

The Great Depression and the New Deal, 1929-1941



Franklin Delano Roosevelt

Origins and Causes



- ❑ **Extreme wealth inequalities**
- ❑ **Ballooning stock market**
- ❑ **Over reliance on unprotected loans**
- ❑ **Too much speculation & borrowing**
- ❑ **Overproduction and uneven distribution capabilities**
- ❑ **Banks lacked money, people lost savings, debts were called in, no cash**
- ❑ **Production stopped, workers fired, no money, consumption declined, no profits, more workers fired**

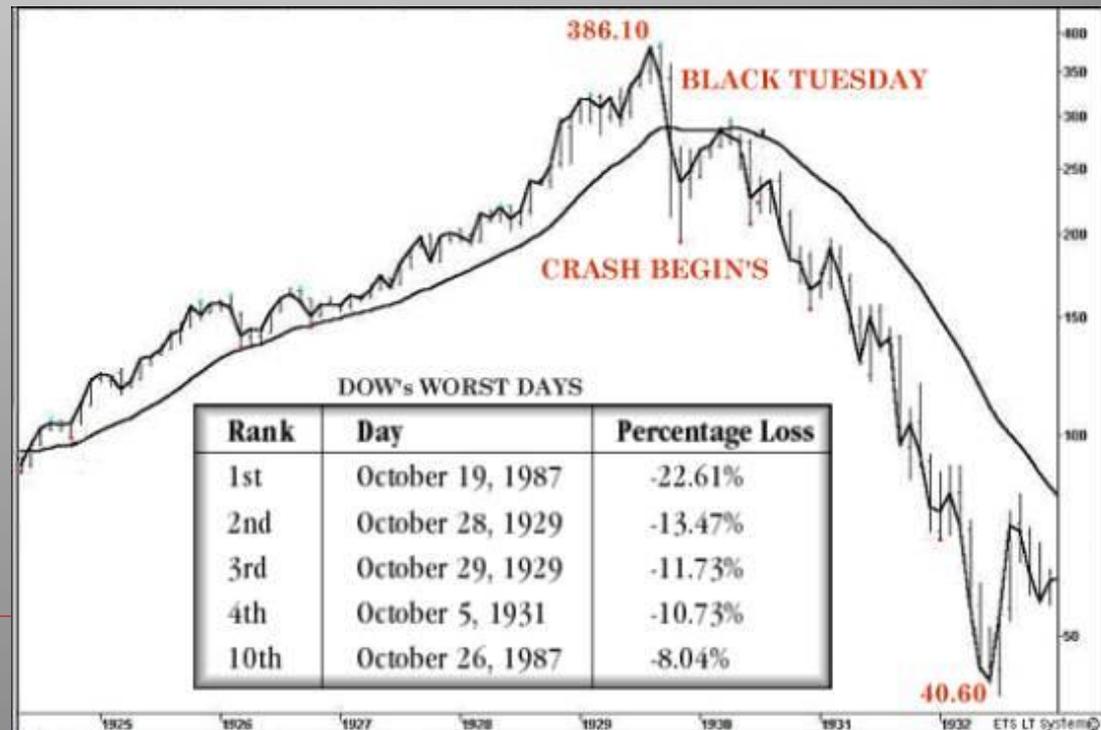
Causes of the Great Depression

- **Agricultural overproduction**
- **Industrial overproduction**
- **Unequal distribution of wealth**
- **Over-extension of credit**
- **International economic situation**



Contributing Causes to this Economic Catastrophe

- American farmer in trouble.
- Unstable American foreign trade.
- The Gold standard forsaken in Europe.
- Weak and vulnerable American banks.
- Large individual debt.
- Corporate profits enriched only a few.



Economic weaknesses

60 per cent of the country was poor. Other countries had started putting taxes on goods from America.



Laissez-faire

The policy of the Republican Party was to give the economy freedom to improve.



Overproduction

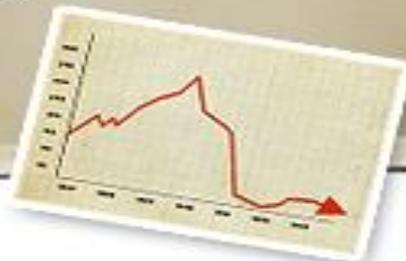
Everyone who wanted new goods had already bought them.



Why did the Wall Street Crash happen in 1929?

Speculation

Many people had bought shares on credit. People lost their money as their value started to fall.



Loss of confidence

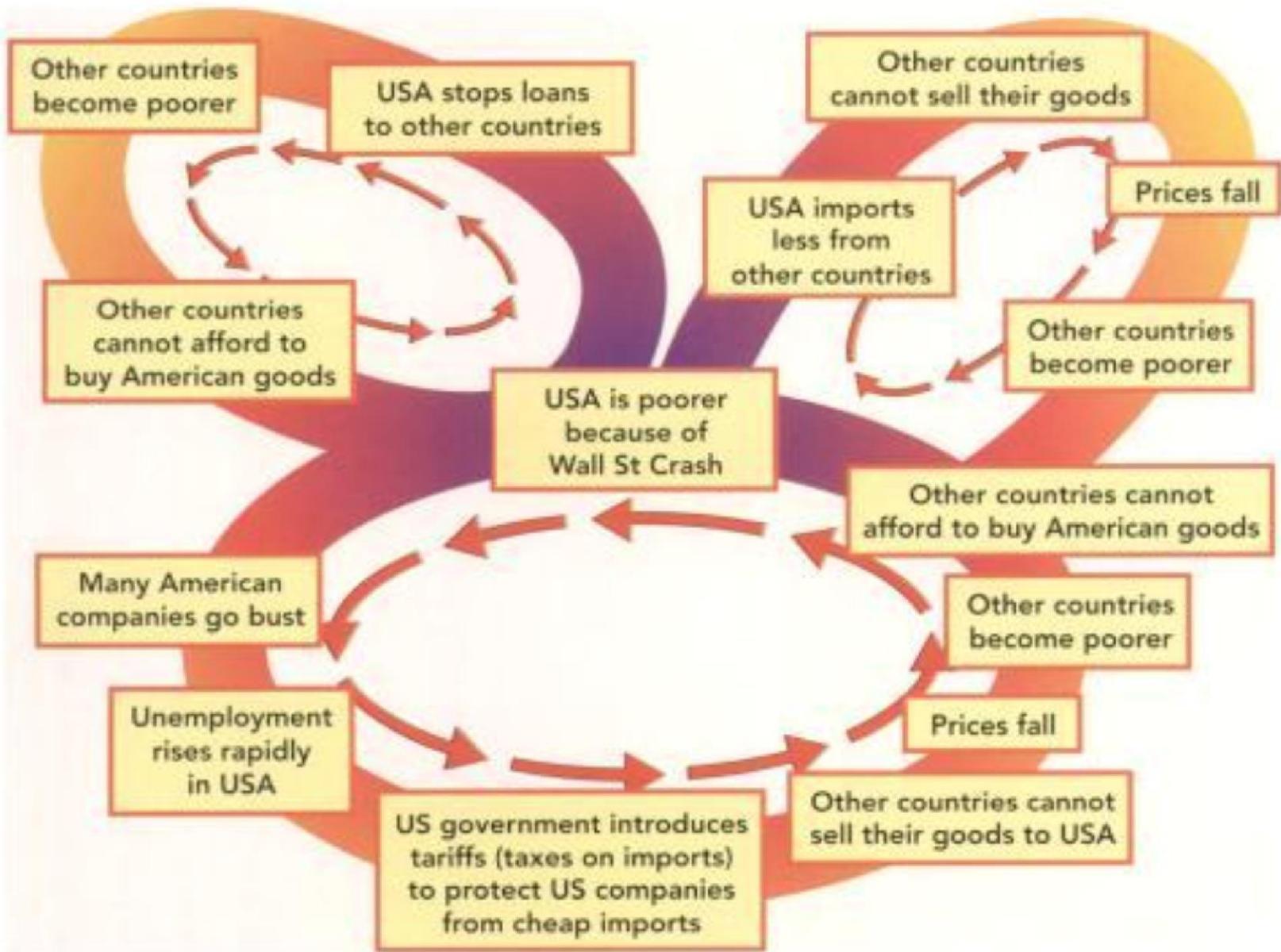
Experts were the first to start selling their shares. Confidence was lost as other people followed them and started selling too.

29 October 1929

Panic started as people started selling. 13 million shares were sold on the 24th October, and another 16 million on the 29th.

SELL!!!

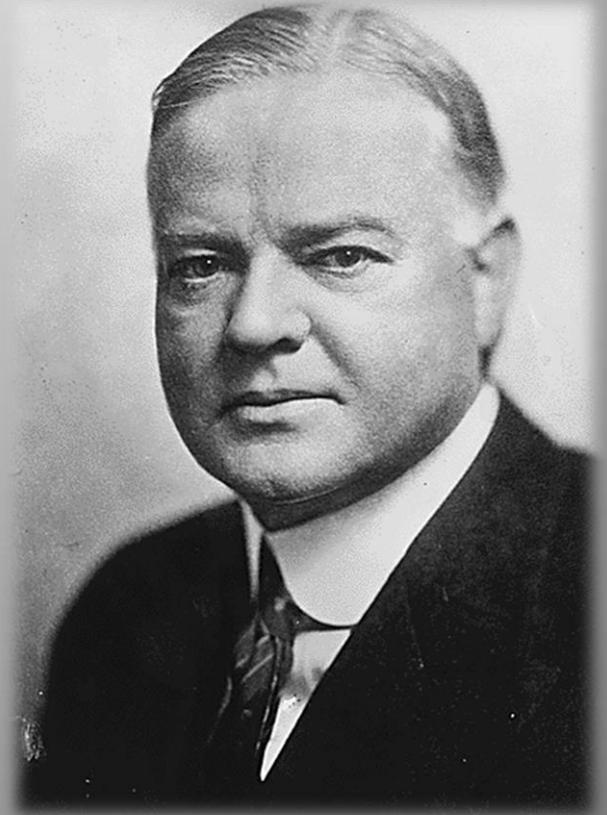




The collapse of world trade following the **Wall Street Crash, 1929.**

President Hoover

- Herbert Hoover**
- Progressive**
- War Reconstruction**
- Opposed direct federal aid**
- Self-help & volunteerism**
- Self-help cooperatives**



“Hoover’s America”

- Anti-tax views & opposition to government support deepened depression.**
 - Texas legislature vetoed a bond measure for relief.**
 - Oklahoma governor William Murray called out the national guard to enforce segregation in OK City.**
 - Colorado Senator Ed Costigan wanted federal government to help states in relief efforts.**
-

Voluntary Measures

- Hoover eventually established two privately-funded organizations:
 - **The National Credit Association** provided \$1/2 billion to businesses for emergency loans, but it was too under-funded to do much good.
 - **The Organization for Unemployment Relief** was a clearing house for relief agencies. However, state and local governments were already in too much debt to benefit from it.
-

Hoovervilles



Limited Government Intervention

- In the end, Hoover resorted to government intervention:
 - **The Reconstruction Finance Corp** gave \$1-1/2 billion in federal loans to banks, insurance companies, and industry to prevent bankruptcies, but it was too little, too late.
 - **The Home Loan Bank Act** provided federal loans to homeowners to prevent foreclosures, but got bogged down in red tape.
-

Reasons for Ineffectiveness

- ❑ Hoover thought business should be self-regulating.
- ❑ He had a mania for a balanced budget.
- ❑ He lacked political finesse.



The Bonus Army March

- ❑ World War One veterans
 - ❑ Government denied their pensions
 - ❑ Marched on Washington, 1932
 - ❑ Congregated around White House
 - ❑ Gen. Douglas MacArthur
 - ❑ Military evicted them from D.C.
 - ❑ Deep anger at overnment Deep class divisions
 - ❑ <http://www.youtube.com/watch?v=xqevdBZCbcQ>
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Franklin D. Roosevelt's Appeal

- In 1932 presidential election, **FDR** was perceived as **a man of action**.
- **Hoover** was viewed as a **"do-nothing president."**
- **Norman Thomas**, the Socialist candidate, was viewed as a **radical**.
- Results: **a landslide for Democrats** and a mandate to use government as an agency for human welfare.

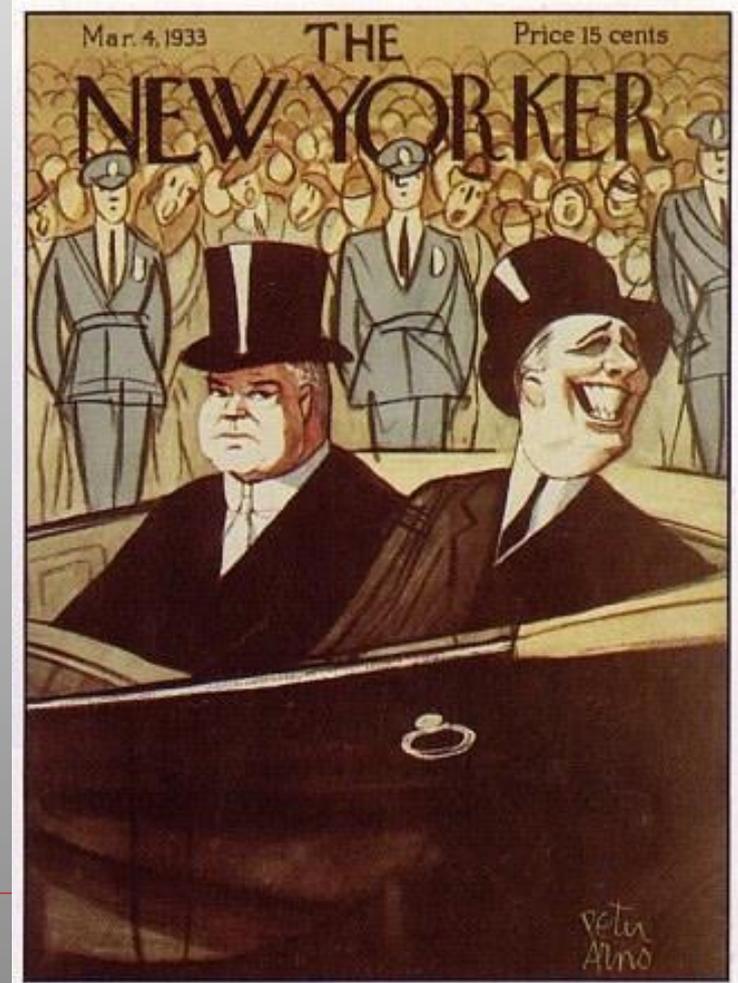


Situation as FDR Entered Office

- In March 1933, the country was virtually **leaderless and the banking system had collapsed.**



Presidents Hoover and Roosevelt on Inauguration Day, March 4, 1933. Photo National Archives.



FDR Restored Confidence

- In his inaugural address, he said "*The only thing we have to fear is fear itself....*"
- He promised vigorous **leadership** and **bold action**, called for **discipline** and **cooperation**, expressed his faith in democracy, and asked for divine protection and guidance.



Roosevelt's Personal Qualities

- ❑ He was a practical politician who practiced the art of the possible.
- ❑ He was a charismatic person who exhibited a warmth and understanding of people.
- ❑ He knew how to handle press by focusing attention on Washington.
- ❑ He provided dynamic leadership in a time of crisis.
- ❑ He was willing to experiment.



Roosevelt and the New Deal



- ❑ Programs to address the Depression
 - ❑ **“Relief, Recovery, Reform”**
 - ❑ Debt spending
 - ❑ Consume our way out of the depression
 - ❑ Role of government
-

Purposes of the New Deal

- ❑ **Relief:** to provide jobs for the unemployed and to protect farmers from foreclosure
- ❑ **Recovery:** to get the economy back into high gear, “priming the pump”
- ❑ **Reform:** To regulate banks, to abolish child labor, and to conserve farm lands
- ❑ **Overall objective:** to save capitalism



Sources of New Deal Ideas

- **Brains Trust:** specialists and experts, mostly college professors, idea men
 - **New Economists:** government spending, deficit spending and public works, government should prime economic pump
 - **Roosevelt Cabinet:** included conservatives, liberals, Democrats, Republicans, inflationists, anti-inflationists, often conflicting, compromising, blending ideas
-



First New Deal (1933-1934)

- ❑ **Emphasis:** reform
- ❑ **Political Position:** conservative
- ❑ **Primary aim:** economic recovery
- ❑ **Philosophy:** economic nationalism and economic scarcity (i.e., raise prices by creating the illusion of scarcity)
- ❑ **Objectives:** higher prices for agriculture and business
- ❑ **Beneficiaries:** big business and agricultural business



Immediate Responses, 1933

- **Federal Emergency Relief Act**
 - **Federal funds for relief**

 - **National Industrial Recovery Act**
 - **Fair work and competition codes**
 - **Administration to enforce codes**
 - **Guaranteed labor's right to organize**
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National Recovery Act

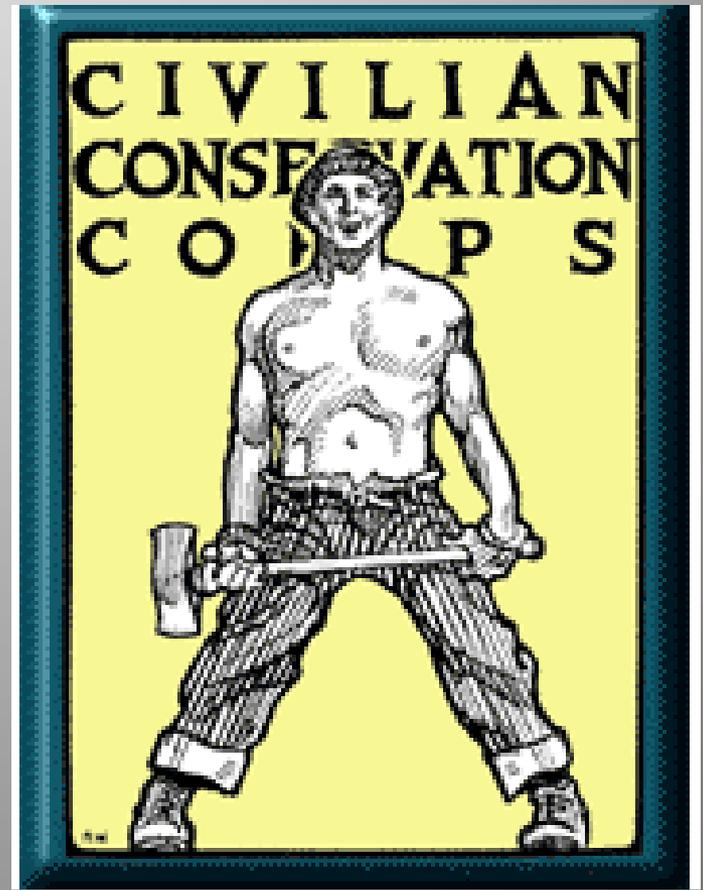


- **Purpose:** recovery of industry
- Created a **partnership of business, labor, and government** to attack the depression with such measures as price controls, high wages, and codes of fair competition



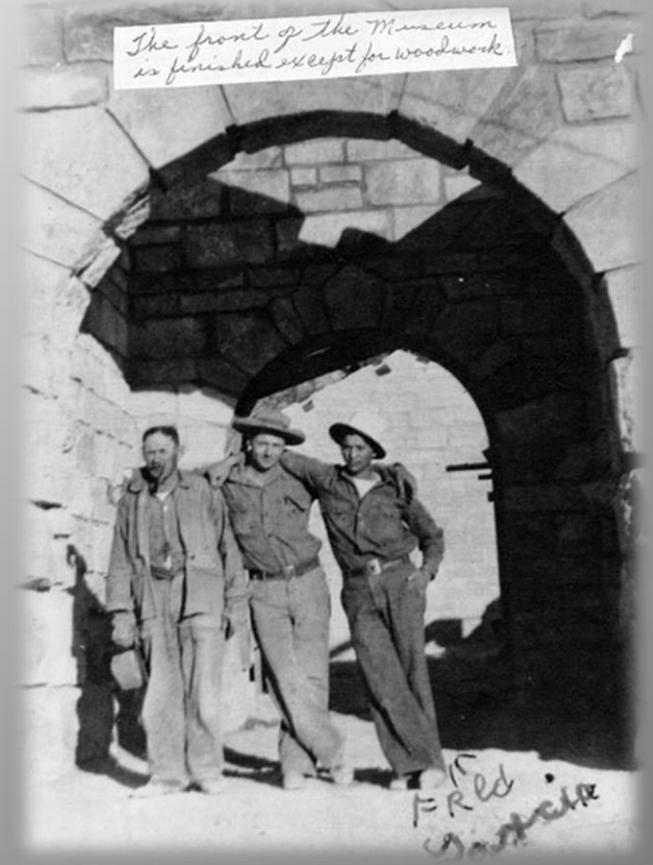
New Deal Programs

- Civilian Conservation Corps**
- Soil Conservation Service**
- Soil Erosion**
- Planting trees**
- Irrigation and range management**
- <http://www.youtube.com/watch?v=qoIPqXNGW3I>



Civilian Conservation Corp (CCC)

- **Purpose:** relief
- Gave **outdoor work to unemployed men** between the ages of 17 and 29.
- They received \$30 per month, but \$22 went back to the family.



First Agricultural Adjustment Act (AAA)

- **Purpose:** the recovery of agriculture.
- **Paid farmers who agreed to reduce production** of basic crops such as cotton, wheat, tobacco, hogs, and corn.
- Money came from **a tax on processors** such as flour millers and meat packers who **passed the cost on to the consumer.**



Scene in county agent's office, San Augustine, Texas. Farmer is receiving his AAA check. Photo by Russell Lee, April 1939, LOC.

Works Progress Administration WPA

- **Biggest agency**
 - **1935 employed 8 million and \$2 billion fund**
 - **Bridges, reservoirs, irrigation, sewage, schools, playgrounds, education, training**
 - **Work Programs paid minimum wages, pulled them off charity and soup lines**
 - **“We Work Again”**
 - **<http://www.youtube.com/watch?v=Gk0SpTOi9Aw>**
-

Federal Emergency Relief Administration (FERA)

- **Purpose:** relief
- Gave money to states and municipalities so they could distribute **money, clothing, and food to the unemployed.**



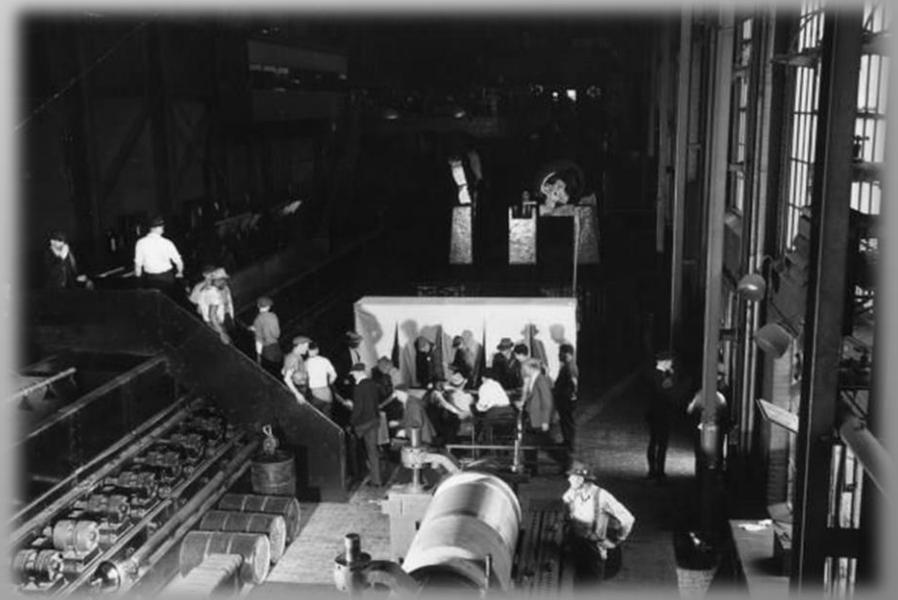
Second New Deal (1934-1941)

- **Emphasis:** reform
- **Political Position:** liberal
- **Primary aim:** permanent reform
- **Philosophy:** international economic cooperation and economic abundance
- **Objectives:** increased purchasing power and social security for public
- **Beneficiaries:** small farmers and labor



National Labor Relations Act

- ❑ **Purpose:** reform
- ❑ Put restraints on employers and set up a **National Labor Relations Board** to protect the rights of organized labor **to bargain collectively** with employers.



Second Agricultural Adjustment Act

- ❑ Purpose: recovery for agriculture
- ❑ Paid farmers for conservation practices, but only if they **restricted production of staple crops.**



U.S. Housing Authority

- **Purpose:**
recovery and reform
- **Used federal funds to tear down slums and construct better housing.**



Financial System

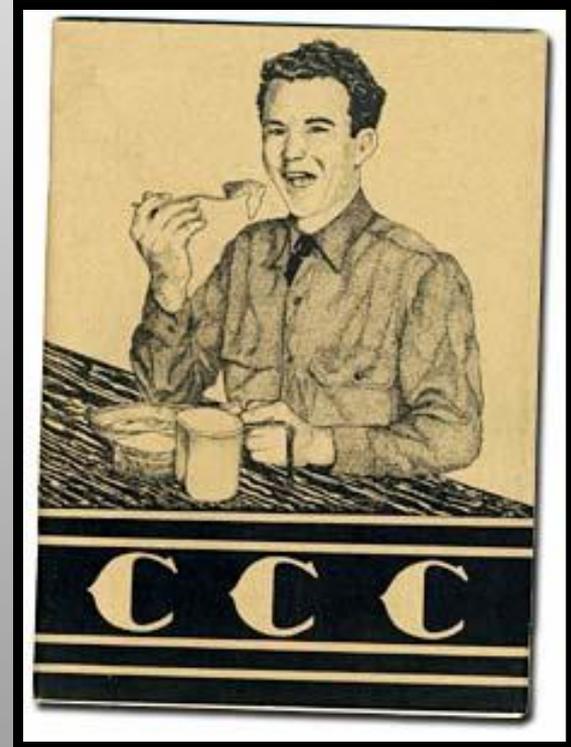
- ❑ **Emergency Banking Act (March 6, 1933)**
- ❑ **Federal Deposit Insurance Corporation (FDIC)**
 - Insured individual bank deposits
 - Use of the “fireside chat” to explain the bank holiday to the American public.
- ❑ **Securities and Exchange Commission (SEC)**
 - Regulated trading practices in stocks and bonds
 - US abandoned the gold standard



Problems with New Deal

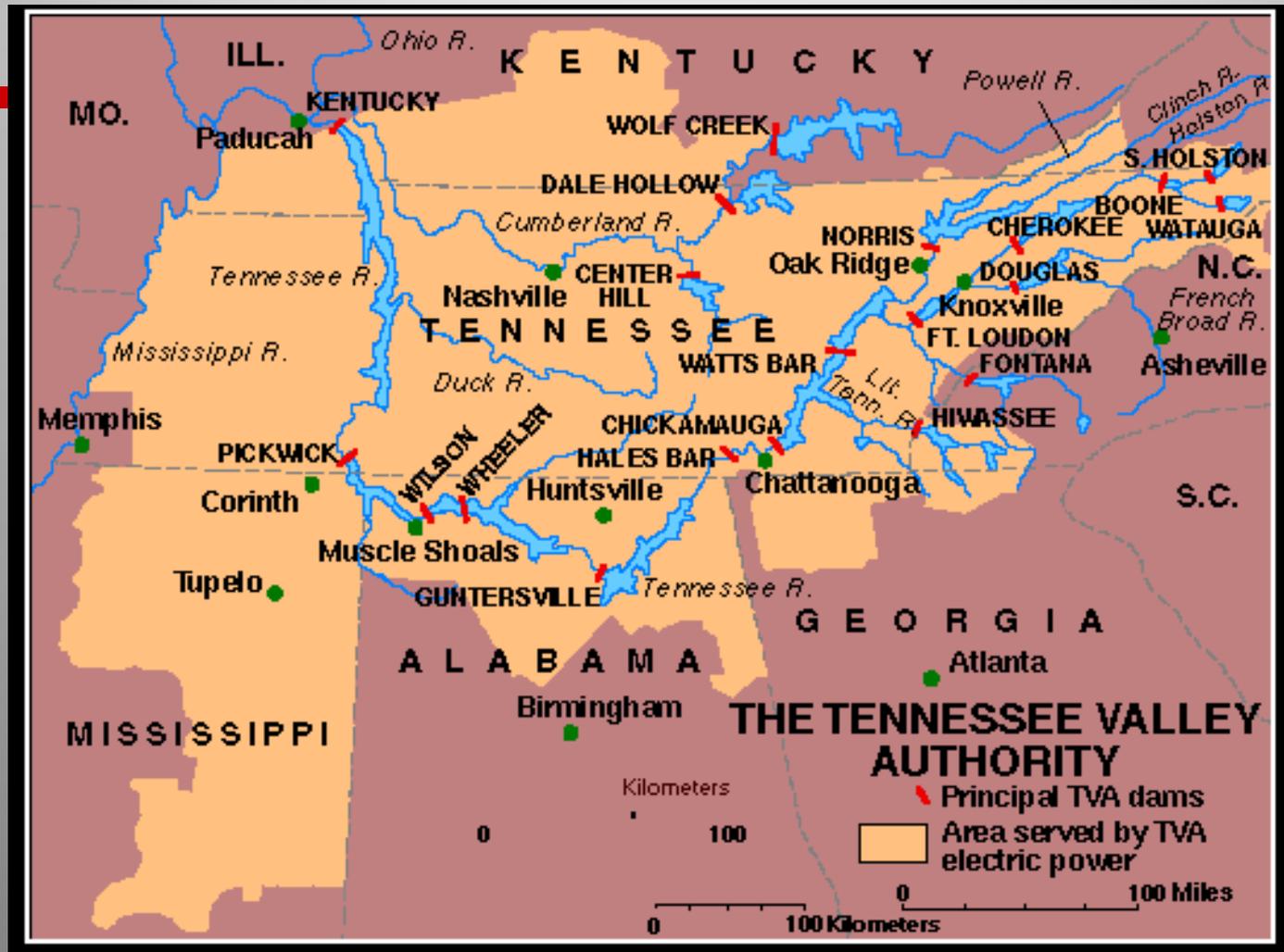
- Relief based on race: Tucson scaled payments based on race
 - Favored large industries and business
 - Hurt some small farmers
 - Local agencies administered relief and ran programs
-

Propaganda / Education



- Government Promotional Film
 - <http://www.youtube.com/watch?v=Aq5UiGdje8U>
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Tennessee Valley Authority



Flood control, Electricity, Irrigation, work

Water and the West

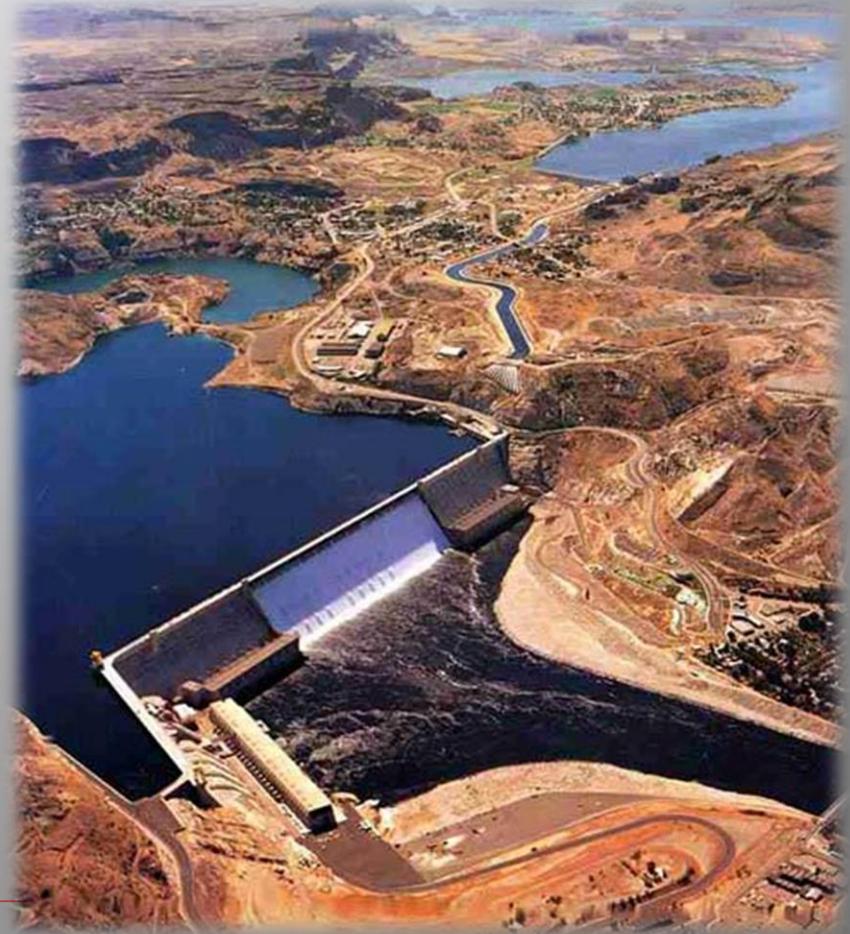
- **Bureau of Reclamation**
 - **Hoover Dam**
 - **Water for L.A., Imperial Valley, Phoenix, and power for region**
 - **Central Valley Project** harnessed the **Sacramento River**
 - **Water storage, irrigation, hydro-electricity**
 - **Federal-corporate alliance**
 - **\$2.5 billion by 1935**
-

Hoover Dam



Grand Coulee Dam

- ❑ **Columbia River, 1941**
- ❑ **Largest concrete structure in the world**
- ❑ **Created a 150 mile lake**
- ❑ **Too much power**
- ❑ **Bonneville Power Administration**
- ❑ **Powered 70% of Northwest**



The Dust Bowl

- Economic and environmental disaster**
 - Overproduction, monocrops**
 - Plowed up grasses for farms to meet the needs of a booming wheat market**
 - Soil exhaustion, soil erosion**
 - Drought and winds**
 - 1935: Blew winds from CO and NE, blackened the sky across the plains, into the East and Atlantic Ocean**
-

Responses

- ❑ Killed millions of animals, burned millions of tons of food
- ❑ **Taylor Grazing Act**
 - Federal control of grazing



Migrants: **Okies**



More Oklahomans reach Calif. via the cotton fields of Ariz.

- ❑ Poor whites and sharecroppers
- ❑ Evicted from OK, TX, MI, ARK
- ❑ Going to CAL
- ❑ L.A. Police Chief "bum blockade"

Mexican and Okie Farmworkers



Mexican Repatriation

- ❑ Mexican & Mexican Americans sent to Mexico
- ❑ Nearly 1 million
- ❑ L.A. County deported 12,000
- ❑ Colorado deported 20,000



The Indian New Deal



- John Collier**
 - Progressive**
 - Pueblos**
 - Preserve cultures**
-

The Indian New Deal

□ Multi-faceted legislation

- Education
- Politics
- Religion
- Land
- Culture
- Language



Indian Reorganization Act (IRA)

- **IRA, 1934**
 - **Economic & political assistance**
 - **Business Councils**
 - **Tribal Constitutions**
 - **BIA, Interior**
 - **Over half rejected it**



Women

- **Eleanor Roosevelt**
- **Work & aid**
- **Patriotic home economics conserve, recycle, help America “as a woman”**



African Americans



- ❑ Jobs in government
 - ❑ Sharecropping
 - ❑ 100,000 blacks evicted by AAA
 - ❑ No loans from FHA
 - ❑ **Mary McCloud Bethune**
 - ❑ <http://www.youtube.com/watch?v=Gk0SpTOi9Aw>
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The Culture of the 1930's



Return to political and social concern in '30's literature

- **John Reed**
Red Russia (1919)
 - **John Dos Passos**
U.S.A. (1938)
 - **John Steinbeck**
Grapes of Wrath (1939)
 - **Richard Wright**
Native Son (1940)
 - **1930's Movies**
"The Wizard of Oz"
The Marx Brothers
-

“Share the Wealth”

- **Senator Huey Long**
 - **Populist Government in Los Angeles**
 - **Use of radio and sensational claims**
 - **Rhetoric of poverty / class tensions**
 - **New Deal relief measures were mere crumbs**
 - **Social Justice**
 - <http://www.youtube.com/watch?v=mdzAbxsjPRA&NR=1>
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Senator Huey Long (LA)

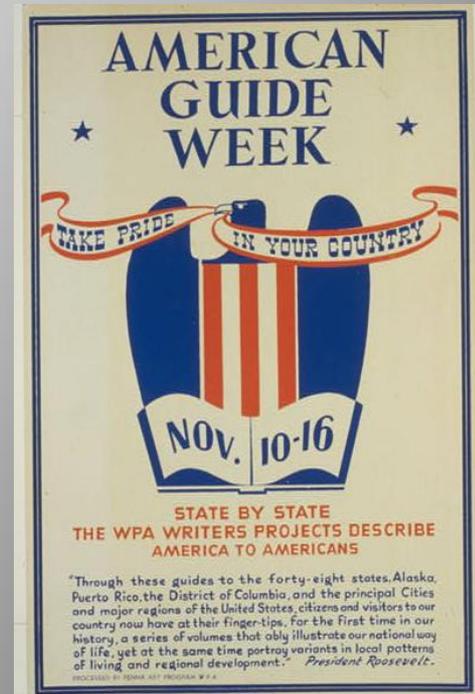
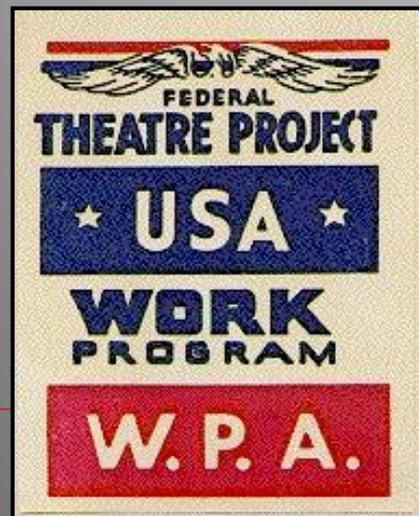
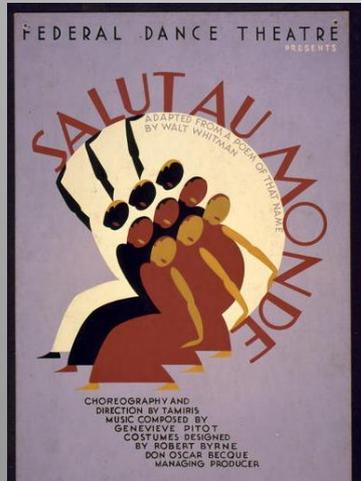
“Share the Wealth”
plan, a guaranteed
annual income of at
least \$5,000 for every
American, financed by
confiscating wealth of
people who made over
\$5 million per year.



Public Art and Culture

- ❑ **Federal Writers Project**
 - ❑ **Theater**
 - ❑ **Oral histories of slavery, folk lore, Indian stories, Mexican Revolution, cowboys, frontier life, etc**
 - ❑ **National cultural resources and heritage**
 - ❑ **Federal Arts Program**
 - <http://www.youtube.com/watch?v=PKsm3SmBBKU&feature=related>
-

Federal Theatre Project

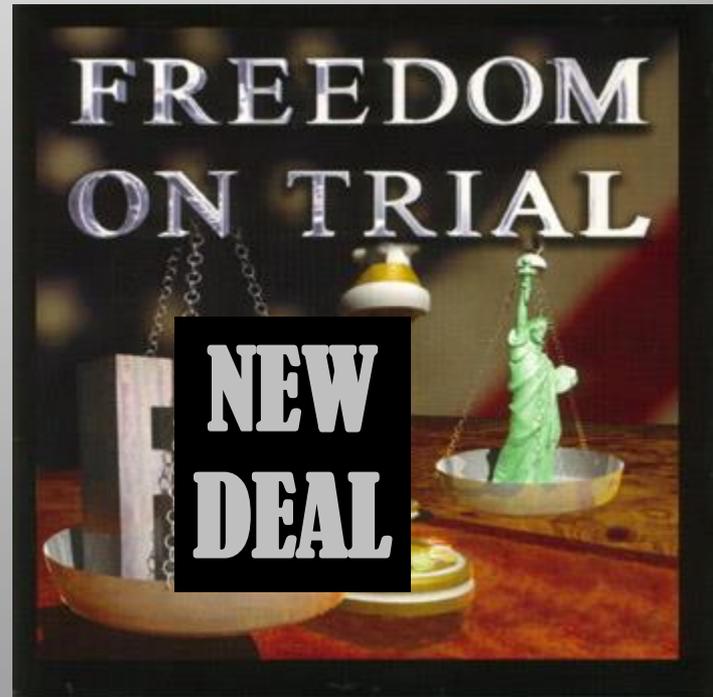


New Deal Work Mural



The New Deal on Trial

- By 1935, **political disunity** was evident. There were critics on the right and the left.



Criticisms of Conservative Opponents

- Conservative opponents said the New Deal **went too far:**
 - It was **socialism** (killed individualism)
 - It added to the **national debt** (\$35 billion)
 - It wasted money on relief and **encouraged idleness**
 - It **violated the constitution** & states rights
 - It increased the **power of the Presidency** (FDR was reaching toward dictatorship, Congress a rubber stamp, independence of judiciary threatened, separation of powers shattered)



Anti-New Deal Organization

- **Conservative opponents to the New Deal had an organization called the **American Liberty League**. They had money but were small in numbers, so FDR was not worried.**



Criticisms of Radical Opponents



- ❑ Radical opponents said the New Deal did not go far enough. They were **demagogues** (rabble-rousers) and had popular followings, so FDR was concerned.

Dr. Francis E. Townsend

Dr. Francis E. Townsend was an elderly physician from CA. He had a plan for the federal government to **pay \$200 per month to unemployed people over 60.**

The program would be financed by a **2% national sales tax** and each pensioner would be required to spend the money in 30 days. This would stimulate the economy.



Moderate Legislation

- FDR sponsored moderate legislation to silence radical **opposition:**
 - **Revenue Act of 1935** – Response to **Huey Long**. Increased taxes on large incomes and corporations.
 - **Banking Act of 1935** – Response to **Coughlin**. Extended federal control over private banking practices.
 - **Social Security Act of 1935** Response to Townsend. Included provisions for unemployables (dependent children, the disabled, blind), unemployment insurance, and old-age pensions.



1935 Social Security Act

- Safety net for all Americans**
- Percentage of paycheck**
- Based on shorter life-span**
- Intended to supplement (not replace) income**
- Less inclined to “retire”**

Gave money to states for aid to dependent children, established unemployment insurance through payroll deduction, set up old-age pensions for retirees.

The Election of 1936

- The Election of 1936:
 - Made the Democratic party the **majority party**.
 - Created a **new Democratic coalition** composed of both traditional elements and new elements.
 - Showed that the **American people rejected radical solutions** to depression.

THE PEOPLES CHAMPION AND HOPE 1932
THEIR PROVEN FRIEND AND HUMANE LEADER 1936

Roosevelt Appreciators' League
MEMBERSHIP ENROLLMENT
AND
Democratic Committee's
REGISTRATION DRIVE
WITH
**ROOSEVELT
ROUND-UP RALLY**

National League Baseball Field, Boston
FRIDAY, OCTOBER 30, 1936

We invite every fair-minded man and woman who holds the future welfare of this nation above Party Politics to take an active part in the re-election of America's ablest and most humane leader since Lincoln by enlisting as a member of our League, and thus co-operate in meeting the slanderizing opposition with the League's 21 issues. In this way, the vote of November 3rd will be the greatest ever given a candidate for the office of President of the United States of America and will again deliver the state to Franklin Delano Roosevelt.

THE MOST *Stupendous and Spectacular Night Show* EVER STAGED

Invited Honored Guest Speakers
President FRANKLIN D. ROOSEVELT
U. S. Senator JOSEPH ROBINSON
Gov. GEORGE EARLE of Pennsylvania
and Entire State Tickets

Master of Ceremonies, EDDIE DOWLING
Entertainment:
American Legion and Veterans of Foreign Wars BANDS AND DRUM CORPS
REVIEW AND STREET PARADE
FIREWORKS WITH MAMMOTH UNIQUE CAMPAIGN SET PIECES

★ Membership Subscription of \$1.00 includes free admission to Rally, FREE personal opinion ballot and picture of President ROOSEVELT in full color.

Headquarters: COPLEY SQUARE HOTEL
Corner Huntington Avenue and Exeter Street, Boston

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TRUTHS
OPEN

The Roosevelt Coalition

While Republicans were still relying on their traditional base of political support (big business, big farmers, and conservatives), Democrats broadened their constituency by appealing to **small farmers** in the Midwest, **urban political bosses, ethnic blue collar workers, Jews, intellectuals, and African Americans.**



Protection of New Deal Accomplishments

- Steps FDR took to protect New Deal accomplishments (**both failed**):
 - **Court-Packing Plan** (proposed increasing Supreme Court from 9 to 15 members, caused in revolt in Dem. Party)
 - **Purge of the Democratic Party** in the Election of 1938 (came out strongly in favor of liberal Dem. Ocratic Candidates, evidence that he interfered in a state campaign, Republicans gained strength in both houses of Congress)



Decline of New Deal Reform after 1937

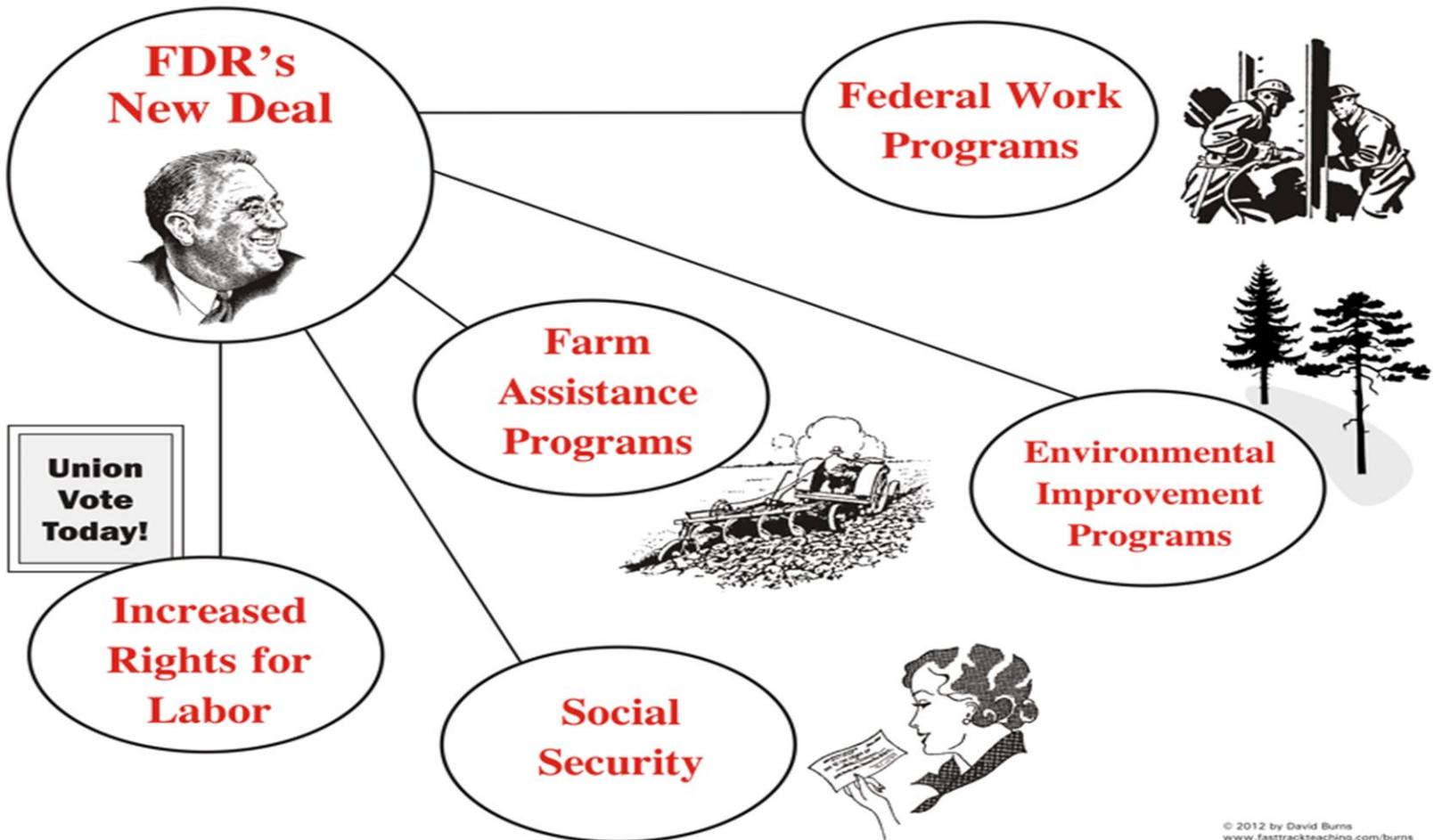
Reasons for decline of New Deal reform after 1937:

- ❑ **Court-packing plan** made Congress irritable.
 - ❑ **Recession of 1937-38** weakened confidence in New Deal measures. Republicans gained strength in both houses.
 - ❑ **Attempted purge of Democratic party** failed.
 - ❑ **Conservative Democrats** were elected to office. Resentful of attempted party purge, they joined ranks with Republicans to block New Deal legislation.
 - ❑ Increasing **focus on foreign affairs.**
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End of the Depression

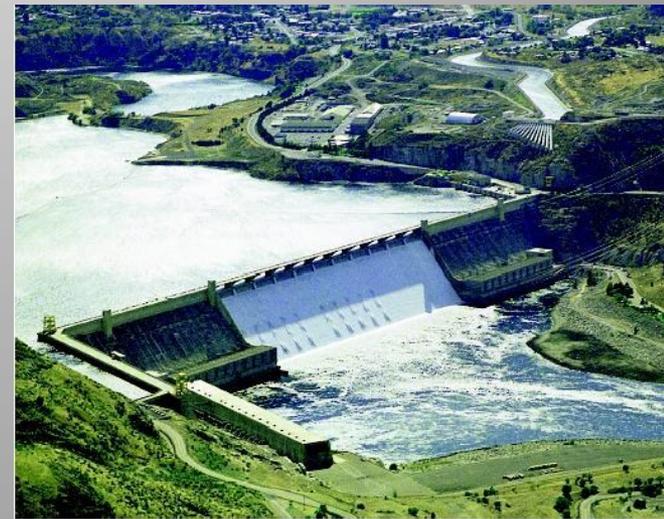
- ❑ Federal spending on an unprecedented level failed to stop it
 - ❑ The largest entrance of the federal government into the American economy
 - ❑ Made the federal government into a “broker state” between labor and capital
 - ❑ Social programs and “safety net”
 - ❑ Brought fed gov’t into the lives of nearly all Westerners
 - ❑ **WWII ended the Depression**
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The Significance of the New Deal



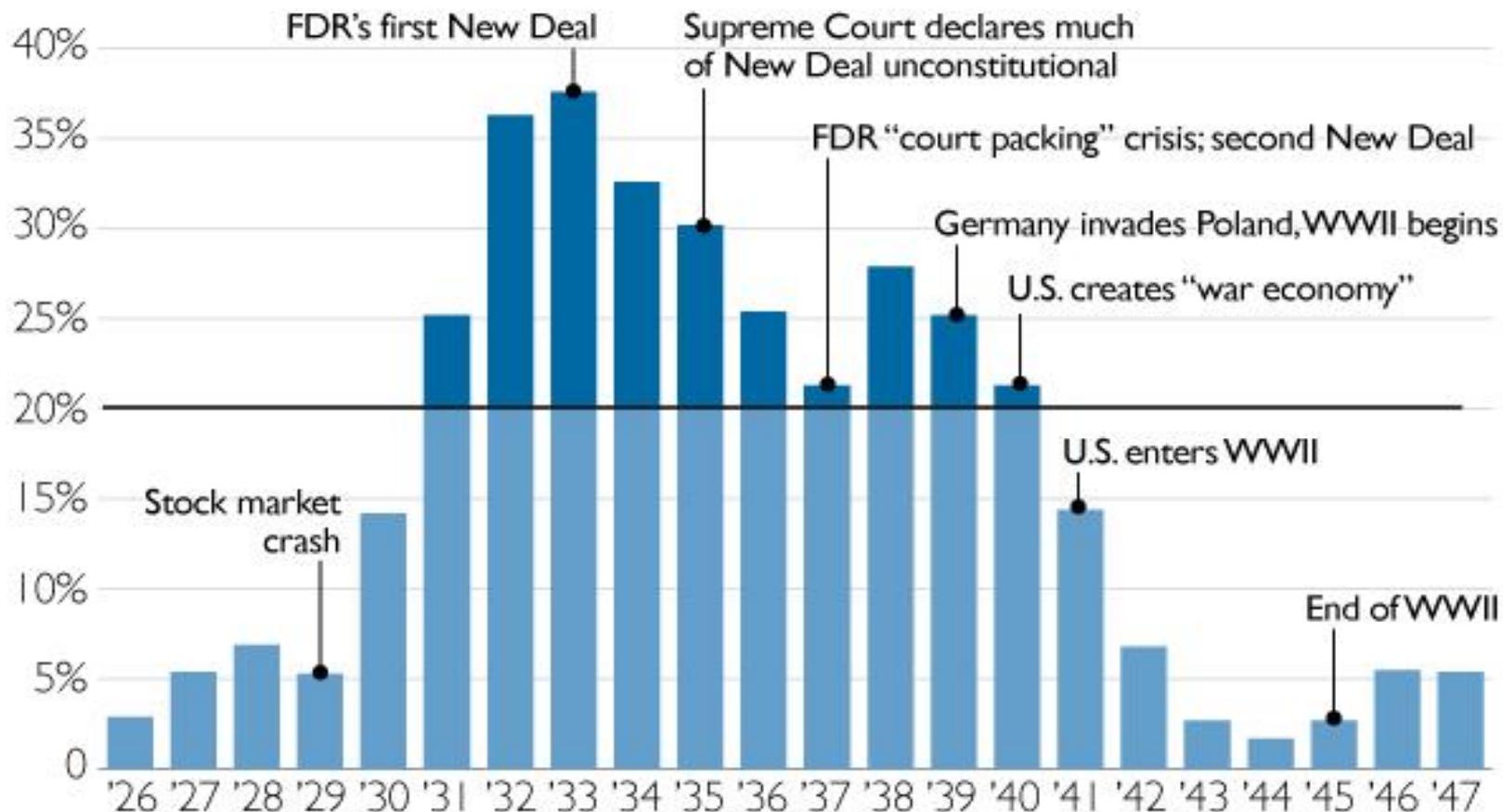
Physical Rehabilitation of Country

- ❑ Attacked **soil erosion**
 - ❑ **Built dams and planted trees** to prevent floods
 - ❑ **Reclaimed the grasslands** of the Great Plains
 - ❑ **Developed water power resources**
 - ❑ Encouraged **regional reconstruction projects** like the TVA and Columbia River project
-



Unemployment Rate During the New Deal

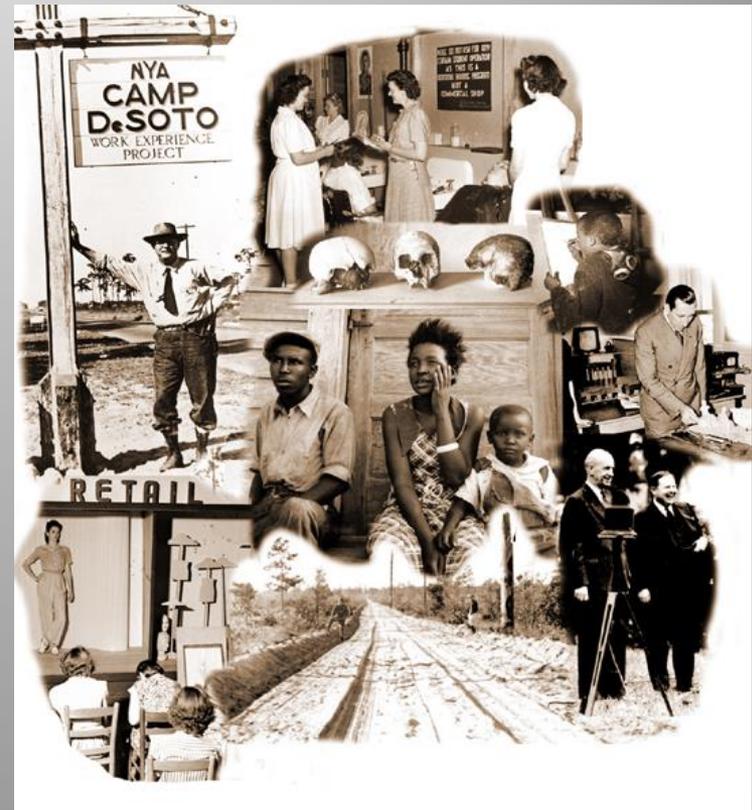
Percentage of Jobless Nonfarm Workers, 1926–1947



Source: U.S. Department of Commerce, Bureau of the Census, Bicentennial Edition Historical Statistics of the United States Colonial Times to 1970 Part I (1975) Washington D.C., Series D 1-10 "Labor Force and its Components 1900-1947", p.126

Human Rehabilitation

- ❑ Established the principle that government has responsibility for the **health, welfare, and security**, as well as the protection and education of its citizens.
- ❑ Embraced **social security, public health, housing.**
- ❑ Entered the domain of **agriculture and labor.**



U.S. Industrial Production, 1928-1941



Source: Federal Reserve Board and MBG Information Services

U.S. Gross Domestic Product, 1929-1941



Source: U.S. Department of Commerce and MBG Information Services

Revitalization of Politics

- **Strengthened executive branch.**
- **Reasserted presidential leadership.**
- **Revitalized political party** as a vehicle for the popular will and as an instrument for effective action.



Maintenance of a Democratic System

- The New Deal maintained **a democratic system** of government and society **in a world threatened by totalitarianism.**
 - **Increased size and scope of government** to meet needs of the depression
 - **Provided the leadership** that enabled Congress to put through the necessary relief, recovery, and reform measures.
 - **Sponsored moderate legislation** to neutralize the popularity of radical opponents



Comparisons with the Present?

- Wealth inequalities**
 - Deregulation**
 - Bad Home mortgages**
 - Massive individual debt**
 - Inflated costs & uncontrolled speculative investments in commodities**
 - Collapse of investment-debt-loan system**
 - A Vicious Cycle:**
 - Retraction of loans, increase in job losses, fall in investments, layoffs, decline in consumption, reduced production, layoffs, no consumption...**
-

Scary Parallel



Government Expenditures

The total cost of the current bailout now exceeds **\$4.6 trillion dollars**. It has cost more than all of these government expenditures combined. Figures in parentheses have been adjusted for inflation:

- Marshall Plan: Cost: \$12.7 billion (\$115.3 billion)
- Louisiana Purchase: Cost: \$15 million (\$217 billion)
- Race to the Moon: Cost: \$36.4 billion (\$237 billion)
- S&L Crisis: Cost: \$153 billion (\$256 billion)
- Korean War: Cost: \$54 billion (\$454 billion)
- **The New Deal: Cost: \$32 billion est.(\$500 billion)**
- Invasion of Iraq: Cost: \$551 billion (\$597 billion)
- Vietnam War: Cost: \$111 billion (\$698 billion)
- NASA: Cost: \$416.7 billion (\$851.2 billion)
- **TOTAL: \$3.92 trillion**