

The Great 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.