

Chapter 33 (14th)

The Great Depression and the New Deal

1. FDR: A Politician in a Wheelchair
 1. 1932 was likely the worst year of the Great Depression and it was an election year. Hoover was a goner.
 2. Hoover ran for reelection saying what he was doing was helping the situation.
 3. The Democrats nominated **Franklin Delano Roosevelt**, better known as **FDR**.
 1. FDR had been as a young man tall, handsome, & athletic. He got polio in 1921, however, & was since confined to wheelchair. This may have helped temper & humble his personality—he had the people's touch.
 2. He was articulate with his words and conveyed a sense of caring.
 4. His wife, **Eleanor Roosevelt**, was also active in politics. Essentially, they came as a buy-one-get-two team.
 1. She would by far become the most involved First Lady up to that time, maybe of all time.
2. Presidential Hopefuls of 1932
 1. During the campaign, the Democrats appealed to the common man and exuded confidence. They took the theme song of "Happy Days are Here Again" and one of his buzzwords was "confidence." FDR had a mile-wide smile.
 2. Hoover was sour-faced and used slogans like "The Worst is Past" and "It Might Have Been Worse." Folks just looked around and saw through those words. Hoover was a goner.
3. Hoover's Humiliation in 1932
 1. FDR won the election in a landslide, 472 to 59 in the electoral vote.
 2. A unique voting trend ended & started in this election: black voters switched from Republicans to Democrats.
 1. This was a big change. The Republicans had been the Party of Abe Lincoln, anti-slavery, and Reconstruction whereas the Democrats had been the pro-slavery, anti-black party. In 1932, blacks were tired of being the "last hired, first fired" and saw the Democrats as the party to help in that department.
 3. Hoover was something of sore loser. During the four month lame duck period (when the president-elect waits for the leaving president to depart), Hoover tried to wrangle FDR into some unflattering politics. FDR stayed away.
 4. The switch of 1932-1933 was the rock bottom. Unemployment was at 25%, the highest in America's history and bankruptcies were an epidemic.
 1. Cynical opponents of FDR said he purposely allowed things to get worse so he could emerge a savior.
4. FDR and the Three R's: Relief, Recovery, and Reform
 1. In his inaugural address, FDR famously said, "...the only thing we have to fear is fear itself." He was referring to people's fears of spending until things got better and that their money was not safe in banks.
 1. In essence, FDR was saying, "If we don't panic, we'll be okay. Confidence!"
 2. To help cut the panic in banks; FDR quickly issued a "**bank holiday**" which closed banks for one week. It was simply a "time out," to stop the bleeding, sit and relax before moving forward.
 2. FDR started the "**Three R's**": relief, recovery, and reform. Relief was for the right-now (food, shelter), recovery was for a year or so to get out of the Depression, reform was to ensure it wouldn't happen again.
 1. Congress was controlled by far by the Democrats. Anything FDR wanted passed, was passed.
 2. FDR's first "Hundred Days" saw a shipload of bills passed into law. The laws are often called the "Alphabet Soup" because they're a dizziness collection of acronyms, like the TVA, CCC, WPA, PWA, and on and on. The **New Deal**, FDR's plan for fighting the Great Depression, was under way.
5. Roosevelt Manages the Money
 1. In only eight hours, Congress passed the **Emergency Banking Relief Act** which set up the bank holiday.
 2. Roosevelt saw power in radio. Most families had one & FDR used a series of "**Fireside Chats**" to talk to America on the radio. He went over what the problems were & what was being done for them. These talks were very popular.
 3. The **Glass-Steagall Banking Reform Act** set up the **Federal Deposit Insurance Corporation (FDIC)**. It insured people's money in the bank up to \$5,000. There was no need to fear losing one's money in the banks anymore.
 4. In fear of paper assets, people were hoarding gold. FDR took the dollar off the gold standard, ordered people to relinquish gold in exchange for paper money.
 1. FDR wanted to create inflation to make it easier for debtors to pay off their debts (since the money had less value & was thus easier to get). Those who'd given loans were not happy to get not-so-valuable money.
 2. To create inflation, FDR ordered Treasury to buy up gold at \$35 per ounce - the norm for 40 years. This meant more paper money in circulation, which is less valuable than gold, and did cause inflation.
 3. Critics said FDR was creating "baloney" money. FDR did backtrack and, in 1934, put the U.S. back on the gold standard partially (when trading with other nations).
6. Creating Jobs for the Jobless
 1. FDR was willing to use government money to help those in need. One of his main weapons was to "prime the pump", or use federal money on programs in hopes that it would jump start the economy to run on its own.
 2. Likely the most popular New Deal program was the **Civilian Conservation Corps (CCC)**.

1. In the CCC, young men were hired to work in the national forests. They lived in camps like boy scouts and did things like clearing land, blazing trails, planting trees, draining swamps, etc.
2. The CCC provided some experience, some adventure, and a wage to send home to the folks—things healthy young men couldn't turn down.
3. The **Federal Relief Administration** (FERA) sought relief in the form of the dole (government hand-outs). Harry L. Hopkins was placed in charge of the administration and \$3 billion was given to the states for doling out.
 1. He proudly said they'd spend, tax, and get themselves reelected. Others saw this scheme as simply taking one person's money in taxes and giving it to another person to buy his vote.
4. The **Agricultural Adjustment Act** (AAA) offered low interest loans to farmers.
5. The **Home Owners' Loan Corporation** (HOLC) refinanced people's home loans at lower interest rates.
6. Unemployment was a lingering problem. In hopes of fighting it, FDR started the **Civil Works Administration** (CWA). It was to provide temporary jobs to see folks through a short period (winter).
 1. Finding jobs was hard to do and many were just made-up jobs, called "boondoggling." Critics saw the often result in a job of leaning-on-a-shovel and while collecting taxpayer money.
7. A Day for Every Demagogue
 1. There were many voices on the subject of the Great Depression. Catholic priest **Father Charles Coughlin** was one of the most persistent. He gave a regular radio address discussing "Social Justice."
 1. He's first pro-FDR, anti-New Deal. He eventually went overboard & was silenced by higher-up clergy.
 2. One of the more flamboyant critics was **Sen. Huey Long** of Louisiana. He ranted about a "Share the Wealth" plan and promised "every man a king."
 1. He spoke of giving \$5,000 per family to poor, likely taking it from those who had it. The math was silly.
 2. King got passionate responses. Many down-and-out folks loved him. Many despised him and feared he might become some type of dictator. One person assassinated him, in 1935.
 3. **Dr. Francis Townsend** proposed to dole out \$200/month to 5 million senior citizens. They would have to spend it, thus helping pump-prime the economy. Like Huey Long's idea, this was a mathematically ludicrous plan.
 4. Congress started the **Works Progress Administration** (WPA) in part to quiet these troublemakers. \$11 billion was spent building public facilities like bridges, public buildings, and roads.
 1. The WPA's goals were to help curb unemployment (9 million people were put to work) and help improve the nation's infrastructure (roads, bridges, etc.).
 2. Many students set up part-time jobs. Work was also drummed up for artists & writers, although it's often boondoggling: **John Steinbeck**, future Nobel literature prize winner, counted dogs in Salinas county CA.
 3. There was some other waste, like controlling crickets and building a monkey pen.
8. New Visibility for Women
 1. After having the right to vote for over 10 years now, women began taking a more active role in things. Leading the way was **Eleanor Roosevelt** but there were other ladies too.
 2. **Frances Perkins** was the first female cabinet member as Sec. of Labor.
 3. **Mary McLeod Bethune** was in charge of the Office of Minority Affairs. She was the highest ranking black in FDR's administration. She later held found a college in Daytona, FL.
 4. **Ruth Benedict**, an anthropologist, studied cultures as personalities in *Patterns of Cultures*.
 1. One of her understudies was **Margaret Mead**. She wrote the landmark anthropology book *Coming of Age in Samoa* about adolescence in that culture.
 5. Novelist **P. S. Buck** wrote *The Good Earth* about a peasant farm family in China & won 1938's Nobel Prize for lit.
9. Helping Industry and Labor
 1. The **National Recovery Administration** (NRA) was the most complex of the New Deal programs. It's goal was to help industry, labor, and the unemployed.
 1. To try and achieve those goals, it set codes of "fair competition." This meant working hours would be spread out to more people. Maximum work hours were set up; minimum wages were set up.
 2. Labor unions were given the right to organize and collectively bargain. Antiunion yellow-dog contracts were forbidden; child-labor was curbed.
 2. Businesses could agree to go along with NRA's principles to display the NRA eagle & slogan, "We do our part."
 1. There was enthusiasm for NRA. Philadelphia named their new pro football team "Eagles." Still, FDR knew the NRA was a gimmick in essence, and temporary, saying, "We can't ballyhoo our way to prosperity."
 3. The NRA soon fell to *unpopularity*. Businesses, at heart, hate running themselves in any way other than what's best for them (not with artificial restrictions). Henry Ford called the eagle "that damn Roosevelt buzzard."
 1. The final blow came in the 1935 *Schechter* case when Supreme Court declared the NRA unconstitutional.
 4. In the same law as the NRA, Congress had set up the **Public Works Administration** (PWA). Like the PWA, it sought to build public works and infrastructure.
 1. Headed by Sec. of the Interior **Harold Ickes**, it started 34,000 projects. Noteworthy was the Grand Coulee Dam on the Columbia River. It was the biggest human-built structure since the Great Wall of China.
 5. Early on, FDR and the Democrats passed legislation legalizing beer and wine with alcohol not over 3.2%.
 1. The Twenty-first Amendment (1933) repealed the Eighteenth, thus ending the prohibition of alcohol.
10. Paying Farmers Not to Farm

1. The **Agricultural Adjustment Act** (AAA) tried to help farmers by creating "artificial scarcity." It paid farmers to not farm, thus reducing the supply.
 1. The AAA's start was shaky. Cotton farmers plowed under already planted crops. Pigs were slaughtered and some of the meat turned to fertilizer. The law seemed cruel and wasteful.
 2. Farm incomes did rise, but farmer unemployment rose too.
 3. The Supreme Court ended the AAA when it declared the AAA unconstitutional in 1936.
 2. Congress passed the **Soil Conservation and Domestic Allotment Act**. It paid farmers to plant crops that preserved and reinvigorated the soil, like soybeans. The Supreme Court went along with this plan.
 3. A **Second Agricultural Adjustment Act** was passed in 1938. Farmers were encouraged to plant less acreage in exchange for payments. Again, it was simply payment to not farm.
11. Dust Bowls and Black Blizzards
1. A long drought hit the lower Plains in 1933. The winds kicked up and started the **Dust Bowl**. The fertile topsoil of many farms simply blew away, mostly in parts of Oklahoma, Kansas, and Texas.
 1. The causes were drought and wind, but also the "dry-farming" technique where farmers repeatedly plowed the top few inches of soil. It created a powdery layer that simply blew away.
 2. With the farms able to grow crops, many people headed west to California for farm-jobs. This inspired John Steinbeck's classic novel *The Grapes of Wrath* about the "Okies" long, tough trip looking for work.
 2. Congress tried to aid debtors with the **Frazier-Lenke Farm Bankruptcy Act** (1934). It held off mortgage foreclosures for 5 years. However, the Supreme Court struck it down the next year.
 3. The **Resettlement Administration** (1935) tried to resettle farmers onto better soil.
 4. The CCC boys planted 200 million trees trying to grow windbreaks.
 5. The government's relationship with the Indians was changing again.
 1. John Collier headed the **Bureau of Indian Affairs** and wanted to change the policies of the old **Dawes Plan**. It had tried to end tribes and the old ways of the Indians—to *force* Indians to become "white."
 2. Collier's new plan was the **Indian Reorganization Act** (1934), called the "Indian New Deal", did the opposite of Dawes—it encouraged Indians to keep their traditional ways.
 3. To many Indians, this was a slap in the face too. This "back-to-the-blanket movement" implied Indians were to be like museum artifacts, frozen in the stone age, hunting buffalo and weaving baskets. Almost 200 tribes accepted the Reorganization Act, 77 did not.
12. Battling Bankers and Big Business
1. Prior to the stock crash, some businesses had fudged on their financial reports. Investors invested, and lost, partly due to the phony numbers. Congress tried to fix this with the **Federal Securities Act** (AKA the "Truth in Securities Act"). It required companies to report honest financial numbers.
 1. The **Securities Exchange Commission** (SEC) was set up as the stock watchdog.
 2. The multi-billion dollar financial empire headed by Chicagoan Samuel Insull crashed in 1932. He held the tip of the pyramid, but headed up the entire rest of the pyramid—when he came down, everything did. Congress passed the **Public Utility Holding Company** (1935) in hopes of avoiding to such schemes.
13. The TVA Harnesses the Tennessee River
1. The electricity industry attracted New Dealers. They felt electricity companies of gouging consumers with high rates. They also wanted to expand electricity to rural areas.
 2. The **Tennessee Valley Authority** (TVA) was set up in 1933 to build a series of dams along the Tennessee River.
 1. This would be a "double-barreled" plan: provide jobs, help with housing via the jobs, provide electricity.
 2. The TVA's area would help improve the lives of some 2.5 million people.
14. Housing and Social Security
1. The **Federal Housing Authority** (FHA) was set up to offer low interest home loans. It was a "double-barreled" program: it got people in homes and put people to work building them.
 1. It was a popular program and outlasted FDR and the New Deal.
 2. The program got a shot-in-the-arm in 1937 with the **U.S. Housing Authority** (USHA). It lent money to states or localities for construction projects.
 1. These laws helped stop the growth of slums.
 3. The **Social Security Act** (1935) was perhaps the most far-ranging law.
 1. It set up a payment plan for old age, the handicapped, delinquent children, and other dependents.
 2. The payments were funded by taxes placed on workers and employers, then given to the groups above.
 3. Republicans opposed the act saying it was little more than a government-knows-best program with socialist-leaning policies. Worse, taxing one person's work and giving the money to another person seemed to *discourage* effort and *encourage* a feeling of entitlement to having someone else pay.
15. A New Deal for Labor
1. An epidemic of strikes occurred in 1934. Some were violent. Congress sought to replace the killed NRA and passed the **Wagner Act** (AKA the National Labor Relations Act) (1935). It guaranteed the right of unions to organize and to collectively bargain with management.
 2. Unskilled workers began to organize as they were usually left out, being easy to replace in a strike.

1. **John L. Lewis**, head of the United Mine Workers, organized the **Committee for Industrial Organization (CIO)** which admitted the unskilled.
 2. The CIO started within the AF of L, but later split out on its own (the AF of L didn't want to weaken itself with the unskilled). The CIO scored a victory in a dispute with General Motors in a "sit-down" strike.
 3. The CIO won again vs. the U.S. Steel Company. Smaller steel companies fought back and bloody strikes ensued, like the Memorial Day massacre in Chicago killing or wounding over 60.
 3. The **Fair Labor Standards Act** (AKA Wages and Hours Bill) set a minimum wage, maximum working hours, and forbade children under 16 from working.
 4. Unsurprisingly, unions loved FDR. Membership in labor unions began to shoot upward.
16. Landon Challenges "the Champ"
1. In 1936, the Republicans nominated **Alfred M. Landon**, governor of Kansas, as candidate for president.
 1. Landon criticized FDR's massive spending. But, he was hurt with a weak radio voice, a poor campaigner, and the fact that he supported many of the programs that he criticized FDR for spending on.
 2. Some Democrats joined Republicans to form the **American Liberty League**. It didn't like the "socialist" direction the New Deal was taking America.
 2. But, with FDR's wide popularity, the election was almost a moot point. FDR won 523 to 8 in the electoral vote.
 1. FDR won because he never forgot the "forgotten man."
17. Nine Old Men on the Bench
1. FDR was sworn in for his second term on January 29, 1937 (instead of March 4). The **Twentieth Amendment** had cut the "lame duck" period by six weeks.
 2. Democrats still controlled Congress & were essentially "yes-men," but Supreme Court was a thorn in FDR's side.
 1. In 1937, FDR proposed increasing the Supreme Court to perhaps 15 justices. This would greatly increase FDR's power (because he'd make the appointments).
 3. Congress was shocked at this little disguised attempt at power-grabbing. Congress didn't want the power see-saw to tip too far toward FDR, and for once, FDR did *not* get his way. Congress voted no. This was perhaps FDR's first mistake and his first loss.
18. The Court Changes Course
1. FDR was widely accused of trying to turn dictator.
 2. Although the "court-packing scheme" was voted down, the Court did begin to sway FDR's way. Formerly conservative Justice **Owen J. Roberts** started to vote liberal.
 1. By a 5-to-4 vote, court upheld minimum wages for women & upheld the Wagner & Social Security Act.
 3. So, though not expanding the court's numbers, FDR did get the Supreme Court to go his way. The only bad news for FDR was the suspicion that the court-packing scheme started. Very few New Deal-like bills were passed afterward.
19. Twilight of the New Deal
1. Despite New Deal's plethora of spending and programs, the depression did not go away during Roosevelt's first term.
 1. Unemployment went from 25% in 1932 to 15% in 1937, lower, but still very high.
 2. The economy took a second downturn in 1937. The "Roosevelt Recession" was caused by the government's policies.
 1. Social Security was cutting into people's take-home pay, and thus, their spending power.
 2. FDR seemed to admit too much spending was risky and cut back on the spending.
 3. Then, FDR changed his mind and went back to heavy spending.
 1. British economist **John M. Keynes** ideas were coming en vogue. Keynesian economics says that it's okay, even good, for governments to engage in "deficit spending" (spending more money than they take in).
 4. Congress went along with more spending and FDR went back to work.
 1. The **Reorganization Act** gave FDR some authority for administrative reforms, including the new Executive Office in the White House.
 5. The **Hatch Act** (1939) banned federal officials from political campaigning and soliciting, except for the highest officers. Goals to clean up campaigning & make sure federal employees weren't turned to just political campaigners.
20. New Deal or Raw Deal?
1. New Deal critics saw a ton of spending, a lot of waste, and little accomplished.
 2. FDR was criticized for moving away from American *laissez-faire* capitalism and moving toward Russian communism/socialism/Marxism.
 1. The debt had been \$19 billion in 1932; in 1939, the debt was \$40 billion.
 2. The U.S. seemed to be attempting to achieve prosperity without working for it. Fears were that Americans were getting a bad case of the "gimmies" and the U.S. was becoming a "handout state." When times got tough in the 1800's Americans went west, in the 1900's Americans sought handouts.
 3. The New Deal may have helped, but it did not get the U.S. out of the depression. WWII ended the Great Depression.
 1. The war solved unemployment. Massive spending during the war jacked the debt up higher, to \$258 billion.
21. FDR's Balance Sheet
1. FDR's supporters said the New Deal had avoided the Depression from being even worse than it was.
 2. FDR was hated by capitalists due to his taxation policies, but was also disliked by socialists. The New Deal may have actually *cut down* on socialism by avoiding a more radical turn to the left or right.

1. In a very tough time, FDR provided considerable change with no revolution. Other nations (Italy, Germany) were taking very radical changes.
3. Like Thomas Jefferson, though wealthy and of the elite class, FDR always spoke on behalf of the "forgotten man."
4. Maybe his greatest achievement was yet to come—his leadership during WWII.