth education and training
- **The Social Security Act (SSA) – controversial**
 - Federal government worked with state governments to provide for those in need - national insurance scheme established
 - Pensions, unemployment benefits and support for those with disabilities
- **Supporting Farmers**
 - Farmers offered help through Resettlement Administration/ helped poor farmers buy equipment
 - Government paid farmers a subsidy though soil conservation and Domestic Allotment Act
- **Other Measures**
 - REA – Rural Electrification Measures (May 1935) by 1950, 90% of farms had electricity
 - The Revenue Act of 1935 – raised taxes on higher level income so that the wealthy contributed more

Was there a Third New Deal?

- Roosevelt won 1936 elections against Alf Landon with 60.8% of the vote – won all states except Maine and Vermont
- FDR's second term – characterized more by battles with the Supreme Court than by introduction of new legislation
 - No New Deal – US went into recession in 1937-38
- In 1937 two major legislations passed
 - **The Wagner – Steagall Act** – established US Housing Authority, provided money for low cost housing, and made available loans up to 100%
 - **Farm Tenancy Act** – Established Farm Security Administration - loans for poor share croppers and tenants to buy land and heavy farm machinery



The US Goes back into Recession:

- Brought government measures to a halt in 1937
 - catastrophic effects
 - Employment in manufacturing dropped by 23 %
 - Employment in car industry fell 50%
 - National income dropped 13%
 - Farmers saw their prices fall by 20%
- In order to get US out of recession, return to deficit financing/ it was much harder for Roosevelt since the Congress was Republican party controlled
 - A second Agricultural Adjustment Act of 1938 – subsidies for food products and soil conservation
 - Fair Labor Standards Act of 1938 – established maximum hours and minimum wage for workers
- Idea of the Third New Deal – hardly sustainable



The Impacts of the Great Depression on US Society

(African Americans, Women and Minorities)

What was the position of African Americans and other minority groups in the US in the late 1920s?

Legal Position:

- African Americans – 10% of US population, 85% lived in the South/ poorest part of the United States/ high discrimination – whites belief of racial superiority
- Jim Crow Laws – legalized discrimination in the South
 - Segregation – “separate but equal” – never equal, non-white facilities usually inferior
 - In the South the Ku Klux Klan (KKK) targeted African Americans, attackers were rarely prosecuted , and law enforcement provided little protection to African Americans

Economic Position:

- Little improvement for African Americans since abolition of slavery in 1865, in the South most were share croppers/ rented small farms
 - many tried to escape poverty by moving north, but migration caused racial tensions
 - only 7% of first generation African Americans attained professional jobs, only 9% of second generation
 - poor education – resulted in being trapped in the cycle of poverty; lack of employment opportunities



What was the position of African Americans and other minority groups in the US in the late 1920s?

- **Social Position:**
- 1919- race riots in 25 cities – most serious in Chicago – 38 killed, 500 injured
 - Commission blamed segregation and unfair treatment of African Americans, but little changed in practice and African Americans remained disadvantaged
 - Some northern cities passed segregation in housing laws that resulted in the development of African American ghettos -, for example in Harlem, African American population grew from 50,000 in 1914 to 163,000 by 1930, resulting in overcrowding
- **Political Position:**
- African Americans had the right to vote since 1865, but rarely voted due to various restrictions
 - Had to pass literacy tests before allowed to vote, “grandfather clauses”, imposed poll taxes
 - Where they voted, most voted Republican because of passage of Emancipation act by President Lincoln
 - Few opportunities to improve their positions – Southern politicians were able to control Senate Committees to prevent attempts at improving the position of African Americans



Changes during the 1920s:

- Some signs of change – **Harlem Renaissance of the 1920s** – cultural flowering of African American literature and music (jazz)/ showed there was a sway out of poverty – whites owned nightclubs and African American performers were only allowed in
- 1920s – emergence of key individuals - William du Bois (NAACP) and **Marcus Garvey** (Back to Africa), and Philip Randolph (Black Trade Union)
 - While black activism increased , most lacked political consciousness or feared repercussion (like lynching)



Other Minority Groups:

Native Americans:

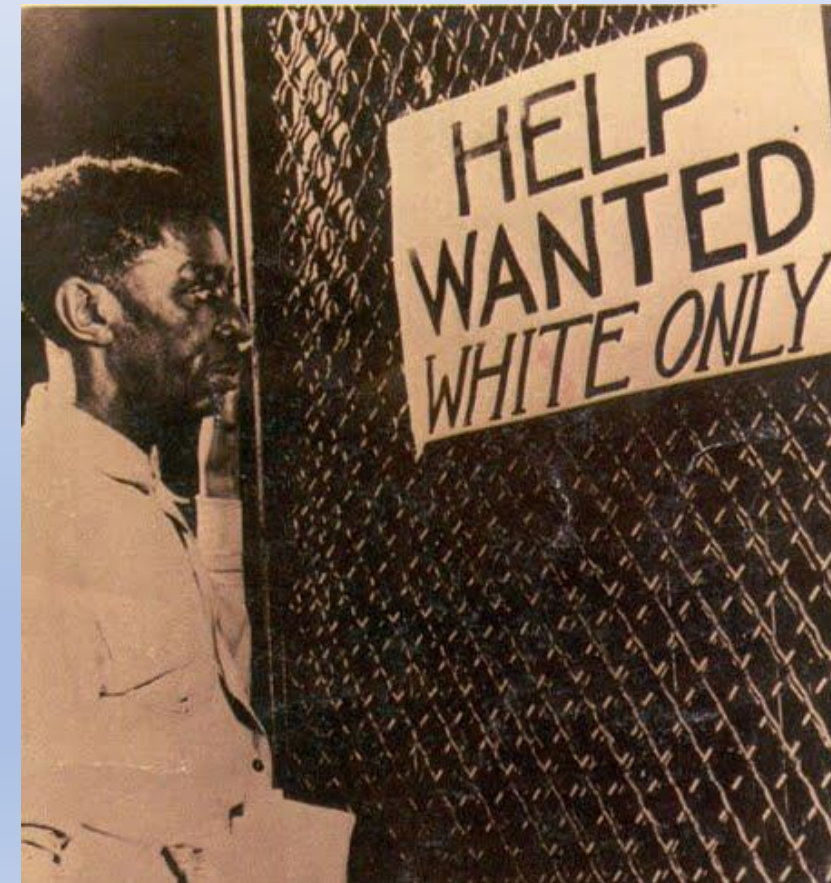
- Resided on reservations – hard to maintain traditional way of life
 - 1924, they were granted US citizenship due to their contributions in WWI
 - Progress slow, poverty prevailed

Hispanic Americans:

- Heavily discriminated against – not much economic progress made, since they were viewed as a threat to US labor market
 - Many Mexicans were agricultural laborers/ high tensions during agricultural depression

What was the impact of the Great Depression on minorities?

- **African Americans and Unemployment** – 4 to 6 times higher than whites, often first to lose jobs (during industrial downturn)
 - Menial jobs picked up by whites/ willing to take any job – employers offered jobs to white people first – in some cities vigilante groups were ensuring employment opportunities for whites only
- **Relations to migrant workers:**
 - In the South share croppers were hard hit by the financial crisis
 - 2 million African Americans left farming lands/ went to Northern cities in search for work
 - SSA and NARA did not cover sharecroppers
 - Arrival of African American migrant workers intensified racial relations in cities and added to the problem of providing relief



The Realities of the New Deal

- FDR more concerned with saving US capitalism than helping African Americans – also difficult to get more action because FDR depended on Southern Democratic votes
- New Deal legislation was often prejudiced
 - National Recovery Administration (NRA) allowed African Americans to be paid less than whites for doing the same jobs
 - The Civilian Conservation Corps (CCC) – racist, discouraged African Americans to join (Robert Fechner presided over the CCC)

The Effects of the GD on other minority groups:

- **Hispanic Americans:**

- Severe agricultural decline – people in need of relief, lots of discrimination against Hispanic Americans - many were deported; Mexican population in the US fell from 600,000 in 1930 to 400,000 in 1949

- **Native Americans:**

- Badly hit by the depression; however Natives were never seen as a threat to white jobs, but native concern was to preserve their own culture and way of life

The Impact of the New Deal:

• On African Americans:

- Many measures of the New Deal worked against African Americans, such as **Agricultural Adjustment Administration** set quotas for production and encouraged modernization – putting many farm laborers (disproportionally African Americans in the south) out of work – New Deal did encourage wage raise and reduction in working hours, that brought some improvements
- Anti-lynching bills were introduced in 1934 and 1937, but were defeated in Congress – democratic party opposed any changes in racial laws
- **Eleanor Roosevelt** – showed special interest in position of African Americans – she attended bi-racial group meetings in Birmingham, AL – she introduced African American representatives to the president - nearly 50 African Americans obtained senior position in the federal bureau – “**black cabinet**”
- There was some improvement for African Americans, as they were included in most relief programs

• On Hispanic Americans:

- Did not benefit from the New Deal – many Mexicans deported, including some who were US citizens

• On Native Americans:

- **John Collier** – commissioner for the Bureau of Indian Affairs (BIA), a federal government agency responsible for the safekeeping of lands assigned to Native Americans
- He had a deep interest in traditional Native American communities and the restoration of rights to self-determination – he was determined to reverse policy based on the Dawes Act of 1887 (which pushed assimilation and allotment) largely responsible for destruction of Native cultural heritage
- Collier helped pass **Wheeler – Howard Act (Reorganization Act), in June 1934**
 - Gave Natives greater role in the administration of their reserves, protected their rights to practice their own religion and assert their cultural identity
 - It stopped the sale of Native American lands
- Collier also made sure that Native Americans benefited from the opportunities offered by the Civilian Conservation Corps and the Public Works Administration
- Some of the policies met resistance by Native Groups
 - Poverty was not alleviated, usage of secret ballot – against Native practices
 - Most Indians were employed by the Bureau of Indian Affairs and many were dependent on federal aid



Political/economic/social impacts

Political Changes:

- Many African Americans saw Roosevelt as a savior; 30% were on relief
- Traditionally African Americans voted Republican (because of ending of slavery); but by 1940, Roosevelt was favored by African Americans – 85% of popular vote in Harlem voted for him – switch to vote for democrats

Employment opportunities:

- Some advancements in the employment opportunities
 - Number working in civil service trebled from 1932 to 1941
 - By 1939 over 1 million were employed through Works Progress Administration (WPA)
 - 1938 Congress of Industrial Organization (CIO) banned member unions from discrimination based on race
- However, laws often did not apply in areas where African Americans worked – SSA and minimum wage requirements excluded domestic workers, waiters, cooks, janitors and sharecroppers
- 1936 NAACP report – 6 million African Americans working in agriculture did not receive any help from the New Deal

Social Impact:

- More unemployed African Americans than any other groups; segregation and discrimination continued/ negative impacts on health and life expectancy
- Federal Housing Administration refused to give mortgages to enable African Americans to buy homes in 'white' areas



Historians and the impact of the New Deal on African Americans

- **Barton Bernstein** – (left-wing) – New Deal brought few benefits to African Americans
- **Tony Badger** and **Harvard Sitkoff** – New Deal did as much for African Americans as was possible, given FDRs dependency upon S. Democrats
- African Americans received more benefits than before, even if the system favored whites, yet change in allegiance of African American votes suggests that they recognized the benefits of the new Deal despite the lack of civil rights legislation
- **August Meier** and **Elliott Rudwick** see this period crucial in the development of civil rights – it had become a political issue

To what extent did the Depression change the position of women in the US?

Woman traditional role:

- Married women were expected to remain at home, raise family; WWI did little to change that long-term
- Economic prosperity of the 1920s created more job opportunities for unmarried women, and new domestic gadgets (such as vacuum cleaners) made life easier for married women – sales advertisers targeted women

Employment:

- Opportunities for career advancements were limited – 1920s only 150 female dentists, fewer than 100 female accountants, many worked in clerical or sale-based jobs but most in domestic service
- Those employed did not get the same pay as men, even if they did the same job
- By 1930 – 2 million more joined workforce (total 10 million working), 24% more than in 1920; also more married women were working (in 1920s 22/8 million, and 28.8 in 1930)
 - Women were, however, perceived as taking away work from men and they were seen as threatening male wages

Women's Social Position:

- 1920s saw some improvement
 - **1921 Sheppard-Towner Act** funded healthcare for pregnant women
 - There was a focus on stopping women to work night shifts
 - Reluctance to stay in unhappy marriages – number of divorces went up , doubled from 100,000 in 1914 to 200,000 by 1929



Changes:

- **1920- 19th Amendment** – gave most American women over 21 the right to vote
 - But very few more politically active or voted same as their husband
- **1928 League of Women Voters** reported that 145 women had seats in state legislatures (only 2 of 435 in the HoR)
- Often African American women in the South could not vote do to intimidation and discrimination
- Union were not supportive of women workers, since they were perceived as threat for male jobs and to male wages
- Politically – most women remained conservatism in outlook – traditional, religious beliefs, and domestic values

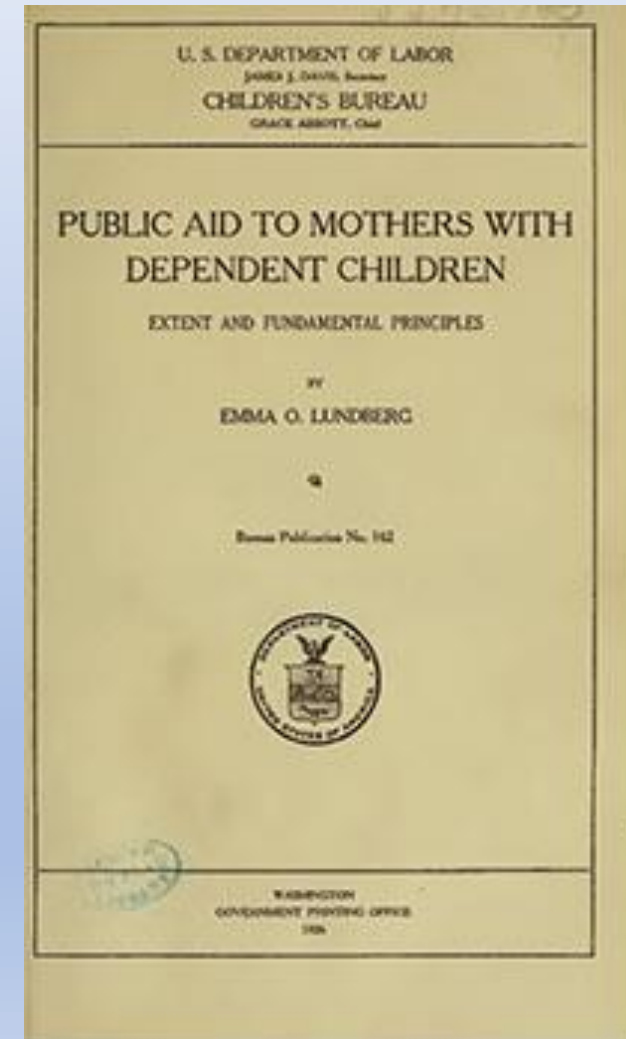
The Impact of the Great Depression on Women:

- Very difficult times for women – opportunities for employment collapsed – they were expected to give up their jobs for men (1936 82% of Americans opposed women working)
- 1930 – 75 % of school authorities opposed employing married women
- Many women worked to supplement the low income of their husbands
- 26 states attempted to introduce laws that banned married women from working (only became law in Louisiana)
- Many women found themselves doing laundry work/menial jobs
- 1930s, clerical jobs recovered, also could operate machinery in factories



Government Help for Women:

- Roosevelt administration did little to improve the position of women, and some legislation passed worked against the women
 - **1933 Economy Act** – prevented members of the same family working for the Federal Government, and 75% of those who lost jobs were women
 - **National Recovery Administration** established the principle of lower pay for women
 - Some agencies, Civil Works Administration among others, gave jobs entirely to men
- However, some acts did improve women's position:
 - **The Social Security Act of 1933**, welfare benefits for poor families
 - **1935 Aid for Dependent Children** – federal assistance to single women with kids (often only to white women)
 - **The Fair Labor Standards Act of 1938** – established minimum wage, which resulted in better pay for women, but still not equal pay (1939 female teachers paid 20% less than male teachers)
 - **The Wagner Act of 1935** encouraged organized labor/ women participated



Did life for women improve during the 1930s?

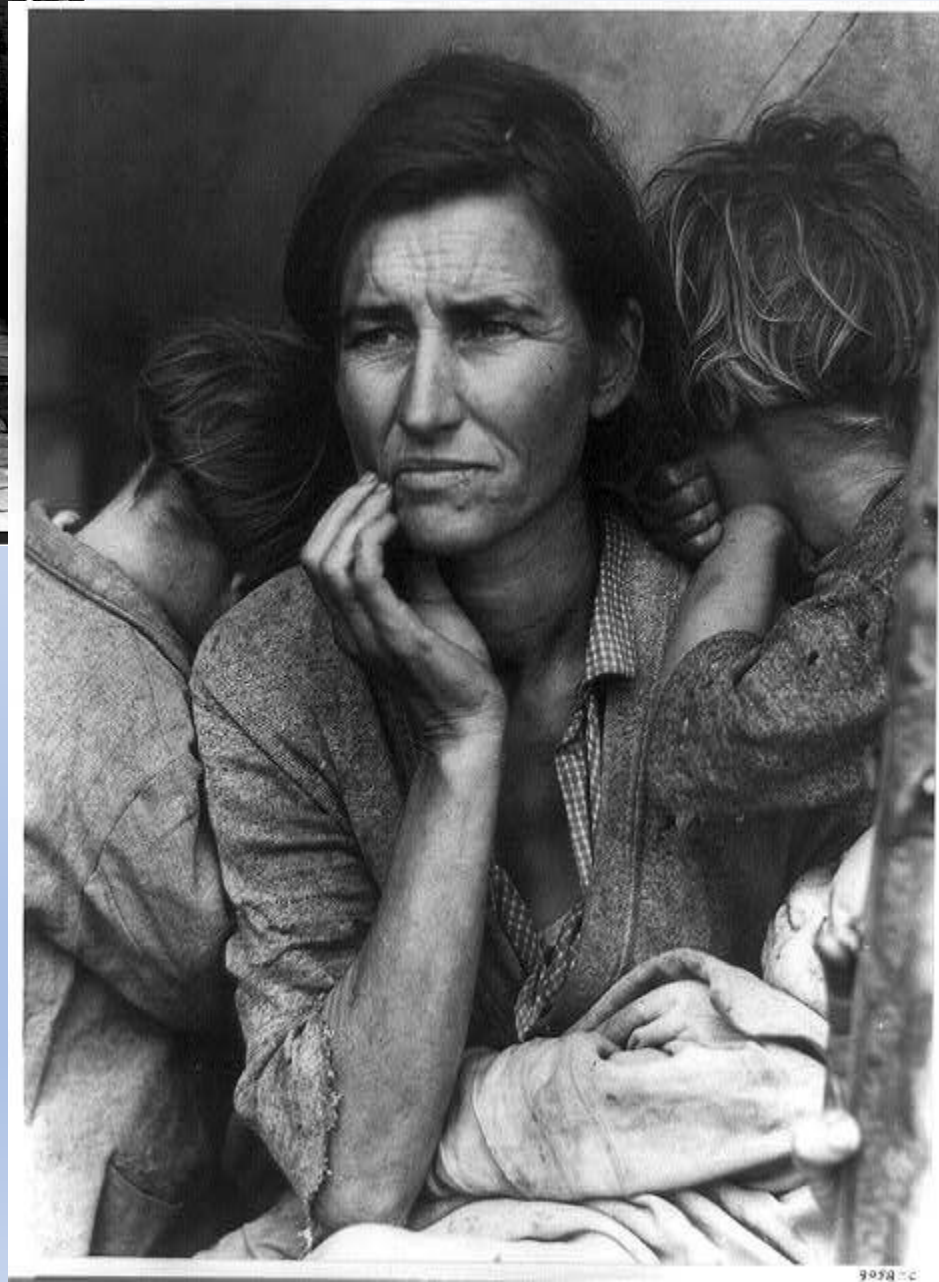
- Greatest advancement – involvement in national government
 - Secretary of Labor, for instance, was **Frances Perkins**
- Women involved in politics were commonly attacked (in the press)
- Most women did not gain much from the New Deal – by the end of the period men were still seen as, and expected to be the main earners
- Situation for minority women actually worsened significant
- Slightly better for native women due to Indian Reorganization act



The Great Depression and the Arts in the US

How did the Depression affect the development of photography?

- aspects of photography were undeniably influenced by the New Deal, since work was commissioned by federal agencies
- **Resettlement Agency Photographers:**
- The New Deal established federal government organization to promote economic recovery – they used photography to show general public the problem they were trying to solve
- Photographs widely seen, for example *Dorothea Lange's Migrant Mother* became famous
- Images appeared in the newspapers, magazines, museums, books
- Produced with purpose to promote the New Deal and to educate Americans
 - Intended also to provoke discussion/ had social and political agenda
- **Issues of Ethics:**
 - Little engagement with the photographed individuals (no conversation, did not send her the photograph or pay a fee)
 - Another issue was whether the art became more important than the message
 - Also controversial, images from these official photographers could be used to support a political agenda



The Role of Works Progress Administration:

- Aims were to show America to Americans, and encourage the arts as nationally unifying medium
- One of the most celebrated photographers, **Berenice Abbott** produced studies of New York between 1935 and 1938 as part of WPA's Federal Arts project
- Most photographers were restricted to relief project documentation
 - Abbott was well known experimental artist
- State aid for artistic photography was restricted by 1938, eventually ran out
 - New interest in photographs of ordinary people, rather than famous subjects

The Appeal of Photography during the Depression:

- The suffering the Depression caused acted as a major artistic stimulus
- The 1930s brought together a series of factors:
 - The photographers, the magazines and exhibitions, the dramatic opportunities to portray real life and personal emotion and a public demand for images.
- The new appetite for photography can be explained in several ways:
 - Photographs were something lasting and worthwhile at a time when material possessions and wealth were being lost
 - The Depression made Americans more curious about their country and its future; photographs provided means of explaining how the Depression came about, how it was affecting people and what was being done about it
- Words seemed to have failed the US – the talk of the 1920s of prosperity and progress now seemed cheap – public turned to images
- During the New Deal the public sphere became more significant – Americans engaged more with museum and public spaces
- Technology made cameras more accessible – 50% of US families owned one in the 1930s
- **Margaret Bourke-White** became famous for her pictures of engineering and industrial sites

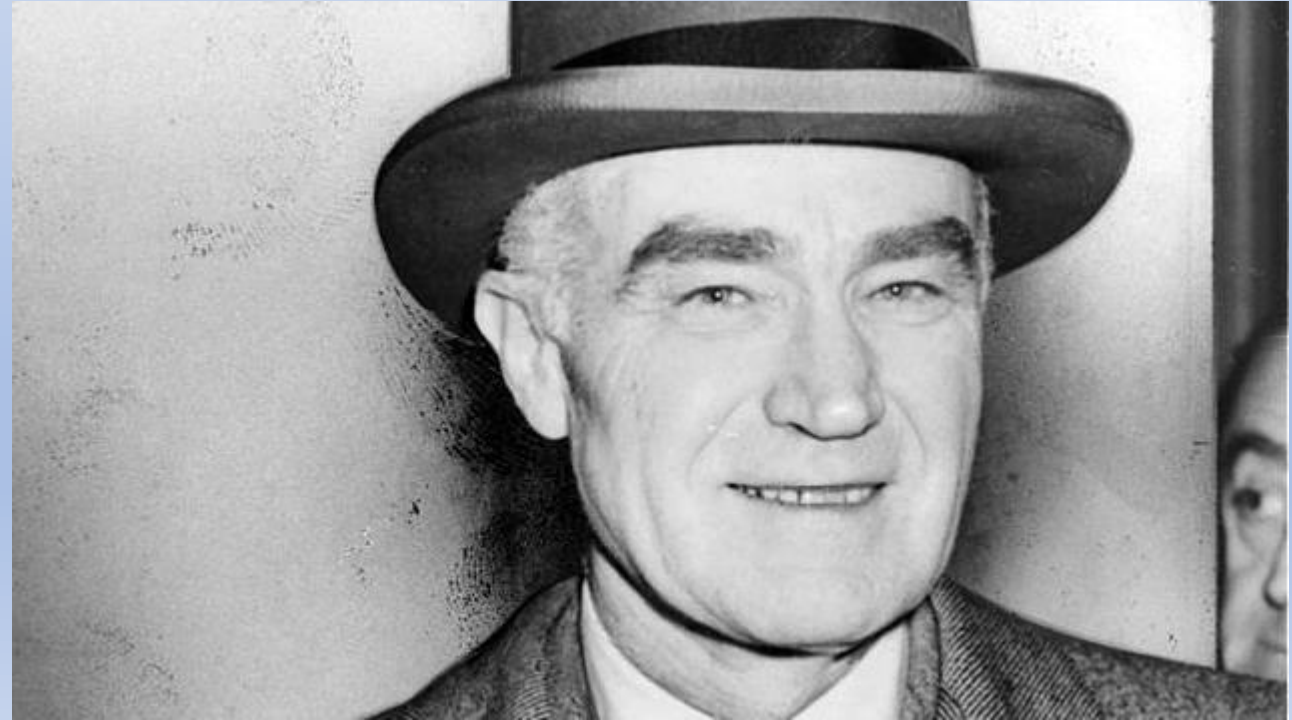


WORLD'S HIGHEST STANDARD OF LIVING

*There's no way
like the
American Way*

The Impact of Life Magazine:

- Publisher Henry Luce turned Life Magazine into a magazine dedicated to photojournalism (he produced Time and Fortune magazines)
 - Launched in Nov 1936 – built around the idea of pictures telling the story of current events and developments
 - Became highly popular
 - Made high-quality images accessible to the public



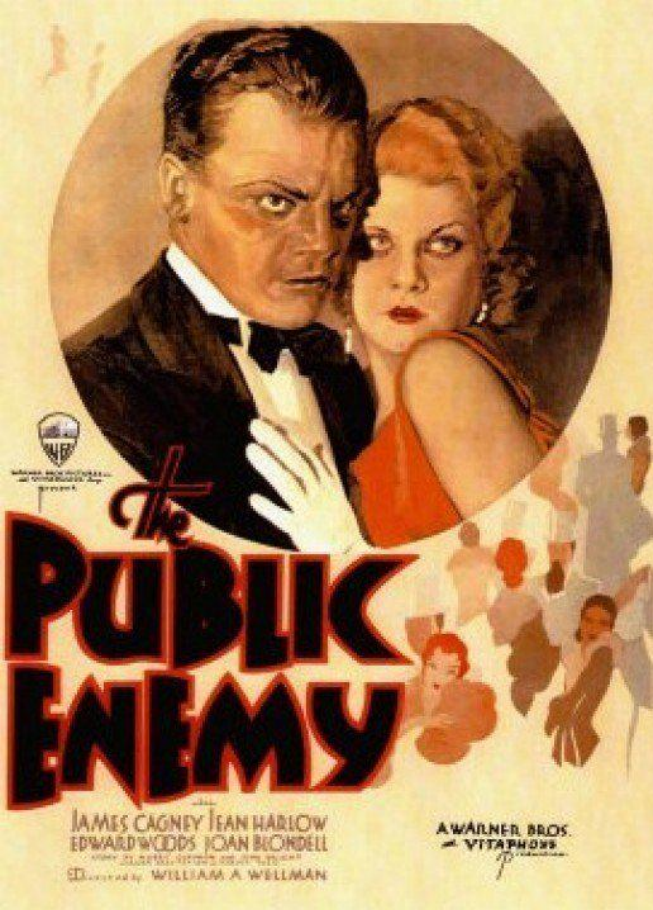
How did the Depression influence the Development of Film Industry?

- US economic problems did not restrict growth and expansion of Film Industry – introduction of sound and color
- Federal patronage available for documentary movies
- **Pare Lorentz** – film maker, former advertiser
 - Best known films
 - “The River”
 - 1938, made on low budget
 - Congress did not fund it
 - regarded as one of the most striking documentaries ever made; first screened at the White House
 - At times perceived as political propaganda
 - “The Plow that Broke the Plains” (1936)
 - Commissioned by the Department of agriculture
 - Its subject matter was the creation and effects of the dust bowl in the great Plains – message: individualism had destroyed the natural relationship of man with the land and brought hardships



Film Styles

- Public demand in the 1920s was for romantic storylines; melodramatic plays
- In late 1920s gangster plays became popular in theaters, followed by gangsters movies
- **Explaining gangster films** – the historical debate
 - **Morris Dickstein** argues that gangster films were influenced by the Depression
 - **Joel W Finler** provides an alternative view – the new film style emerged because of advent of sound – movie makers needed a new kind of star – the debate is whether the films about gangsters were a product of the Depression or would still have been made had prosperity continued
 - **Andrew Bergman** – suggests that gangsters films reinforced American myths about individual success
 - **Dickstein** suggests gangster films reflect not the get-rich individuals of the 1920s but a new uncertainty about success and individualism arising from depression, Example: movies Scarface (1932), Little Caesar (1931), the Public Enemy (1931) – gangsters were punished for their success - gangsters portrayed as monstrous figures; their violent and turbulent world compared to chaos that accompanies Great Depression, though none of the movies refer to it.



• Escapism

- Audiences wanted a world of wit and see lavish musicals productions in order to momentarily forget the harsh realities of the 1930s – musicals were immensely popular, fast-talking comedies popular too
- Deep analysis by Dickstein suggests that the precision of massed dancers and elaborate patterns represent a move away from individualism to achievement by working together in harmony
- Movie goers were attracted to films that reminded them of their hopes for the future, and stability, cooperation, freedom and opportunities for change

Films about the Depression:

- Example “**I am Fugitive From a Chain Gang**” – about how poverty brought about by the Depression ended individual hopes and aspirations
- Film studios controlled the creative artists and increased the production of so-called B-movies, lower quality films, supplement for main feature
- This structural approach can be seen as industry equivalent to the controls and collectivism of the New Deal
- Despite increased demand for movies the Depression reduced profits and forced film-makers to keep prices competitive – less money available for entertainment – however studios attracted stars, strong writers, musicians, etc.

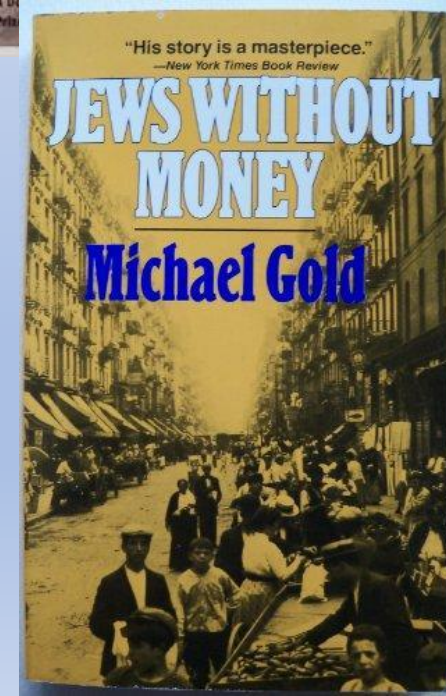
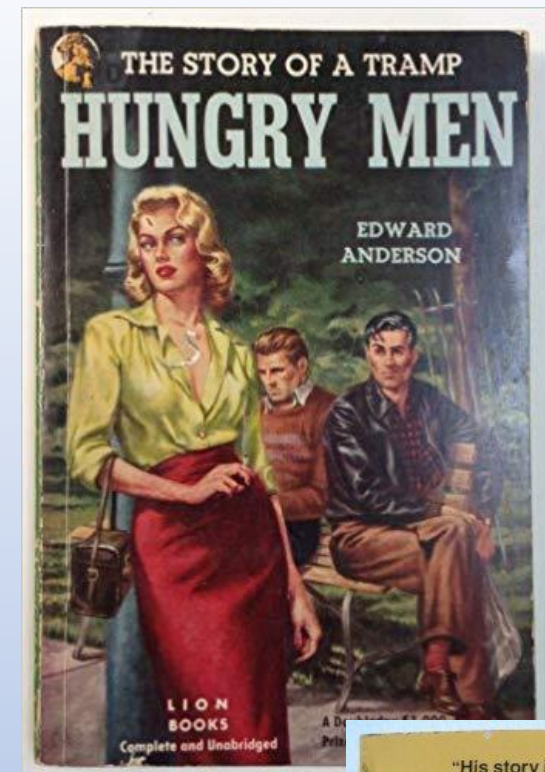
How were literature and drama affected by the Depression?

- New Deal offered little direct incentive to writing – while dramatic effects offered many opportunities for writers to investigate the human condition, the motivations for writing are diverse, hard to isolate
- The most remarkable sponsorship of theater plays came from the WPAs establishment of **the Federal Theater Project in 1935** – to bring theatre to masses – new productions of classics, and new work commissioned
- Writers took current issues and produced “living newspapers” to educate audiences
- Another innovation was the Negro Theatre Project – new works were commissioned and produced African American Writers such as Frank Wilson’s **“Walk Together Children” (1936)**
- There was desire among some writers to depict hardship and poverty



Writers and depiction of poverty:

- Some writers investigated and wrote about misery or drew on their experiences of growing up in poverty, example **Michael Gold's "Jews Without Money"**
- The early stages of the Depression produced a variety of novels depicting political awareness among US workers, stimulated by hardship, example:
 - Edward Anderson's **"Hungry Men"**
- Most famous writer of the Depression era was John Steinbeck
- Some writers wrote about unlikely subjects of conventional novels, such as migrant workers
- Images, at least to some extent, had become more powerful than the written word
 - Reflected in growth of comic books, Superman (1934) most iconic character



How did the Depression influence the development of the radio industry?

The development of the radio

- Westinghouse Electric Company experimented with broadcasting to the public in 1920s, set off a rapid growth in radio technology
 - By 1922, 570 radio stations and from the mid-1920s they were financed with advertising revenues
- The Federal Government regulated air waves from 1927 and favored commercial broadcasting – National Broadcasting established with NBC in 1926, and CBS (1927), together they controlled 30% of broadcasting stations
- Depression did not determine the form of broadcasting, but it did provide mass audiences and desire for shared radio experience
- 1930, 40% of national households owned radios; 90% by 1940
- The creation of Rural Electrification Administration had massive impact on this rapid growth in radio ownership
- Falling prices were also influential: 1916- average price of radio was \$35; by the 1930s mass production brought the prices down to \$10
- Average listening time was 4 – 5 hours per day/ mostly national networks
- Radio performers sought business sponsorship and musicians were associated with particular companies and products (e.g. Atlantic and Pacific Tea Company) – close relationship between private firms and radio networks was a feature of 1930s radio
- Radio offered opportunities for stardom – quick-fire comedies were popular diversion
- The greatest hit of the 1930s was a 15 min serial broadcast Amos 'n Andy – followed by audience of over 40 million Americans

The Radio and Politics:

- From 1933, President Roosevelt used radio for “fireside chats” – 60 million listeners – unique contact with their leader – personal ink; FDR wanted to inspire confidence
- First broadcast about banking crisis, crucial in preventing people to withdraw money

The Dangers of the New Medium:

- Some commentators were concerned that the power of radio might distort American values and corrupt democracy
- **Father Charles Coughlin** – popular host in 1936 became vocal in condemnation of capitalist greed – moved towards extremism - he was ordered off the air by the Vatican, but kept going – also promoted anti-Semitism



President Franklin Delano Roosevelt broadcasting to America during a "fireside chat." Photo credit: Wide World Photo.

