

Chapter 32: The Great Depression and the New Deal (1933-1939)

- The Great Depression was still happening in 1932 when President Hoover's term expired
- Hoover was re-elected by the Republicans for the presidential election of 1932
 - Republicans supported government anti-depression policies and anti-Prohibition
- The Democrats nominated Franklin Delano Roosevelt for the election of 1932
 - FDR was a distant relative of Theodore Roosevelt but much less arrogant and very suave — this was a trait that the desperate Americans wanted in this time period

FDR: Politician in a Wheelchair

- FDR had paralysis, was physically weak
 - He had a strong will to overcome the illness, and this was reflected in his strong moral strength, so that he had "patience, tolerance, compassion, and strength of will"
 - People liked him because of "his commanding presence and his golden speaking voice," which made him a good orator
 - He believed in strong state and federal spending to help the poor (rather than simply holding back money)
 - FDR was nominated for the Democratic Party presidential candidate in 1932
- Eleanor Roosevelt, FDR's wife, was an activist for the rights of the poor and for the women
 - She joined the Women's Trade Union League and the League of Women Voters before women's suffrage was legalized
 - She employed many women activists in official positions, gave speeches, wrote a newspaper column to express her ideas

Presidential Hopefuls of 1932

- FDR tried to show that he was physically able and had a likeable personality
 - However, his speeches were vague and contradictory
 - Some of his speeches were written by a reformist group of professors known as the Brain Trust
 - He proposed a "New Deal" to improve the lives of the poorer people
- Initially FDR criticized Hoover's heavy spending policies and wanted to spend a more balanced budget

Hoover's Humiliation in 1932

- Roosevelt won the presidential election of 1932 472 to 59 electoral votes
- The lame duck period made little progress because Roosevelt and Hoover disagreed over economic policy

Politics and Power: The presidential election of 1932 was between the incumbent and unlucky president Hoover and the more jubilant, likeable Roosevelt. While Roosevelt turned out to be somewhat power-hungry in his presidential position, he embodied an oratorical presence and hid his physical illness. Hoover, on the other hand, had a bad reputation and thus had already lost the election from the beginning. This shows the importance of popularity on power: because America is a nation run by the people, where the government is created by a shared contract with the consent of the people, a popular

president is more likely to be elected (and is generally the better choice because they have more popular support to carry out their reforms). This was the case with Andrew Johnson and Zachary Taylor, who were elected into the presidency based solely on their military successes and the resulting popularity that followed.

FDR and the Three Rs: Relief, Recovery, Reform

- FDR's first hundred days as president (known as the Hundred Days (March 9-June 16, 1933)) passed a lot of policy for economic reform
 - FDR's program focused on "relief, recovery, and reform"
 - The former was for short-term
 - Recovery and reform were in the long term
 - This was partly possible because Congress was panicking like the rest of the nation and hastily agreed to most laws (even if they gave a lot of power to the President like some of FDR's policies did)
 - Many of the policies were continuation of pre-WWI progressive parties (which were overdue because of the emphasis on war and the anti-progressivism of the Republicans)
 - The people embraced Roosevelt's new progressive reforms, such as "employment insurance, minimum-wage regulations, the conservation and development of natural resources, and restrictions on child labor"

Roosevelt Manages the Money

- FDR passed the Emergency Relief Act (1933) that gave the president the power to manage banking and open closed banks
- FDR reassured people with his fireside chats, or radio conversations
 - About 35 million Americans listened to these and many were reassured of the banks' safety by his words, which caused people to hold their money in banks again
- Congress also passed the Glass-Steagall Banking Reform Act (1933) that established the Federal Deposit Insurance Corporation (FDIC) that insured people's money in banks
 - Originally it insured \$5000 of a deposit's money, but that has been raised
- FDR took the nation off the gold standard
 - Congress helped him carry this out by cancelling payments on gold and replacing them with paper money
 - This was meant to cause inflation, which would help the poor people and stimulate business and production again
 - Accordingly, the price of gold went up to \$35 per ounce
 - Gold became used only in for international trade if requested, but paper money became the preferred currency

Creating Jobs for the Jobless

- 25% of workers were unemployed when FDR became president
- Congress created the Civilian Conservation Corps (CCC) in the Hundred Days
 - It gave useful employment for 3 million men
- Congress created the Federal Emergency Relief Administration (FERA) for immediate relief

- It gave states about \$3 billion total to give out in wages to stimulate the economy
- The Agricultural Adjustment Act (AAA) and the Home Owners' Loan Corporation (HOLC) were created to help with mortgages on farmers' and non-farmers' homes, respectively
- The Civil Works Administration (CWA) (1933) was created simply to create jobs temporarily during the depression

Work, Exchange, and Technology: Roosevelt's "New Deal" for the "forgotten" people of America was mostly an economic plan that focused on distributing wealth more evenly to the average, poor people. This was in the form of many progressive reforms that changed work and exchange schedules to benefit the poor, even if it was at the expense of large business. This included the creation of the FDIC to insure bank deposits, the CCC to stimulate the economy by providing jobs for young men, the creation of the AAA to help the hard-hit farmers with their mortgages, and the CWA to create even more jobs during the Depression. All of these policies either created work or made life easier for the people who supported work. These acts from the Hundred Days, under the Emergency Congress, set a precedent of government-funded economic stimulation for both his presidency and for many Democratic presidents to come, with the modern ideology being that a depressed economy needs "priming" in order to recover.

A Day for Every Demagogue

- There were many demagogues (orators who rouse the peoples' support through popular opinion rather than through mostly rational thought) that went against the government's anti-depression programs
 - Examples:
 - Father Charles Coughlin formed a group who was anti-New Deal and "so anti-Semitic, fascistic, and demagogic that he was silenced [by religious people]"
 - Dr. Francis E. Townsend and Senator Huey P. Long gave ludicrous monetary promises to the people that they could not uphold
 - People were worried about the demagogues being fascist
 - This was especially troubling because Germany and Japan were becoming more authoritarian and fascist
- Congress created the Works Progress Administration (WPA) (1935) to give more jobs on useful projects
 - It ended up spending \$11 billion on infrastructure and art and other mostly useful projects

American and National Identity: The idea of demagogues is a purely American one. It combines the aspect of free speech with the idea of factions and a two-party system, both of which are intertwined deeply with the U.S. government. These demagogues preached unreasonable promises or hatred, which is an inevitable con of free speech and expression — this allows hate groups such as the White Knights or the KKK to exist lawfully in America. It also shows how there are always people opposed to the government's policies, such as with the two-party system: often one party dislikes the opposing party's policies. In this case, third-party demagogues express their hate for New Deal policies similar to the opposing party. This also shows the moral strength of American identity, because the unreasonable and hating groups

were eventually weeded out naturally without government interaction, but rather by religious superiors and by the people worried of fascist leaders.

New Visibility for Women

- There were many prominent women during FDR's presidency
 - His wife Eleanor Roosevelt was an outspoken activist
 - Secretary of Labor Frances Perkins was the first women cabinet member
 - Mary McLeod Bethune was an African American women and director of the Office of Minority Affairs, a high-ranking official position
 - Multiple women such as Ruth Benedict and Margaret Mead made important contributions to the fields of the social sciences and anthropology (which was new at the time)
 - Pearl S. Buck wrote about peasant life in China and won the Nobel Prize for literature with the book *The Good Earth*

Helping Industry and Labor

- The National Recovery Administration (NRA) was created to make industry more fair and help workers
 - Industries were to work out codes of fair competition
 - Lesser hours and higher minimum wages were to be given so that more people could get a better-paying job
 - Workers were officially allowed to bargain with their own representatives
 - More restrictions were placed on child labor
 - It temporarily boosted the economy
 - Eventually it started to get abused by businessmen who did not actually follow it, and it was deemed unconstitutional by the Supreme court in *Schechter* (1935)
- The Public Works Administration (PWA) was created to provide help in the long term
 - It gave \$4 billion to infrastructure projects such as the Grand Coulee Dam
- The 21st Amendment allowed the legal sale of alcohol again (repealing the 18th amendment)
 - There was a high tax put on alcohol to provide money for the government
 - There was a maximum alcohol content by weight to prevent too much of the negative effects of alcohol

Paying Farmers Not to Farm

- The Agricultural Adjustment Administration (AAA) was created to reduce the problem of a surplus of goods and the subsequent lowering of prices
 - The government paid farmers to reduce their output
 - Many farmers didn't like this, because it was ruining perfectly fine food
 - This increased unemployment and was overturned by the Supreme Court in 1936 by declaring its methods unconstitutional
- The Soil Conservation and Domestic Allotment Act (1936) was passed to reduce the acreage of farmers' crops, thus reducing output of farmers
 - The main emphasis was on conservation, so the Supreme Court did not find it at fault

- The Second Agricultural Adjustment Act (1938) was like a combination of the first AAA and the Soil Conservation Act by reducing acreage but also focusing on conservation; it also gave farmers fairer wages

Culture and Society: Many of Roosevelt's policies show the national surge of progressivism in its culture. This was a culture that rose in the Wilson administration but was subdued by Hoover and the Republicans. It is a societal sentiment that comes with the Democrats, a view that is seen even today with Democrats typically being more economically and socially liberal (essentially progressive). This included the inclusion of more women into powerful government positions, the creation of the NRA to help out labor unions, the PWA to encourage even more jobs and government infrastructure, the 21st Amendment to match the contemporary views of the time about alcohol, and the AAA to help the hard-hit farmers. This cultural fervor involved simply passing a multitude of more laws; in other words, it was the act of *doing* something that the people believed in. Ultimately, each act ended in something useful, even the 21st Amendment that reinstated the legality of alcohol: it gave the government revenue by taxes on alcohol and it limited the alcohol concentration in liquor. Thus the public was very optimistic about just enacting new policies and making them work with a progressivist culture.

Dust Bowls and Black Blizzards

- The area of the "trans-Mississippi Great Plains" were overfarmed and had loose topsoil and was dubbed the Dust Bowl
 - There was drought and winds and dust
 - New mechanization of farming methods loosened a lot of soil
- Many refugees fled from the Dust Bowl region to southern California, which had similar climate
 - 350,000 people migrated
- The Frazier-Lemke Farm Bankruptcy Act was meant to help the farmers by delaying foreclosure but stopped by the Supreme Court
 - A second law was passed that lessened its impact but was approved by the Supreme Court
- The Resettlement Administration (1935) was a policy meant to help farmers move to better land
- The Indian Reorganization Act (1934) reversed parts of the Dawes Act and allowed Native Americans to have their own governments and preserve their cultures
 - Over 200 tribes upheld this new legislature

Migration and Settlement / Geography and the Environment: The movement of the farmers from the Dust Bowl was perhaps the only forced migration of a large group of non-Native American people in America. Here, geography and the environment were the main factors causing the problem, which usually didn't matter because of the great technological growth that made farming easier and more productive; however, coupled with a natural drought and the excess of loose topsoil and the people's ignorance of the dryness of the fields, the Dust Bowl got steadily worse. 350,000 American farmers were forced to move and settle elsewhere to restart their life in a safe, arable environment. It shows that people tend to settle in areas in which there is the prospect for financial gain or at least a steady living, especially if the condition that person came from is worse. Such is the factor that drives all migration: is it better to leave and find a new life or stay in the dangerous but familiar environment?

Battling Bankers and Big Business

- The Federal Securities Act (“Truth in Securities Act”) was passed to create more reliable stock trading
- The Securities and Exchange Commission (SEC) was created to watch over the stocks and prevent “fraud, deception, and inside manipulation”
- The Public Utility Holding Company Act (1935) was passed to prevent holding companies from forming unless they were necessary
 - Holding companies could cause monopolization and their collapse could mean the collapse of the financial system

The TVA Harnesses the Tennessee

- Electric power had formed a \$13 billion industry by FDR’s presidency
- The New Dealers created the Tennessee Valley Authority (TVA) (1933), a massive public works system in the before-eroded and poor area of the Tennessee River Valley
 - The program included adding irrigation with dams to fix the eroded land
 - It also involved finding out how much electric power actually cost to serve as a baseline to check existing electricity rates against (because the New Dealers suspected that electric companies were ripping their customers off)
 - The program transformed the region into a prosperous one

Housing and Social Security

- The Federal Housing Administration (FHA) provided loans to householders to stimulate the creation of better homes
- The United States Housing Authority (USHA) was a program to lend money to states to help with low-cost home construction
 - This helped build many new homes and lessen the amount of slums in America
- The Social Security Act (1935) was passed
 - This was one of the most complicated and successful programs of the New Dealers
 - It provided unemployment insurance, financial security for seniors, and financial help for the disabled
 - This was mostly caused by the rise of an industrialized society where the government, rather than communities and families as it used to be in more localized businesses, had more of a responsibility over the people
 - It required people to be employed to receive benefits
 - This invalidated the Republicans’ opposing thought that this would cause a “cult of leisure,” because people had to be working first to receive it

A New Deal for Labor

- Under the National Recovery Administration (NRA) laborers thrived and strikes increased
- After the NRA was stopped by the Supreme Court, Congress passed the National Labor Relations Act (1935), or the Wagner Act, that gave labor the right to organize itself into unions and represent themselves with chosen representatives

- Unskilled workers began to form unions
- John Lewis formed the Committee for Industrial Organization (CIO), a large union for unskilled workers
 - They organized a “sit-down strike” at General Motors and won
- The United States Steel Company gave its workers the right to bargain collectively after threat of a strike
- Strikers at smaller steel companies had violent strikes
- The Fair Labor Standards Act (1938) was passed to put restrictions on hours and increase the minimum wage
 - The minimum wage was put at 40 cents per hour and the maximum hours was a 40-hour week
 - Child labor (16 year-olds and younger) were not permitted to work
 - It only applied to jobs that were not “agricultural, service, and domestic” — i.e., it applied mostly to industrial jobs
- The CIO eventually became the Congress of Industrial Organizations (Congress, not Committee) and separated from the American Federation of Labor
 - It was still headed by John Lewis and had around 4 million members

Work, Exchange, and Technology: During the latter part of his first term, FDR’s policies started to move from the very general, broad relief programs such as the PWA and the CCC to more specific, long-term, relief and recovery programs. This includes the creation of committees to monitor for unstable business practices, such as the SEC for the stock market, and a multi-faceted TVA project designed to rebuild a region, assess the value of electricity, and advance technology in electricity, as well as the creation of several long-term labor restriction laws that would survive longer in the workforce, such as with the Fair Labor Standards Act. These policies dealt more with long-term issues than the immediate problems of poverty, but they helped prevent future disasters with workers strikes and stock market crashes.

Landon Challenges “the Champ”

- The Democrats heartily supported FDR for re-election in 1936 because of the great progress made under him
- The Republicans chose Alfred M. Landon to run in the 1936 presidential election
 - Landon was an honest governor who was relatively moderate, supporting some of the New Deal policies but rejecting some
- FDR won the presidential election by 523 to 8 electoral votes, the greatest difference in all of American history since 1820 (James Monroe versus J.Q. Adams)
 - The labor unions and other economic groups such as the CIO were largely supportive of the Democrats
 - Blacks, who received much financial aid from the Democratic party, and because the parties were not split by race divisions any more, were more loyal to the Democrats than the Republicans (a trend that still holds true)
 - He had formed “a powerful and enduring coalition of southerners, blacks, urbanites, and the poor” as supporters of the Democrats because of his New Deal policies

Nine Old Men on the Bench

- FDR removed the lame duck period by passing the 20th Amendment, which shortened the time between election and inauguration by six weeks
- The Supreme Court was very conservative
 - They had blocked New Deal policies seven times out of the nine times they were brought up in the court
- FDR asked Congress to allow the president to add more justices every time there was a justice over seventy years old that would not retire because they were not current with the modern issues
 - There was much controversy over this because of the high prestige and power of the Supreme Court
 - This policy was not passed

The Court Changes Course

- After FDR's plan to add additional seats to the Supreme Court, known as the Court-packing plan, Roosevelt lost some of his popularity
 - This caused much fewer of the new New Deal policies in the years following the plan to be passed
- The Supreme Court justices happened to vote more favorably towards New Deal policies following the Court-packing plan
- All nine justices passed away or retired during FDR's presidency, allowing him to replace all of them with more liberal alternatives

Politics and Power: FDR made a clear mistake when he challenged the authority of the Supreme Court by proposing to change it himself. The opposition from the Supreme Court showed the other side of American politics: the conservative Republican view. This shows a successful separation of powers between the three branches of government: the Judicial Branch, with the conservative Supreme Court at its head, prevented the liberal New Dealers from getting too radical and too powerful, and the U.S. Constitution (as well as the Republicans and many of the common people) prevented the Executive Branch from infringing upon the sacred Supreme Court's power. This was not the case, however, with Congress, especially the Emergency Congress of the Hundred Days: these early days of Roosevelt were chaotic because of the Depression under Hoover, and Congress readily gave in to the President's acts. Thus, the Executive Branch's power was permanently extended to include some power over the Legislative Branch, but not so much over the Judicial Branch.

Twilight of the New Deal

- The economic growth under Roosevelt was rather modest
 - It had changed from 25% when he arrived as president to 15% by the end of his first term
 - There was an economic recession in 1937 due to the new income taxes for social security, which caused less spending to maintain a balanced budget
- FDR decided to embrace keynesianism, or the idea of stimulating a downed economy with more money, or "priming the pump"
 - This was inspired by European examples
 - This became the norm for stimulating the economy up to the present

- The waning popularity of FDR due to the Court-packing plan caused him to not be able to pass a bill allowing for a reorganization of the government for efficiency purposes
 - A more modest Reorganization Bill gave FDR more limited powers to reorganize the government
- The Hatch Act (1939) was passed, preventing government officials from “active political campaigning and soliciting” and “forbade the use of government funds for political purposes, as well as the collection of campaign contributions from people receiving relief payments”
 - In other words, it prevented the government officials from receiving large donations to help with their campaigning, which would give them an unfair advantage over less wealthy candidates

New Deal or Raw Deal?

- There were many opponents of the New Deal with many different justifications for opposing it
 - Some did not like the “chiseling and graft” in the alphabet agencies
 - Some claimed that the government employed “‘crackpot’ college professors, leftist ‘pinkos,’ and outright Communists”
 - Some thought he was Jewish and conspiring with Jewish leftists
 - Some did not like the improvisational style of Roosevelt, who came up with policies as he went and did not have a good plan of the policies to pass before becoming president
 - Some accused him of increasing the bureaucracy and making the federal government too complicated and too strong
 - The government became the largest “business” of the U.S. under FDR (it employed more people than any American business)
 - Some accused him of raising the national debt
 - The debt had risen from \$19 billion to \$40 billion under his presidency
 - Businessmen blamed the government for making it harder to get out of the recession
 - They blamed the government for being too socialistic and controlling or watching over their every economic move
 - Some people didn’t like FDR’s power-hungry rule, with him trying to take control of most of the government by himself
 - People didn’t like him because the New Deal did not solve the Depression

FDR’s Balance Sheet

- FDR had many supporters who supported him for various reasons
 - They said that the main goal of the economy was to provide relief from the Depression, which it had done
 - They believed that the people should be protected and that some money could be spent to help the people
 - They claimed that the resentments between business and laborers had been mended, and that the “socialism” that his opponents had claimed he had was much milder than Communism
 - They claimed that he maintained democracy in America while other nations were resorting to communism and fascism

American and National Identity: Like it was for the demagogues, the option to oppose the president's policies freely showed the power of free speech and the two-party system in America. While FDR was very popular amongst the people, the opposing side opened up holes in his argument that might not otherwise have been noted, and it was done so in a peaceful, legal way. For example, the Republican anti-New Dealers fought against FDR's administration, pointing out that his New Deal had not stopped the Depression, which would only come later with WWII (which wasn't a result of his New Deal). On the other hand, the many supporters of the New Deal refuted these arguments by professing that the New Deal had still helped the economy in its most trying time in history, so that its progress was still impressive. The ability of the nation to accept both of these arguments and continue down the same path while taking into consideration the other side's arguments (and refuting them) is an important part of American identity and its two-party system.