

The Politics of Prosperity: The 1920s

World War I may not have made the world safe for democracy, but it did create a favorable situation for the American consumer. The 1920s saw the growth of the culture of consumerism, as many Americans began to work fewer hours, earn higher salaries, invest in the stock market, and buy everything from washing machines to Ford Model T's. The culture of consumerism of the 1920s changed the politics of American society and set the tone for American attitudes about money.

Questions to answer:

1. What role did new technology play in shaping the economy of the 1920s? The culture of the 1920s?
2. Compare the relationship between big business and government during the 1920s to that of the Gilded Age.
3. How did the American love affair with the automobile affect American society? The American economy?

The Aftermath of World War I

1. The decade of the 1920s
2. "The New Era,"
3. marked by prosperity and new opportunity
4. reason for U.S. involvement in WWI was economic links to the Allied Powers
5. Wall Street financial institutions gave loans to UK totaling over \$2.3 billion
6. Wall Street feared a British defeat
7. The transition from a war-time to a peace-time economy caused:
 - a. economic dislocation for industrial workers
 - b. loss of income for farmers
 - c. renewed racism and nativism against
 - i. Black Americans
 - ii. foreign immigrants
8. Many Americans reveled in the new culture of consumerism

The Politics of Prosperity

Warren G. Harding (1865-1923)

1. Elected to the Presidency in 1920s
2. Harding urged a "return to normalcy."
3. policies of his administration were generally conservative especially regarding:
 - a. Taxes
 - b. Tariffs
 - c. immigration restriction
 - d. labor rights
 - e. business regulation
4. Harding's administration was marked by corruption and scandal
5. died of a stroke in office in August, 1923.

Calvin Coolidge (1872-1933)

1. Harding's vice president (1921-23)
2. Coolidge acted quickly to repair damage of the Harding scandals

3. Coolidge's policies:
 - a. including cutting federal taxes
 - b. maintaining high tariffs
 - c. very popular during his tenure as president
 - d. decisions were later discredited

Herbert Hoover (1874-1964)

1. Secretary of commerce under both Harding and Coolidge
2. elected to the presidency in 1928
3. helped by the prevailing prosperity in major areas of the country
4. Hoover in office just a few months when the Great Depression began
5. 1932 he lost the presidential election to Franklin D. Roosevelt

The Business Boom of the 1920s

1. U.S. economy experienced steady growth and expansion during the 1920s
2. Three factors of production became especially important:
 - a. Machines
 - b. Factory
 - c. The Process of Standardized Mass Production
3. A self-perpetuating cycle was created:
 - a. standardized mass production led to
 - b. better machinery in factories, which led to
 - c. higher production and higher wages, which led to
 - d. more demand for consumer goods which led back to
 - e. more standardized mass production
4. This upward spiral led to a business boom
5. continued until 1929
6. There were five main sources of the 1920s economic boom:
 - a. Effect of WWI on technology.
 - b. Scientific management: "Taylorism"
 - c. Rapid increase in worker productivity
 - d. Psychology of consumption
 - e. Relations between the federal government and big business

Effect of WWI on Technology

1. During the war there was a significant labor shortage
2. combined with the need for increased production
3. necessitated new, more efficient methods of production
4. Old industries, such as petroleum and steel, were stimulated
5. also a host of new industries, such as plastic and rayon
6. accelerated technological changes
7. money spent on new machinery for industry:
 - a. 1915 the total annual expenditure was \$600 million
 - b. grew to \$2.5 billion by 1918.

Scientific management was known popularly as "*Taylorism*"

1. mathematical formula for
 - a. labor

- b. streamlining of tasks
 - c. increase in production
- 2. In 1920s, US industries implemented scientific management on a grand scale
- 3. poured millions of dollars into industrial research

Rapid increase in worker productivity.

- 1. scientific management & new technology increased worker productivity
- 2. workers earned higher wages and became better consumers
- 3. A new innovation appeared: the installment plan
- 4. encouraged Americans to build up debt in order to buy consumer goods.

Psychology of consumption.

- 1. Americans were displaying a desire to get rich, and to do so with little effort
- 2. Thorstein Veblen, *The Theory of the Leisure Class* in 1898
- 3. book was not widely read until the 1920s
- 4. it spoke directly to the psychology of American society
- 5. introducing the now-familiar term "conspicuous consumption."
- 6. Some examples of conspicuous consumption include:
 - a. Radio
 - i. first commercial radio station opened in the 1920s in Pittsburgh
 - ii. By 1922, 3 million American households had radios
 - iii. by 1929, purchases of receivers had increased by 2,500%
 - iv. by 1929, industry annual sales of \$850 million.
 - b. Motion pictures
 - i. fledgling industry before World War I
 - ii. the motion picture industry took off in the 1920s
 - iii. became one of the ten largest industries in the U.S.
 - iv. In 1922, theaters sold 40 million tickets a week
 - v. by 1929, that number had grown to 100 million a week
 - c. New electric appliances
 - i. lightened the load of the middle-class American housewife:
 - ii. vacuum cleaners, toasters, washing machines, refrigerators
 - iii. Women became America's greatest consumers
 - iv. purchased items, such as furs, that a generation ago would have been considered a luxury.
 - d. Automobile industry
 - i. Annual production rose from 2 million in 1920s to 5.5 million in 1929
 - ii. By late 1920s, there was one automobile for every five Americans
 - iii. Two factors led to the rising popularity of cars:
 - 1. Cost –
 - a. The price of cars declined steadily until the mid-1920s
 - b. the automobile came to be within reach of any well-paid working family
 - c. the 1926 Model T cost \$290
 - 2. Credit - In 1925, 75% of all automobile sales were on the installment plan
 - iv. Henry Ford (1863-1947)
 - 1. did not invent the automobile
 - 2. he did the most to promote the car

3. developed more efficient and cheaper means of production
4. "Americans can have any kind of car they want, and any color they want, as long as it's a Ford, and as long as it's black."

Economic Effects of the Automobile:

1. Promoted growth of other industries, especially petroleum, rubber, and steel
2. A national system of highways was created.
 - a. Automobiles required better roads
 - b. After WWI, federal funds became available for building highways
 - c. a major industry was born
3. Created new service facilities
 - a. Filling stations
 - b. Garages
 - c. Roadside restaurants
 - d. Motels began replacing hotels

Social Effects of the Automobile:

1. Created a more mobile society.
 - a. Rural Americans came into urban areas for shopping and entertainment
 - b. Cars broke down the distinctions between urban and rural America
2. Broke down the stability of family life
3. Broke down traditional morality

Relations between the federal government and big business.

1. US businessmen regained status of folk hero they enjoyed before Progressivism
2. Many Americans felt they also had opportunity to participate in prosperity
3. began to equate prosperity and progress
4. critic: Sinclair Lewis in his novel Babbit (1922)
5. Lewis poked fun at the average businessman as
 - a. Materialistic
 - b. Amoral
 - c. Superficial
 - d. Conformist
6. Bruce Barton, a prominent figure in advertising
 - a. published The Man Nobody Knows: A Biography of Jesus in 1925.
 - b. presented Jesus as the "founder of modern business"
 - c. the apostles as the "greatest sales force in history"
7. Relationships between businessmen & government had never been closer than in the 1920s.

"The American Way"

1. Businessmen had two major propaganda mills:
 - a. the Chamber of Commerce
 - b. the National Association of Manufacturers
2. Both preached
 - a. a return to laissez-faire economics
 - b. less regulation of business
 - c. less support of labor unions

3. The National Association of Manufacturers labeled this program as "The American Way."
4. President Harding asked for "less government in business and more business in government"

There were four major ways in which the federal government supported big business.

1. High tariff policies
 - a. The Fordney-McCumber Act (1922)
 - b. Hawley-Smoot Act (1930)
 - c. created the highest-ever schedule of tariffs for foreign-made goods
2. Taxes
 - a. Andrew Mellon was Secretary of the Treasury 1921-1932
 - b. Congress repealed the excess profits tax & reduced the rates for corporate and personal income taxes at Mellon's request
 - c. Mellon provided business leaders with a list of tax loopholes which were drawn up, at Mellon's request, by the IRS
3. Cutbacks in the Federal Trade Commission (FTC)
 - a. The FTC created to regulate big business and to look into unfair trade practices
 - b. did less and less of this in the 1920s
4. Herbert Hoover
 - a. Secretary of Commerce
 - b. as President encouraged price-fixing
 - c. believed that the government was responsible for helping businesses profit

The Crash and the Great Depression

In 1929 Yale University economist Irving Fisher stated confidently: "The nation is marching along a permanently high plateau of prosperity." Five days later, the bottom dropped out of the stock market, ushering in the Great Depression, the worst economic downturn in America's history. Although the Great Crash is viewed as the starting point of the Great Depression, it wasn't the sole cause.

Some questions to Answer:

1. Why were Americans so confident in the stock market in the years leading up to the Great Depression?
2. How did the Psychology of Consumption shape the causes and effects of the Crash?
3. How did stock market investing change during the 1920s? Who were the main investors and how did they pay for their investments?
4. Explain the statement: "By 1929, much of the money that was invested in the stock market did not actually exist."
5. Why did Hoover choose the term "depression" for this economic downturn? Why do you think this term has remained part of the American vocabulary ever since?

Optimism and Prosperity

1. Herbert Hoover was elected President in 1928
2. Mood of the public was one of optimism and confidence in the U.S. economy
3. Few saw reason why prosperity should not continue

4. Acceptance speech for the Republican party nomination for the presidency, Hoover had said:

"We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us."
5. John Jacob Raskob
 - a. CEO of General Motors
 - b. head of the Democratic National Committee
 - c. published article, "Everybody Ought to be Rich" in Ladies Home Journal
 - d. Suggested that every American could become wealthy by investing \$15 a week in common stocks
 - e. failed to realize that weekly salary of average worker was about \$17-\$22

A "Bull Market"

1. Five years prior to 1929, the stock market had been characterized by rising prices
2. enormous "bull market."
3. The opposite, a market characterized by falling prices, is called a "bear market."
4. Six speculations to explain why so many people invested in the stock market during this time:

I. Rising stock dividends.

1. The stock market was propped up by new investors entering the market
2. viewed it as an easy way to get rich quick
3. relatively small number of Americans--about 4 million--had investments in the market at any one time
4. Rather, the constant influx of new investors coming in and old investors moving out ensured that new money was always floating around

II. Increase in personal savings.

1. Higher wages meant even average Americans now had surplus money
2. surplus put into savings or invest in the stock market

III. Relatively easy money policy.

1. banks made money more readily available at lower interest rates to more and more people
2. it's conceivable that many people took out loans not only to buy cars, but also to buy stock.

IV. Over-production profits were invested in new production.

1. From 1925 on, industry was over-producing
2. In anticipation of eventually selling the surplus, business leaders funneled their profits right back into industry
3. Investing in factories, new machinery, and more workers
4. Led to even greater overproduction
5. This increased production gave the companies an aura of financial soundness
6. This encouraged Americans to buy more stock

V. Lack of stock market regulation.

1. there were no effective legal guidelines on the buying and selling of stock
2. corporations began printing up more and more common stock
3. Many investors in the stock market practiced "*buying on margin*"
 - a. buying stock on credit

- b. Confident that a given stock's value would rise
- c. an investor put a down payment on the stock
- d. expecting in a few months to pay the balance of the initial cost plus receive a hefty profit
- e. This turned the stock market into a speculative pyramid game
- f. in which most of the money invested in the market wasn't actually there

VI. Psychology of consumption.

- 1. The psychology of consumption fed the optimism of investors
- 2. gave them an unquestioning faith in prosperity

The Crash

- 1. The stock market was viewed as the chief economic indicator of the US
- 2. In September of 1929, stock prices began to fluctuate
- 3. Fluctuations dismissed as temporary
- 4. What many did not realize - or refused to admit - was that stock prices were totally out of proportion to actual profits
- 5. Sales of goods and construction of factories were falling rapidly while stocks continued to climb
- 6. Very few were worried
- 7. Still accepted Adam Smith's "self-adjusting economy" as doctrine
- 8. Believed the problems would fix themselves
- 9. October 24, 1929 - "Black Thursday"
 - a. People began dumping their stocks as quickly as they could
 - b. Sell orders inundated market exchanges
 - c. The bull market suddenly shifted to a bear market
 - d. By that evening, the market had stabilized a bit
 - e. J.P. Morgan and other financiers bought up stock
 - i. to stop the panic
 - ii. keep the market afloat
- 10. Friday, October 25
 - a. House of Morgan continued to keep the market stable
 - b. Seemed that the panic was over
 - c. The weekend intervened
 - d. As often happens to people in their free time, they began to worry
 - e. Thousands of people decided to sell whatever stock they still had as soon as the market opened on Monday
- 11. On Monday, October 28 - there was another wave of sell orders
- 12. October 29, 1929 - "Black Tuesday"
 - a. Marks the beginning of the Great Crash.
 - b. Single most devastating financial day in history of New York Stock Exchange
 - c. Within the first few hours the stock market was open, prices fell so far as to wipe out all the gains that had been made in the previous year
 - d. stock market was viewed as the chief indicator of the American economy
 - e. public confidence was shattered
 - f. Between October 29 & November 13 (when stock prices hit lowest point)
 - i. over \$30 billion disappeared from the American economy
 - ii. comparable to the total amount US spent on involvement in WWI
- 13. Still, optimism persisted
- 14. Many leaders declared that the worst was over

15. J.D. Rockefeller said:
 "These are days when many are discouraged. In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again."
16. In 1930 the national income dropped from \$87 billion to \$75 billion
17. In 1931 the national income dropped to \$59 billion
18. In 1932 the national income fell to \$42 billion
19. In 1933 the national income fell to \$40 billion

The Depression

1. President Hoover chose his words carefully in discussing the state of economy in 1929
2. So as not to alarm the public
3. Economic downturns of recent history had been called the "Panics"
4. Hoover called this latest downturn a "depression" rather than a "panic"
5. The name stuck
6. America was not alone in the Great Depression
7. It struck all the industrialized nations of the world, including:
 - a. Germany
 - b. Britain
 - c. France
8. Germany still had huge reparation payments to make to the Allies
 - a. reparation payments devastated the German economy
 - b. spiraling inflation began.
9. The Allies themselves had borrowed money from the U.S. during the war
 - a. unable to pay it all back during the 1920s
 - b. now not only broke, but in debt
10. USSR only major nation not affected by depression

Social Problems

1. Personal suffering from losing one's job
2. Breakdown of families
3. Soaring high school dropout rates (2-4 million)
4. Homelessness
5. Organized protests
6. "Hoovervilles" - homeless built settlements of cardboard and tar-paper shacks
7. Farmers armed with guns and pitchforks marched on local banks to prevent foreclosures

The Bonus Expeditionary Force

1. AKA – The Bonus Army
2. A group of WWI veterans
3. Had been denied their pensions
4. Organized the first march on Washington in protest
5. In 1932, twenty thousand men set up a tent city
6. Vowed to stay until they got their money
7. President Hoover panicked and sent in the army to break up this peaceful demonstration

Images of the Depression

1. Bread lines
2. Hoboes hopping freight trains

3. College grads becoming gas station attendants (or enrolling in graduate school in record numbers!)
4. Skyrocketing rates of suicide and mental illness
5. Former businessmen selling pencils or apples on the street corner
6. "Okies" - Oklahoma farmers escaping the dust bowl for migrant farm work in CA

Two basic economic facts soured the lives of average Americans:

1. Unemployment
2. Inability to sell goods and services

Farmers & the Great Depression

1. Farmers especially hard-hit by the Great Depression
2. Many had gone into debt to buy machinery and land
3. now could not make their payments
4. Low crop prices wiped out potential profits
5. The Dust Bowl
 - a. a great drought took place in 1931-32
 - b. in the Midwest and the South
 - c. turning much of the trans-Mississippi West into a dust bowl
6. Nevertheless, if farmers couldn't make a profit selling their products, at least they could still eat, so most stayed put
7. In contrast to popular images of farmers leaving the land, the 1930s actually had the lowest rate of migration from farms to cities

Escapism

1. One-third of Americans were below the poverty line
2. yet some industries actually managed to make a profit at the beginning of the 1930s as the public looked for a way to escape
3. If Americans couldn't find work, at least they could go for a drive, have a cigarette, or go to a movie
4. Correspondingly, sales of oil, gas, cigarettes, and movie tickets all went up
5. Humorist Will Rogers remarked:

"We're the first nation in the history of the world to go to the poorhouse in an automobile."

The Great Depression and the New Deal

The stock market crash of 1929 was an indication of underlying problems in the U.S. economy, but not the sole cause of the Great Depression. The Crash merely made the cracks in America's superficial prosperity much more obvious. And since the causes of the economic crises were complex, the solution would be complicated as well.

Some questions to answer:

1. What role did the unequal distribution of wealth play in sustaining the Depression?
2. What techniques did FDR use to boost his popularity? Was he successful?
3. Compare Hoover's philosophy of government to FDR's. Were there any salient differences?

Cracks in the Economic Foundation

1. American public sought a scapegoat for the economic collapse
2. Some held President Hoover responsible
3. Others targeted the "three B's"--brokers, bankers, and businessmen
4. Cause of the Great Depression could not be attributed to one individual or even a group of people
5. Roots of the Great Depression were in the very structure of the US economy, namely:

I. Unequal distribution of wealth and income.

1. Despite rising wages overall, income distribution was extremely unequal
2. Gaps in income had actually increased since the 1890s
3. The 1% of the population had incomes 650% greater than those 11% of Americans at the bottom
4. The tremendous concentration of wealth in the hands of the few meant that
 - a. the American economy was dependent on high investment of the rich
 - b. or luxury spending of the rich
5. However, both high spending and high investment are very susceptible to fluctuations in the economy
6. They are much less stable than people's expenses on daily necessities
7. Therefore, when the market crashed and the economy tumbled, both big spending and big investment collapsed.

II. Unequal distribution of corporate power.

1. Late 1870s on, there was an ongoing movement of consolidations and mergers
2. During WWI, many would-be competitors were merged into huge corporations like General Electric
3. Made competition nearly nonexistent
4. In 1929 two hundred of the biggest corporations controlled 50% of the corporate wealth in America
5. Concentration of corporate wealth
6. Meant that if just a few companies went under after the Crash, the whole economy would suffer
7. Quick reminders:
 - a. Trust - A combination of firms or corporations for the purpose of reducing competition and controlling prices throughout a business or industry
 - b. Holding company - A company that controls other companies
8. In the 1920s, holding companies came to replace trusts

III. Bad banking structure.

1. In the 1920s, banks were opening at the rate of 4-5 per day
2. without many federal restrictions to determine
 - a. how much start-up capital a bank needed
 - b. how much of its reserves it could lend
3. most of these banks were highly insolvent
4. between 1923 and 1929, banks closed at the rate of two a day
5. Until the crash in 1929, prosperity covered up the flaws in the banking system

IV. Foreign balance of payments.

1. World War I had turned the U.S. from a debtor nation into a creditor nation
2. In the aftermath of the war, the U.S. was owed more money - from both the victorious Allies and the defeated Central Powers - than it owed to foreign nations
3. The Republican administrations of the 1920s insisted on payments in gold bullion,
4. World's gold supply was limited
5. By the end of the 1920s, the United States itself controlled most of the world's supply
6. Besides gold countries could pay their debts in goods and services
7. However, protectionism and high tariffs kept foreign goods out of the US
8. Hawley-Smoot Act (1930) set the highest schedule of tariffs to date
9. Protectionism produced a negative effect on U.S. exports:
 - a. foreign countries couldn't pay their debts
 - b. they had no money to buy American goods

V. Limited or poor state of economic intelligence.

1. Most US economists and leaders in 1929 still believed in laissez-faire and the self-regulating economy
2. To help the economy along in its self-adjustment, President Hoover asked businesses to
 - a. voluntarily hold down production
 - b. increase employment
3. Businesses couldn't keep up high employment for long when they weren't selling goods
4. Widespread belief that if the federal budget were balanced, the economy would bounce back
5. To balance the budget demanded
 - a. no further tax cuts, although Hoover lowered taxes
 - b. no increase in government spending, which was disastrous in light of rising unemployment and falling prices
6. Another problem was the commitment of the Hoover administration to remain on the international gold standard
7. Many suggested increasing the money supply and devaluing the dollar by printing paper money not backed by gold
8. Hoover refused
9. Going off the gold standard was one of the first actions of new President Franklin Delano Roosevelt in 1933

The Presidential Campaign of 1932 - Hoover v. FDR

1. Was not merely a clash of two personalities
2. Two candidates disagreed
 - a. Prohibition - Roosevelt advocating a repeal of the Eighteenth Amendment
 - b. issue of unemployment
 - c. the role of government in aiding the economy
3. What did FDR stand for?
 - a. Strong stand on public power
 - b. Promised to reduce federal expenses
 - c. Promised to balance the budget
4. What did Hoover stand for?
 - a. Rugged Individualism – government help weakened people's self esteem and motivation
5. Roosevelt did not explain how:

- a. The government could both aid the public and
- b. Balance its own books while operating on a reduced budget
- 6. The American public trusted him
- 7. Election Day in 1932, 57.4% of the electorate voted for Roosevelt
- 8. Or, perhaps more accurately, against Hoover

Franklin Delano Roosevelt (1882-1945)

- 1. President of the United States from 1933-1945
- 2. Only President to be reelected three times
- 3. Governor of New York (1929-1932)
- 4. Ran for President with the promise of a New Deal for the American people
- 5. The Roosevelt administration of the 1930s was marked by
 - a. relief programs
 - b. measures to increase employment
 - c. aid for industrial and agricultural recovery from the Depression
- 6. Roosevelt was most committed to being well liked and to getting ahead
- 7. He was charming and very successful in using radio to bring his message to the American public
- 8. Making him the first modern media President
- 9. FDR knew his own limitations as a man of ideas
- 10. Chose well-qualified intellectuals and business people for his staff
 - a. Staff called: "*Brain Trust*" and included such luminaries as:
 - b. Labor Secretary Frances Perkins the first female cabinet member in U.S. history
- 11. FDR knew what the public would and would not accept
- 12. FDR was a pragmatic politician, not an intellectual or idealist
- 13. He culled his policies from the suggestions of members of his "Brain Trust" based on which seemed most politically viable.
- 14. The National Bank Holiday - 1933
 - a. By the time he came to office, 5,000 banks had failed
 - b. 47 of the 48 states had declared "bank holidays," stopping some or all bank activity
 - c. Some liberal members of Congress wanted FDR to nationalize the banks
 - d. FDR had no intention of taking such a radical step
 - e. Instead, he declared a "national bank holiday," closing all banks
 - f. in order to give inspectors time to review their solvency
 - g. FDR declared only banks in sound financial health, which had passed inspection, would be allowed to reopen
 - h. Most banks were only closed for ten days
 - i. only a very few were actually investigated
 - j. when the banks reopened, the American public entrusted them with their money
 - k. This actually made the banks solvent
 - l. Merely by restoring public confidence in the banking system of America, Roosevelt saved it at no cost to bankers or to the government.

The First Hundred Days

- 1. Roosevelt convened Congress in a special session
- 2. launched the New Deal with an avalanche of bills
- 3. This period came to be known as the Hundred Days

4. Roosevelt was introducing a new notion of the presidency whereby the president, not Congress, was the legislative leader
5. Most of the bills he proposed set up new government agencies
6. called the "alphabet soup" agencies because of the array of acronyms

Legislation of the First Hundred Days (The First New Deal)

AAA (Agricultural Adjustment Act)

1. Designed to help American farmers
2. stabilizing prices and limiting overproduction
3. initiated the first direct subsidies to farmers who did not plant crops
4. It was later declared unconstitutional and an unnecessary invasion of private property rights

CCC (Civilian Conservation Corps)

1. A public works project
2. passed as part of Unemployment Relief Act
3. operated under the control of the army
4. which was designed to promote environmental conservation while getting young, unemployed men off city street corners
5. Recruits planted trees, built wildlife shelters, stocked rivers and lakes with fish, and cleared beaches and campgrounds
6. The army's experience in managing and training large numbers of civilians would prove invaluable in WWII

TVA (Tennessee Valley Authority)

1. One of the most ambitious federal projects
2. proposed building dams and power plants
3. bringing electric power to rural areas along the Tennessee River in seven states
4. Private power companies were outraged
5. for many Americans it was their first chance for getting electricity
6. gave work to thousands of unemployed construction workers.

NIRA (National Industrial Recovery Act)

1. established the NRA (National Recovery Administration)
2. stabilize prices and production by having American industries set up codes
3. These codes of fair practices would be enforced by the federal government
4. In return for their cooperation with the government, corporations were promised that all anti-trust legislation would be suspended
5. Section 7A of the NIRA recognized the rights of labor to organize and to have collective bargaining with management
6. The NIRA was the most controversial piece of legislation to come out of the Hundred Days
7. charged with being un-American, socialist, even communist
8. it left untouched the sanctity of private property and the wage system
9. Supreme Court declared the NRA unconstitutional - May 1935
 - a. conservative court
 - b. claimed that the NRA gave the executive branch regulatory powers that belonged solely to Congress
 - c. NRA had administered federal regulation of commerce within states

- d. Constitution grants the federal government the power to regulate only *interstate* commerce
 - e. the court branded such action illegal
 - f. The Supreme Court's decision signaled the failure of FDR's initial measures to revive the industrial economy
10. NIRA ultimately failed for three reasons:
- a. NRA assumed business would comply with the codes
 - i. codes were established in the interest of protecting workers and consumers
 - ii. codes were ultimately drawn up by the largest companies
 - iii. this hurt small businesses
 - b. Rights of labor to organize were never respected
 - i. the right to collective bargaining was never enforced by the federal government
 - ii. because of the number and complexity of the codes
 - c. NRA attacked recovery from the wrong direction
 - i. Didn't need stabilization of prices by lowering production
 - ii. needed increased purchasing power of American consumers

Guns & Butter: The Great Depression & WWII

Franklin Delano Roosevelt's First New Deal 1933 was followed by what historians characterize as the Second New Deal (1935-1937). Like the First New Deal, it had its Hundred Days, known as the Second Hundred Days.

Some questions to answer:

1. Compare and contrast Father Charles Coughlin's criticism of the New Deal with the criticism of Huey Long
2. How did the programs advocated by Huey Long resemble the programs of the Populists and the Progressives? How did they differ?
3. Why do you think the Communist Party reached its greatest strength in America in 1935?
4. What are the basic concepts of Keynesian economics, and why are they important when discussing FDR's presidency?

The New Deal and its Critics

Father Charles Coughlin (1891-1979)

1. One of the most vocal conservative critics
2. Roman Catholic priest and political activist
3. weekly radio show - "Golden Hour of the Little Flower"
4. broadcast from Detroit
5. had as many as 40 million listeners
6. Coughlin's rhetoric was a curious combination of anti-communism, anti-capitalism, and anti-Semitism
7. At first, he supported the New Deal
8. called it "Christ's Deal"
9. then he became increasingly upset:
 - a. at the slow pace of reform
 - b. at his inability to play a major role in the administration

10. he viewed some of the tactics used under the AAA to limit overproduction as criminally wasteful:
 - a. plowing under crops
 - b. slaughtering livestock
11. Coughlin launched the National Union for Social Justice
12. Challenge the President
13. Claimed that Roosevelt had "out-Hoovered Hoover"

Huey Long (1893-1935)

1. The most powerful New Deal critic from the political left
2. Governor of Louisiana
3. later U.S. senator from LA
4. Known as the "Kingfish"
5. Long became the most powerful governor in Louisiana's history
6. He used that power to expand Louisiana's underdeveloped infrastructure
7. built hospitals, schools, highways, bridges, and a state university
8. Long's campaign slogan was "Every man a king, but no one wears a crown"
9. ideas on the redistribution of wealth were very popular among the lower and middle classes of LA
10. supported the New Deal at first
11. but soon found it too conservative
12. felt that FDR had fallen victim to big business
13. Long established the *Share-Our-Wealth Society*
14. with the goal of taxing the rich in order to help the poor
15. He promised huge, confiscatory taxes on
 - a. incomes over \$1 million
 - b. inheritances over \$5 million
16. Taxes would provide:
 - a. \$5,000 homestead credit allowance to all American families
 - b. \$2,000 guaranteed annual income for all Americans
 - c. Free college education
 - d. Limitation of working hours
 - e. Government storage of crops to help out both farmers and the poor
17. Long's brand of politics was a type of "Neo-Populism"
18. found followers not only in Louisiana, but among rural, low-income families across the country
19. By mid-1935, Long's Share-Our-Wealth Clubs had 7 million members
20. Long was talking openly about challenging Roosevelt in the presidential race
21. September of 1935, Long returned to LA to supervise a session of state legislature
22. Long was assassinated by the son-in-law of a ruined political opponent

"Do something. And when you have done that something, if it works, do it some more. And if it does not work, then do something else." - FDR

The Second New Deal

1. Beginning in 1935
2. Second Hundred Days
3. Roosevelt began sending to Congress a host of new legislative initiatives
4. This is often characterized as FDR's shift to the left

The Second New Deal

WPA (Works Progress (later "Projects") Administration)

1. promoted both relief and reform
2. Required to choose projects that would not compete with private business
3. the WPA built streets, highways, bridges, airfields, and post offices
4. restored forests, and extended electrical power to rural areas
5. Over its seven-year history, the WPA employed about 8.5 million Americans
6. the WPA worked to promote American culture
7. The Federal Theater, Arts, Music, Dance, and Writers' Projects brought music and drama to even the smallest communities
8. Sponsored public sculptures and murals
9. Commissioned noted American writers such as John Steinbeck, Richard Wright, John Cheever, and Claude McKay to write regional guidebooks and histories of the American people
10. marked the first time that the federal government took on the responsibility to support and promote American art and culture

The Wagner Act

1. known officially as the National Labor Relations Act
2. preserved and strengthened Section 7A of the NIRA
3. It guaranteed workers
 - a. the right to unionize
 - b. the right of collective bargaining with management
4. For the first time, it committed the government to enforce these rights
5. under the law, employers could no longer resist unionization

The Social Security Act

1. created a cooperative federal-state system to provide
 - a. unemployment compensation
 - b. old-age insurance
2. Workers paid Social Security taxes out of their wages
3. Receive benefits upon retirement at age 65
4. Benefits would be paid for from employee and employer contributions
5. On the one hand, it seemed like a fairly radical piece of reform legislation, since the government committed itself to provide help for the elderly
6. On the other hand, this was a fairly conservative program
7. Workers and their employers were footing the bill, not the government
8. Initial Social Security Act did not include provisions for
 - a. farm workers
 - b. domestic workers
 - c. employees of the restaurant and service industries
 - d. health-care providers
9. Milestone in American history
10. It acknowledged the responsibility of society to take care of the less fortunate

The Wealth Tax Act

1. Brought about a sudden increase in taxes on the wealthy
2. Created new and larger taxes on
 - a. excess business profits
 - b. inheritances

- c. large gifts
- d. profits from the sale of property
- 3. It also put new restrictions on trusts and holding companies

FDR: Socialist or Capitalist?

- 1. Business leaders were highly critical of this Second New Deal
- 2. many viewed Roosevelt as
 - a. a traitor to his class
 - b. & a socialist who was out to strip them of their wealth
- 3. Congress contained members far to the left of FDR
- 4. he was seen to personify the new anti-business era
- 5. FDR actually preserved capitalism through his relief and reform efforts
- 6. The AAA, the NIRA, new banking regulations, and regulations of securities on Wall Street ultimately helped big business

The Roosevelt Coalition

- 1. big business turning against him
- 2. FDR had to look for support elsewhere
- 3. For the presidential campaign of 1936, Roosevelt built what was called the “Roosevelt Coalition”
- 4. altered the shape of modern politics
- 5. Republicans were still relying on their traditional support base
 - a. big business
 - b. big farmers
 - c. conservatives
- 6. Democrats broadened their base of support appealing to
 - a. small farmers of the Midwest
 - b. urban political bosses
 - c. ethnic blue collar workers
 - d. Jews
 - e. intellectuals
 - f. African-Americans
 - i. until 1936, continuing the legacy of President Lincoln, most African-Americans had voted Republican
 - ii. in 1936, alliances shifted to the Democratic Party
- 7. The election of 1936 marked the greatest electoral shift in American history
- 8. In 1932, the Republican party had won 10 of the 12 largest U.S. cities
- 9. In 1936, the twelve largest cities voted overwhelmingly Democratic

The Roosevelt Recession - 1937

- 1. FDR won the 1936 presidential election by the biggest margin up to that time
- 2. it would seem that everything was going great
- 3. the economy collapsed once again in 1937
- 4. wouldn't fully recover until the U.S. entered World War II
- 5. FDR desired a balanced federal budget
- 6. FDR began in January of 1937 to cut some of his own New Deal programs
- 7. Funding for the WPA was halved
- 8. As a result unemployment rose by 1.5 million by July of that year
- 9. With farm subsidies cut, farm prices also fell
- 10. by August an additional 4 million Americans were out of work

Reasons for the Roosevelt Recession:

1. FDR didn't understand economics.
2. He abandoned his New Deal policies in order to balance the federal budget.
3. He favored compromise over commitment

Keynesian Economics

1. Roosevelt brought about the Recession of 1937
2. he refused to follow the advice of his economic aides
3. turned away from *Keynesian Economics*
4. John Maynard Keynes (1883-1946)
 - a. a British economist
 - b. rejected classical economics and traditional theories of the free market
 - c. He claimed that there was a direct correlation between government spending and the welfare of the private sector economy
 - d. In addition, he advocated vast government spending - even deficit spending - in times of economic recession
 - e. When the economy had recovered federal spending should be cut back
5. All Western economies today follow Keynesian economics
6. In the 1930s, FDR did not believe in deficit spending during economic downturns
7. World War II would prove the truth of Keynes's theories

Lasting Impacts of the New Deal

1. The New Deal was not a revolution
2. It did not bring about radical change
3. Nor did it ultimately end the Great Depression
4. It did have an effect on American society and the relationship of government and business
5. the New Deal redirected the eyes of the American public from Main Street and the state capitol buildings towards Washington, D.C.
6. For the first time, the American public came to expect that the federal government would be involved in its social welfare

The "Corporate State"

1. A more enduring legacy was the rise of the "corporate state."
2. Prior to the New Deal, big business had a virtual monopoly on political power
3. Through the regulation of business activities, the New Deal created two new power players at the political table:
 - a. big labor
 - b. big government
4. Business, government and labor were drawn more closely together by
 - a. New Deal legislation
 - b. by U.S. involvement in World War II
5. Labor provided a steady workforce
6. the government promised predictability in the market, rather than dramatic highs and lows
7. Under these terms, business made some concessions to labor and government

The Great Depression ends with US involvement in WWII. Idle factories and unemployed workers were quickly notions of the past when full US engagement in the bloodiest conflict in history occurs.