



America 1919-1941



Key Question 1: How far did the US economy boom in the 1920s?

Focus Points

- On what was the economic boom based?
- Why did some industries prosper while some did not?
- Why did agriculture not share in the prosperity?
- Did all Americans benefit from the boom?



Specified Content

The impact of the First World War on the American economy; the expansion of the US economy during the 1920s; mass production in the car and consumer durables industries; the fortunes of older industries; the development and impact of credit, hire purchase and advertising; increase in standard of living and consumerism; the decline of agriculture; weakness in the economy by the late 1920s.

How Did America React to the end of World War I?

The American people had not wanted to go into World War One - America did not join in until 1917 - and when the war ended they rejected the Treaty of Versailles and the League of Nations. This is called 'isolationism' - the desire to keep out of foreign affairs.

American people were isolationist because **[IMAGE]**:

a. **Isolationism:**

America regarded itself as the 'New World' and did not want anything to do with the 'Old World', which they saw as being corrupt, old-fashioned and full of dangerous ideas like Communism. When Wilson went to the Versailles Conference, he was the first US President EVER to visit Europe.

b. **Money:**

American businessmen were worried about the **COST** of the League - paying taxes to pay for its organisation, and losing trade if it decided to impose sanctions.

c. **American soldiers:**

100,000 soldiers had died in the First World War, and many Americans couldn't see why American soldiers should die keeping peace elsewhere in the world.

d. **German immigrants:**

Many Americans were immigrants from Europe and they still had ties there. So German immigrants **HATED** the Treaty of Versailles just as much as the Germans in Germany. (Also, many Irish

immigrants HATED Britain so much they didn't want to have anything to do with a League of Nations with the British in it).

e. **Empires:**

The American colonies had once been part of an empire, but the American revolution was about freedom from empire. The Treaty of Versailles hadn't abolished the British Empires (indeed, it had added Mandates to them), and many Americans did not want to be part of a Treaty or a League with upheld the British Empire.

How Did the Policies of the American Government encourage Isolationism?

Tariff, *noun*,

1. a list or table of duties or customs payable on the importation or export of goods.
2. a duty on any particular kind of goods.

Hutchinson Educational Encyclopedia Dictionary (2000)

The new government of Warren Harding brought in two developments which are often attributed to 'isolationism' (although they had other causes).

The first was to increase tariffs on foreign imports to protect American industry. The second was to restrict immigration.

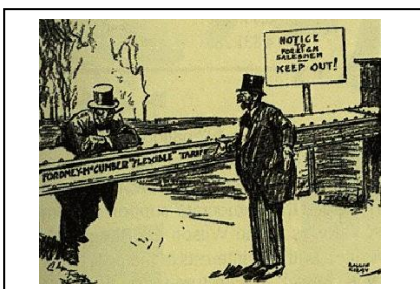
1. The Fordney-McCumber Act, 1922

Wilson believed in low tariffs. He had reduced tariffs in 1913, and refused to increase them.

Demand was growing, however, for higher tariffs (Source B). As soon as he became President, Warren Harding passed an Emergency Tariff (May 1921) to increase duties on food imports, and in 1922 Congress passed the **Fordney-McCumber Tariff**. This had two principles:

- a. '**Scientific tariff**': this linked tariffs to the wages in the country of export. If wages in, say Italy, were very low, then Italian goods were given a proportionately higher tariff. This negated the effect of lower wages in competitor countries.
- b. '**American Selling Price**': this linked tariffs to the price of American goods, not to the cost of production. A German company might be able to produce, say, a certain chemical for \$60, but if the selling price in America was \$80, and the US tariff was 50%, the tariff would be \$40. This meant that foreign imports were ALWAYS more expensive than American-produced goods, however cheaply they had been made.

The Fordney-McCumber Act established the highest tariffs in history, with some duties up to 400% and an average of 40%.



An anti-tariff American cartoon of the time, linking the tariff to isolationism. The French man is saying: 'But Monsieur, where does it end'.

In the long-run, the Fordney-McCumber Act damaged the American economy, because other countries retaliated by putting up their duties and stopping American exports. However, for the moment, America was a huge new country, and there was plenty of demand at home.

2. Immigration Quotas

ALL Americans were immigrant families, of course, but until 1890 most immigrants were 'WASPs' (white Anglo-Saxon Protestants) from the wealthier countries of Europe such as Britain, Germany and Sweden. After 1890, more immigrants started arriving from Eastern Europe and Asia.

Demand was growing, however, to slow down immigration (Source F), and there followed a number of laws to restrict immigration:

a. 1917: Immigration Law

This required all immigrants to prove they could read English, banned all immigration from Asia, and charged an immigration fee of \$8.

b. 1921: Emergency Quota Act

This stated that the number of immigrants from 'the eastern hemisphere' could not be more than 3% of the number already in America in 1910. It set the maximum number of immigrants in any year at 357,000.

c. 1924: Reed-Johnson Act

Maximum number of immigrants in any year at 154,000. Quota from eastern hemisphere reduced to 2% of those already in America in 1890; the South and the East of Europe were thus only allowed to send 20,000 immigrants per year, and non-Europeans only 4,000.

At the same time measures were taken to 'Americanize' immigrants:

- The Federal Bureau of Naturalization organised naturalization proceedings, and patriotic 'Americanization Day' rallies and Fourth of July celebrations.
- The Federal Bureau of Education organised courses on politics and democracy to prepare immigrants for the 'citizenship exam'.
- The courts clamped down harshly on political crimes by immigrants
(The case you MUST know about is the trial of Sacco and Vanzetti - two immigrants from Italy who were anarchists - who in 1920 were found guilty of armed robbery and murder (and executed in 1927), even though the defence produced 107 witnesses that they were elsewhere at the time, and in 1925 the actual murderer came forward and gave himself up ... the jury did not believe the defence witnesses because they were all Italian immigrants).

Not all this was racism and prejudice - many social workers saw it as a way to help immigrants out of the terrible poverty many of them lived in.

How far did the USA achieve prosperity in the 1920s?

A 'how far' question ALWAYS indicates that there are two sides to the argument. So, on the one hand you can cite evidence of burgeoning prosperity - on the other hand there is evidence that there were many who did not share in the prosperity.



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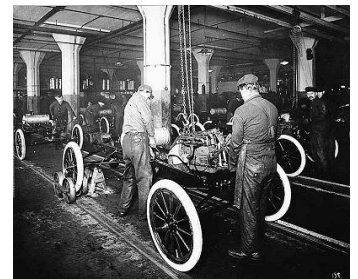
The Booming Economy

Between 1922 and 1929 the annual Gross National Product of the USA increased by 40%. The average income per head increased by 27%.

Highlights of the boom included [CI SUCCESS]:

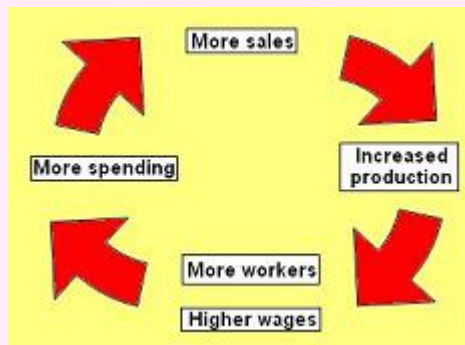
- a. **Consumer boom** - growth of personal possessions (c.f. Woolworths, hire purchase, commercial travellers).
- b. **Innovation in production methods**, especially in the motor industry (by 1925 Ford were producing a car every 10 seconds); this pushed down prices and made goods more accessible for ordinary people (the 'Tin Lizzie' cost \$850 in 1910, only \$295 in 1920).
- c. **Synthetics** - the invention of bakelite (the first plastic), cellophane and nylon - and chemicals.
- d. **Upsurge in car ownership** - esp. the Ford Model T; 15 million had been produced by 1927, and the number of Americans owning cars rose from 8 to 23 million.
- e. **Consumer durables/electrical goods** - fridges, washing machines, dishwashers, vacuum cleaners, record players.
- f. **Communications revolution** - number of telephone doubled/ number of radios increased from 60,000 to 10 million.
- g. **Entertainment industry** - Hollywood, Charlie Chaplin, the 'talkies' and cinemas, jazz clubs and speakeasies.
- h. **Stock market** - Wall Street boomed (a 'bull' market) with many people buying shares to make a profit. Many new businesses were 'floated' on the stock market.
- i. **Skyscrapers, highways and urban development.**

Ford Assembly Line



Why Industry boomed [PAT GOT CASH]

- a. **P**opulation growing rapidly increased demand for consumer goods.
- b. **A**bundant raw materials - esp. coal, iron and oil - allowed cheap production
- c. **T**ariffs - protected American industry from competition
- d. **G**overnment - the government relaxed regulations and reduced taxes (this is called 'laissez faire')
- e. **O**pportunities of New Technology (e.g. electrical goods, radio, film, nylon)
- f. **T**echniques of production- Ford's Assembly line method, and Frederick Taylor's time and motion
- g. **C**ycle of prosperity - increased prosperity increased prosperity.



- h. **A**dvertising (e.g. billboards, radio commercials,)
- i. **S**ales methods (e.g. commercial travellers, mail order, chain stores such as Woolworths)
- j. **H**ire Purchase - instalments allowed people to buy now, pay later.

Poverty and Depression

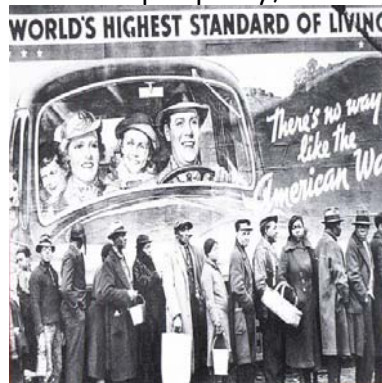
Not every one shared in the prosperity, however, and there were glaring weaknesses in the American economy in the 1920s.

However, there is plenty of evidence that all was not well with the American economy in the 1920s, and in 1928 the 'boom' began to slow down.

Particular problems included **[FLOP CUTS]**:

- a. **Farming** - machinery and overproduction led to rapidly falling prices (wheat prices fell from \$183. a bushel in 1920 to 38 cents in 1929). In 1929 average income of farmers was only 40% of the national average, and many farmers could not afford their mortgage; in 1924 600,000 farmers went bankrupt. Rural areas did not have electricity, so most country-dwellers were excluded from the consumer boom.
- b. **Low wage earners** - e.g. unskilled and casual workers, or the 2 million who were unemployed - could not share the prosperity. There were great inequalities of wealth; the top 5% of the population earned 33% of the income, while 60% of Americans earned less than \$2000, and that 40% were below the poverty line (notably farmers/ Black Americans/ immigrants).
- c. **Old Industries** - overproduction of coal (which was being replaced by oil and gas) led to mine closure and falling wages. In 1929 a coal miners wage was barely a third of the national average income. There were also problems in the textiles industry
- d. **Poor Black Americans** - 1 million black farm workers lost their jobs in the 1920s. Black workers in the towns in the north were the lowest paid; the only work they found available were low-paying, menial jobs. New York's black Harlem district was a severely overcrowded and segregated community. 'Rent parties' were common on Saturday nights, to raise money to pay the landlord on Sunday.

This photo is from the 1930s, but it sums up the position of Black people in the 1920s - they can SEE the prosperity, but they don't SHARE in it.



- e. **Cartels, trusts and monopolies** - 'fixed the market' and tried to keep prices high and wages low.
- f. **Unemployment** - new technology was throwing more and more people out of work; the number of unemployed stood at 2 million throughout 1920s.
- g. **Trade problems** - high tariffs were causing other countries to retaliate, as well as reducing the purchasing power of those countries, which made it hard for American companies to export their products abroad. Farmers, who relied on exporting wheat, were especially hard-hit by this.
- h. **Stock Exchange** - the biggest problem; Wall Street was 'over-heating'. So great was over-confidence that people were even buying shares in imaginary companies. Many were buying shares 'at the margin' (a person could get a loan of up to 90% to buy shares) expecting to make enough profit to repay the loan when the shares were resold - brokers' loans almost trebled 1926-9. All this threatened disaster if share prices ever *stopped* rising.

Key Question 2 : How far did US society change in the 1920's?

Focus Points

- What were the 'Roaring Twenties'?
- How widespread was intolerance in US society?
- Why was prohibition introduced, and then later repealed?
- How far did the roles of women change during the 1920's?



Specific Content

Society in the 1920's; the 'Roaring Twenties'; film and other media; changing attitudes; the Red Scare; the case of Sacco and Vanzetti; race relations and discrimination against African Americans; the Ku Klux Klan; prohibition and gangsterism; the changing roles of women.

'The Roaring Twenties'. Is this a good description of the USA in the 1920s?

The pace was faster, the buildings were higher, the morals were looser and liquor was cheaper.

F Scott Fitzgerald, *Echoes of the Jazz Age* (1931)

F Scott Fitzgerald was a romantic novelist.

This huge topic is really five topics, each one a big subject, and - as well as a question about the 'Roaring Twenties' as a whole topic - you have to be prepared for for a specific question on just one of the five topics in the exam.

On the positive side, there were exciting developments in entertainment and women's lives.

On the negative side, there was Racism, Prohibition, and Organised Crime.

1. Entertainment

If the term 'roaring twenties' applies to anything, it applies to entertainment, in which area there were many exciting developments:

a. Films:

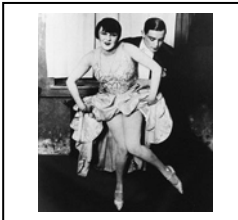
- movie actors such as Charlie Chaplin, Rudolf Valentino and Mary Pickford became 'stars'.
- in 1927, *The Jazz Singer* starring Al Jolson, was the first 'talkie'.
- a well-known early two-colour film was *The Toll of the Sea* (1922) and two-colour films were common by the end of the 1920s; after 1932, films were produced in three-colour technicolour.
- by 1930, 100 million Americans went to the movies every week.
- companies like United Artists and MGM produced hundreds of films a year.
- films taught people new fashions (e.g. smoking) and new ways to behave - many girls wanted to be like 'It' girl, Clara Bow.

b. Jazz:

- Jazz was first played in New Orleans by black musicians such as Louis Armstrong. After 1917, racist violence forced many of them to leave New Orleans, so they went north to play in the night clubs of towns like Chicago and New York.
- The invention of radio and the phonograph (record player) made it available in people's homes. They were called 'race records', because they were recorded by black musicians.
- Because it was often played in speakeasies, by black musicians, it was seen as wild and exciting - which soon made it very popular.
- Jazz music contributed to many of the social developments of the age - baggy trousers and short skirts, wild dancing, and a new kind of convention-free poetry called 'jazz poetry' (poets such as TS Eliot and ee cummings).

c. Dances:

- The Charleston was a fast dance developed in Black communities which was adopted by flappers, who danced it alone to challenge the 'drys' who wouldn't go out to clubs. (Both Joan Crawford and Ginger Rogers began their movie careers by winning Charleston competitions.)
 - The 'Black Bottom Stomp' was first recorded by Jelly Roll Morton and named after Black Bottom - a Black neighbourhood in Detroit. After 1926 it became the most popular dance.
 - The dances scandalised many Americans, who thought they were immoral.



2. Women

How significant were the changes in women's lives in the 1920s?

Argument 1 - VERY significant:

- Work:** Many women had taken over jobs traditionally reserved for men (such as manufacturing), and 1920-29 the number of working women increased by 25%; many went to be teachers and secretaries.
- Vote:** In 1920 the 19th Amendment gave women the vote. The Woman's Joint Congressional Committee, which lobbied successfully for a Maternity and Infancy Protection Act (1921), equal nationality rights for married women (1922), and the Child Labor Amendment (1925).
- Flappers:** dumped the old restrictive fashions, corsets etc. in favour of short skirts, short hair, and the flat-chested look. Many of them wore men's clothing. They smoked, drank, used make-up, played tennis, and danced wildly in jazz clubs. Some were sexually active.

Argument 2 - NOT significant:

- Work:** most working women were in low-paid jobs, and they were paid less than men for the same job. 10 million women were working in 1930 ... but this was still only a quarter of the females age 15 and over; the rest worked for free in the home and on the farm.
- Vote:** Apart from exceptions such as Florence Kelley and Alice Paul, few suffrage campaigners went into politics; they gave up politics and returned to being housewives. Women campaigned in vain after 1920 for an Equal Rights Act.
- Flappers:** The flappers scandalised many Americans - the Anti-Flirt Association tried to persuade young Americans to behave decently. Most girls, especially in rural America, still behaved 'decently', got married and had babies.

3. Race Relations

How far were the 1920s a time of racism and discrimination for Black Americans?

Argument 1 - A time of racism [HACKLE]:

- a. **Hostility to immigrants:** and the Red Scare.
- d. **American Government:** refused to pass laws banning lynchings or giving Black Americans the vote.
- c. **Jim Crow Laws:** the name for laws passed in the southern states which prevented Black Americans from mixing with whites ('segregation'), denied them equality of education and civil rights, and prevented them from voting.
- b. **Ku Klux Klan:** an organisation to maintain WASPs supremacy, which had 5 million members by 1925. Many supporters were poor whites, who did not want Black Americans to be their equals/fear they would take their jobs, but many were racism wealthy white Americans. They wore white sheets and hoods, and marched with burning crosses. They spoke with each other in a secret language which they called 'Klonversations'. They attacked, tortured and killed Black Americans, but also Jews and Catholics and 'immoral' people such as alcoholics.
- e. **Lynchings:** mobs of white people often hanged ('lynched') Blacks Americans whom they suspected of a crime (usually the police turned a blind eye).
- f. **Even in the north:** Black Americans ended up with the low-paid menial jobs, such as janitors, bootblacks, cooks, houseboys, baggage handlers, waiters, doormen, dishwashers and washroom attendants. In 1919, white Americans in Chicago rampaged through Black neighbourhoods after a drowning black man clinging to a log had drifted into a whites-only swimming area.

Argument 2 - A time of flowering [RHINO]:

- a. **Role models:** some Black Americans became famous - the sprinter Jesse Owens, the baseball player Jackie Robinson, the dancer Josephine Baker. They were an inspiration to other Black Americans.
- b. **Harlem Renaissance:** a cultural flowering in the New York Black neighbourhood of Harlem, based on jazz, but also excellent Black architects, novelists, poets and painters. Many of these believed in 'Artistic Action' - winning equality by *proving* they were equal.
- c. **Identity:** in 1925 Alain Locke wrote *The New Negro*, who had to smash the old image of 'Uncle Tom' and 'Sambo', and develop a new identity, 'uplift' the race and fight for equality. There were Black newspapers and magazines. This was the time when the phrase was coined: 'Black is Beautiful'.
- d. **NAACP:** Set up in 1909, it campaigned for civil rights.
- e. **One-and-a-half million** Black Americans migrated from the south to the north. Although many of them ended up in low-paid jobs, some of them formed a new Black middle class, and were educated at university.

4. Prohibition

In 1919 - as the result of a long and powerful campaign the 18th Amendment to the Constitution made the manufacture, transport or sale of alcoholic drinks illegal. The Volstead Act, passed at the same time, declared any drink more than 5% proof 'alcoholic'.

Argument 1 - A failure [DAMAGE]:

- a. **Drinking continued:** impossible to enforce (not enough police - only 4000 agents, many of whom were sacked for taking bribes).
- b. **Available:** the liquor trade just 'went underground'. speakeasies (illegal bars), moonshine (illegally-made alcohol), bootlegging (smuggling alcohol to sell). It is sometimes asserted that there were more speakeasies than there had been saloons (not true, but there were 200,000 speakeasies in 1933).

- a. **Made criminals of ordinary people**
- a. **Adverse effects:** moonshine was poor quality and sometimes killed people. 'Jackass brandy' caused internal bleeding, 'Soda Pop Moon' contained poisonous alcohol.
- a. **Gangsterism flourished running the illegal trade:** It became hugely profitable, and led to a growth of violence, protection rackets etc. associated with the illegal trade (see '[Organised Crime](#)' below). The general flouting brought the rule of law in general into disrepute as police 'turned a blind eye'. Corruption grew.
- a. **End:** in 1933 the 21st Amendment abolished Prohibition (= 'proved' that it failed).

Argument 2 - A Success **[ALE]**:

- a. **Alcohol destroyed:** in 1929, 50 million litres of illegal alcohol were discovered and destroyed.
- b. **Legacy:** the actual consumption of alcohol fell, not just during prohibition, but for many years after - did not reach pre-1914 levels until 1971
- c. **Eliot Ness and the Untouchables:** became famous as examples of the high standards police SHOULD achieve.

5. **Organised Crime**

Organised crime stepped in to take over from the breweries and spirits manufacturers:

- a. They ran the speakeasies, and bootlegging.
- b. They also ran protection rackets, prostitution and drug-running.
- c. They bribed trade union leaders, police, lawyers, judges and even Senators.
- d. The most famous gangster was Al Capone, who earned \$100,000 a year from beer sales alone, ran a private army of more than 700 mobsters, and is thought to have murdered more than 200 opponents.
- e. They fought with each other for control of their 'territory' - the most famous incident was the [St Valentine's Day Massacre](#) in 1929, when 'torpedoes' from Capone's gang shot dead 7 members of Bugs Moran's gang.

Prohibition is a business. All I do is supply a public demand. I do it in the best and least harmful way I can

Al Capone

Why Prohibition **[ACRIME]**

- a. **Anti-Saloon League** - campaigned that drink hurt families because men wasted money on beer, that it ruined their health and lost them their jobs, and that it led to domestic violence and neglect.
- b. **Christian organisation** - esp. Women's Christian Temperance Union - supported prohibition.
- c. **Rural America** - scandalised by behaviour in the towns - supported it.
- d. **Isolationism** - it was said that money spent on drink 'flew away to Germany' because much of the beer drunk in America was brewed there.
- e. **Madness, crime, poverty and illness** were seen as caused by alcohol
- f. **Easy Street** - Charlie Chaplin's comic film (1917) showed how drink damaged, and Christianity nurtured, families' happiness and prosperity.

Why Prohibition Failed **[NCP]**

- a. **Not enough Agents** - only 4000
- b. **Corruption and bribes** - one tenth of Agents sacked for taking bribes
- c. **Public support** - most people did NOT support a ban.

Key Question 3: What were the causes and consequences of the Wall Street Crash?

Focus Points

- How far was speculation responsible for the Wall Street Crash?
- What impact did the Crash have on the economy?
- What were the social consequences of the Crash?



Specified Content

The Wall Street Crash and its financial effects; the economic and social effects for Americans in urban areas and in the countryside; the reaction of President Hoover to the Crash and the Depression; the Bonus Marchers and 'Hoovervilles'; the Presidential election of 1932; Hoover's and Roosevelt's programmes; reasons why Roosevelt won.

Why did the USA fall into depression in 1929?

Background knowledge

Companies sell shares as a way of raising money, and they attract buyers by giving them a share (hence the name) of the profit at the end of each year (this is called the 'dividend'). In America in 1929 about 1.5 million people owned shares.

If a firm is doing well, the value of its shares rise, and people can sell them for more than they bought them. When there is a 'bull' market (when share prices are generally rising) people buy shares solely hoping to make a profit. These people are called 'speculators' and in 1929 about 600,000 of the 1.5 million shareholders were active speculators.

A 'bear market' is one where prices are falling. Speculators fuel a bull market by gambling on future price rises, but they can turn a bear market into a crash by desperately trying to get rid of their shares before they fall any further.

This huge topic is really two topics

The first question is:

Why was there a Great Crash on the American Stock Market in 1929? *It is the easier question to answer.*

The second is much harder: Why was there a Great Depression in the 1930s?

1. Why was there a Great Crash in 1929?

Historians are fairly much agreed why the Wall Street Crash of 1929 happened.

1. Wall Street over-heated:

- Between 1924-29 the value of shares rose 5 times.
- Share prices rose way beyond what the firms they were shares were worth; only speculation kept up the over-inflated prices.

2. Speculation:

- Many people became speculators - 600,000 by 1929.
- Many people were buying shares 'on the margin' (borrowing 90% of the share value to buy the shares, hoping to pay back the loan with the profit they made on the sale). American speculators borrowed \$9bn for speculating in 1929.
- Some firms which were not sound investments floated shares (e.g. one was set up to develop a South American mine which did not exist), but people still bought them, because they expected to make a profit in the bull market.

3. Corruption - the Senate Committee set up to investigate the Great Crash found that there was a corruption and 'insider-trading' between the banks and the brokers.

4. Panic:

- There were losses of confidence in March and September (when the economist Roger Babson forecast a crash), but the banks papered over the cracks by mass-buying of shares to help the market.
- On Thursday 24th October 1929, nearly 13 million shares were sold in a panic, and prices crashed.
- The banks tried to shore up the market again, but on Monday there were heavy selling; the banks realised it was hopeless and stopped buying shares.
- Speculators panicked at the thought of being stuck with huge loans and worthless shares. On Tuesday 29th October the market slumped again, when 16 million shares were sold.

2. Why was there a Great Depression in the 1930s?

1. Explanations at the time

- a. Basically, at the time, people hadn't a clue what had caused the depression. Herbert Hoover argued that it was the European financial collapse of 1931 that turned it into the *Depression*, (so it was Europe's fault, not America's).
- b. The explanation of British economist John Maynard Keynes in 1936, who wrote *General Theory of Employment, Interest, and Money*, was that the cause was a DROP IN SPENDING, caused by people saving too much. This was certainly what Roosevelt believed, and his answer was simply to pump money into the US economy; increased spending, however, did not cure the Depression.

2. Great Crash

- a. You will often hear it said that the Great Crash didn't cause the Great Depression. There were only 1.5 million shareholders, and only 600,000 speculators - so why should their misfortune cause a Depression in a country of 123 million?
- b. However, you will remember that much of the bull market had been financed by loans - in 1929 brokers' loans amounted to \$8.5 billion. Much of this money had been advanced by the banks, and by the big companies (in 1929, 200 companies controlled half of US industry). So when the speculators crashed, many banks went bankrupt, and half of US businesses was damaged, so the whole US economy suffered.

3. The Fed

- a. ('The Fed' was the US Federal Reserve - the American 'Bank of England'.)
In the 1940s, Milton Friedman came up with a theory about the cause called 'monetarism' - he believed that price changes were caused by a reduction of money in the economy. He therefore blamed the US Federal Reserve which in 1931 raised interest rates - which, he claimed, led to a reduction in the money supply. His famous saying was that 'the Fed put the Great in the Great Depression'.
- b. This was made worse, Friedman added, when the banks began to go bankrupt after 1931, and because the amount of money in the economy was linked to the Gold Standard (meaning that the government would only issue as much money as it could redeem in gold).

4. Tariffs

- a. In 1930, fearing for the US economy, the government passed the Smoot-Hawley Tariff - a new, even heavier tariff law.
- b. Sixty countries passed retaliatory tariffs in response and world trade slumped. This damaged US industry, especially agriculture.

5. Maldistribution of wealth

- a. Nowadays, historians think that a major cause of the depression was the inequality of wealth in America. There were some extremely rich people, and huge numbers of extremely poor people - the top 5% owned a third of the wealth, while 40 per cent of the population were living in poverty.
- b. It wasn't that there was too little money, but it wasn't in the hands of the people who would spend it. Consequently, Americans produced too much and bought too little, and prices plummeted.

6. Weaknesses in the economy

You will remember that Agriculture, and the Coal, Iron and Textiles industries were all experiencing problems in the 1920s. When the Depression started, they were not strong enough to cope, and collapsed quickly.

7. Cycle of Depression

As more banks and companies failed, and people were put out of work, they had less to spend, and so more companies went bankrupt and made their workers unemployed etc. Once the Depression had taken hold, it simply spiralled down worse and worse.

Spidergram:

[Schoolhistory spidergram](#) on the causes of the Great Crash: really clear

What were the effects of the Depression on the American people?

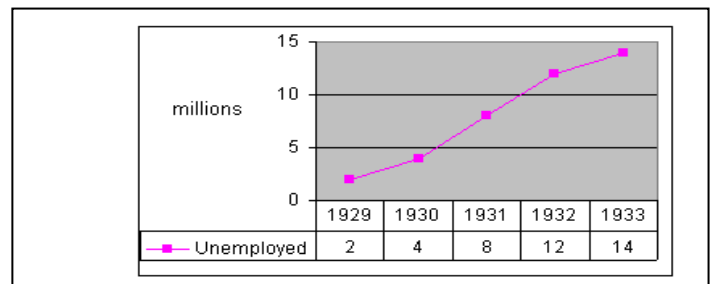
1. The Depression was terrible

These are the 'facts' of the Depression as you will see them presented in most textbooks.

(Some Farmers Were Handling Hardship Very Badly)

1. Statistics:

- In 1931, 238 people were admitted to hospital suffering from starvation.
- International trade slumped from \$10bn in 1929 to only \$3 bn in 1932.
- 5000 banks went bankrupt 1929-1932, including the Bank of America.
- In 1932 a quarter of a million Americans had their homes repossessed, and a fifth of all farmers lost their farms.
- In 1932, 20,000 companies went out of business.
- By 1933:
 - Industrial production had fallen by 40%
 - Prices had fallen 50%
 - Wages had fallen by 60%
 - Share prices had fallen by 80%
 - 5000 more banks went bankrupt.
 - 25% of Americans were unemployed.



2. Farmers:

- The depression was particularly fierce in agriculture, and things were made worse by the 'dust bowl' caused by over-farming.
- Many farmers could not afford their mortgage repayments and many 'Okies' (from Oklahoma) and 'Arkies' (from Arkansas) had to abandon their farms and go fruit-picking in California.

3. Welfare and Despair:

- America had no Welfare State. Many unemployed Americans were reduced to picking over rubbish dumps or begging.
- SOME towns set up soup kitchens and groups like the Salvation Army (and even Al Capone) organised charity hand-outs.
- In the land of opportunity this was seen as a terrible failure, and 23,000 people committed suicide in 1932 alone.

4. Hobos and Hoovervilles:

- Homeless people went to live in shanty towns called 'Hoovervilles' (as an insult to President Hoover). 'Hobos' travelled round looking for jobs, usually riding illegally on freight trucks.

5. Hatred of President Hoover:

- The government did not know how to stop the Depression, and Hoover stuck to the idea that it was not the government's job to interfere with business.
- In 1930 the Smoot-Hawley Act raised tariffs, in 1931 the Fed raised interest rates, and in 1932 the government raised taxes - all three simply made the Depression much worse.
- Most Americans came to blame the President for the Depression. Shanty towns were called 'Hoovervilles', but there was also 'Hoover leather' (cardboard soles for shoes) and 'Hoover blankets' (newspapers). 'In Hoover we trusted, but now we are busted'.

6. Violence:

- There were many protest marches and riots. When banks tried to re-possess some farms, local farmer banded together and drove them off with pitch-forks.

7. Bonus Army:

- In 1932, 20,000 unemployed ex-soldiers set up a Hooverville in Washington to ask for their war pension ('bonus') to be paid early; Hoover set the army on them, who drive them away with guns and tear-gas.

2. Or was it?

1. Hoover did not do nothing:

- In 1930 he cut taxes and the Committee for Unemployment Relief was formed.
- In 1931 he gave \$4000 million to state governments to set up schemes to provide work (e.g. the Hoover Dam). The Davis-Bacon Act encouraged firms to maintain high wages by requiring "prevailing" (union) wages to be paid on federal construction contracts.
- In 1932 he passed the Emergency Relief Act (\$300 million to provide unemployment pay) and the Reconstruction Act (which set up the Reconstruction Finance Corporation to provide \$1500 million of loans to help businessmen). The Norris-La Guardia Act protected trade unions and the Glass-Steagall Act helped banks by making it easier for them to borrow from the federal reserve.

All this is usually either not mentioned at all, or dismissed as 'too little, too late'. In fact, it was exactly what the 'New Deal' was later to copy.

2. Not all industries or places suffered:

- The Depression was worst in farming, and in the old industries (80% of steel workers were unemployed in Toledo. 'New' industries (such as films, electronics and airplanes) continued to expand and pay high wages.
- Many people who managed to keep their jobs were BETTER off, because prices were much lower.
- Certain areas of the economy thrived. The Empire State Building was finished in 1931, and the San Francisco Golden Gate Bridge was started in 1932

In the 1928 election, President Hoover had promised Americans 'a chicken in every pot and a car in every garage ... but by 1932, America was in depression.

In the November 1932 election, therefore, Roosevelt promised 'a new deal for the American people' if they elected him. The result was a landslide - Roosevelt won 42 of the 48 states, the biggest election victory of all time.

Key Question 4: How successful was the New Deal?

Focus Points

- What was 'the New Deal' as introduced in 1933?
- How far did the character of the New Deal change after 1933?
- Why did the New Deal encounter opposition?
- Did all Americans benefit from the New Deal?
- Did the fact that the New Deal did not solve unemployment mean that it was a failure?



Specified Content

Roosevelt's Hundred Days; the New Deal legislation; the 'alphabet' agencies and their work and the economic and social changes they caused; the Second New Deal; the election of 1936; opposition to the new Deal from the Republicans, the rich, business interests, the Supreme Court and radical critics like Huey Long; the strengths and weaknesses of the New Deal programme in dealing with unemployment and the Depression; the impact of the New Deal on the lives of people.

In his Fourth Fireside Chat (June 1934), Roosevelt said that his 'New Deal' had three related steps:

- Relief (helping the poor and unemployed to survive)
- Recovery (getting the economy going again) and
- Reform (changing things so a depression could never happen like that again).

Roosevelt's New Deal had two parts.

First, he set about offering relief and trying to get the economy to recover.

After 1935, however, he set about a much more radical agenda of social reform.

First, however, he was faced by a crisis. During the four months Roosevelt was waiting to come into office (March 1933), the economy declined further, culminating in a banking crisis. At the beginning of March, millions of people marched into their banks and demanded their money - as they were allowed - in gold. It was impossible; banks in 34 states closed and padlocked their doors. The entire financial system of the USA was in the verge of collapse.

The First New Deal

Roosevelt persuaded Congress to give him emergency powers from 9 March to 16 June 1933 (**the 'Hundred Days'**). Although many of Roosevelt's ideas were not new (some just copied Hoover's), 1933 - especially the 100 days - saw a burst of legislation to tackle the Depression like never before.

1. **Confidence:**

Roosevelt undertook a series of measures to keep the American people on his side.

a. **Abolished Prohibition**

- This restored faith in the government because it stopped the humiliation of the government's laws being openly ignored.
- (It also increased the government's revenues.)

b. **Fireside Chats**

- FDR made sure that everyone who sent him a letter got a reply (he got up to 8,000 letters a day), and that everyone who telephoned the White House was never cut off.
- FDR described his policies in radio broadcasts called 'fireside chats'.

c. **Bank holiday**

- The Emergency Banking Act closed the banks for four days. The government checked that all were financially sound, and when they reopened, they reopened with the backing of the Federal Reserve. This restored confidence in the banks, and people deposited their money there again.

d. **Stock Exchange**

- The Securities and Exchange Commission introduced rules for the Stock Exchange to prevent another Crash like 1929.

2. **Finance and Economy:**

Roosevelt believed that he had to make sure that the economy was 'sound'.

a. **Budget**

- He did not run deficit budgets (i.e. it did not spend more than it gathered in taxes).
- He CUT the pay of government employees by 15%.
- The government borrowed huge amounts of money to finance the New Deal, but it spent it on projects that were planned to pay back eventually.

b. **Bankruptcies**

- The Farm Loan Act and the Bankruptcy Act prevented banks from foreclosing on solvent businesses until they had had a chance to borrow from the Federal Reserve.
- The Home Loan Act and the Home Owners Loan Corporation did the same for ordinary home owners.

c. **Prices and Wages**

- The Agricultural Adjustment Act (AAA) paid farmers to take fields out of production; the idea of this was to stop over-production and to drive up prices.
- The NRA (National Recovery Administration) was set up, where businessmen joined a 'Roll of Honour' (and were allowed to show a blue eagle symbol) where they promised to cut production and pay good wages - 2.5 million firms, employing 22 million people, joined the scheme.
- FDR also abolished Child Labour - this put more adults into work.

d. **Currency**

You will read in some books that FDR abolished the gold standard (linking the value of the dollar to a certain weight of gold). This is not true. He did:

- stop people owning gold (they had to deposit it in banks)
- make the banks give all the gold to the government
- increase the price of gold from \$20 to £35 an ounce.

This stopped people hoarding/saving their money, and increased the amount of government reserves. Since the dollar was still linked to gold, moreover, many foreign investors bought American dollars for gold, which increased the amount of government reserves.

3. **Alphabet Agencies:**

FDR set up what came to be called the 'alphabet agencies' because their names were reduced to acronyms. The main ones were:

- a. **CCC** (Civilian Conservation Corps):
provided paid conservation work to give unemployed young men jobs – by 1941, 2.5 million had taken part PLUS millions of trees planted/ parks and forest areas developed
- b. **FERA** (Federal Emergency Relief Administration): provided matched funding to help states organise payments to the unemployed and homeless.
- c. **WPA** (Works Progress Administration):
ran projects which provided work for the unemployed, e.g. building airports, schools, hospitals or bridges – millions earned a small wage and felt valuable.
- d. **TVA** (Tennessee Valley Authority):
built 21 dams in ten years – stopped flooding, provided cheap electricity and provided work.

The Second New Deal

In 1935, Roosevelt's New Deal was still hugely popular with the people, but it was running into opposition (see next page for greater detail).

The most important elements of this opposition were:

1. The Supreme Court, which ruled the NRA and the AAA illegal, because they took away the right of states to run their own affairs.
 2. Some businessmen, who attacked and ignored the NRA saying that it was expensive and wasteful.
- Therefore, in the run up to the 1936 election and after it, Roosevelt followed a much more radical 'reform' agenda.

1. **National Labour Relations Act (1935):**

- Also known as the Wagner Act.
- To replace the banned NRA.
- Protected workers' right to join a trade union/ .
- Set up the National Labour Relations Board (NLRB) to prevent employers from victimising workers.

2. **Soil Conservation Act (1935):**

- To replace the banned AAA.
- Allowed the government to continue subsidising farmers.

3. **Social Security Act (1935):**

- Provided America's first system of social welfare.
- set up a national system of old-age pensions
- gave help to people with physical disabilities
- gave help to children in need
- set up a national system of unemployment insurance.

4. **National Housing Act (1937):**

- Provided loans to buy houses
- Reduced excessive rents.

5. **Fair Labour Standards Act (1938):**

- Set hours and conditions of work
- Fixed a minimum wage.

The Fireside Chats



These chats were brilliant propaganda and had three key aspects:

- **Homeliness** - the chats were delivered "like a father discussing public affairs with his family in the living room" (people could hear the fire in the background). FDR told people that he went fishing to think over big reforms, so he would not get out of touch with ordinary people's thinking.
- **Reasonableness** - FDR said that he was not going to make false promises, and that he would not succeed every time
- **Blame** - he spoke of 'the 10%' who wanted the New Deal to fail. ("They may be divided roughly into two groups: First, those who seek special political privilege and, second, those who seek special financial privilege.").

Ordinary people believed that he was fighting the rich and selfish in their behalf - as a result, even though the gains of the first New Deal were not great, FDR won the 1936 election by another landslide

How successful was the New Deal?

As with most historical questions, there are two sides to this issue

On the one hand, it can be argued that the New Deal was a success (the **5Rs**).

On the other hand, there are many arguments that it had serious weaknesses and failings (the **3Ds**).

Successes

1. Relief - Millions of people received relief, help with their mortgage, jobs etc. from the alphabet agencies.

2. Roads and buildings - The PWA and the TVA provided valuable economic and social infrastructures, such as roads, airports, schools, theatres, dams etc

3. Reform - Roosevelt's new laws about social security/ minimum wage/ labour relations and trade unions survived and protected ordinary people's rights and conditions. Democracy survived in America (unlike Italy and Germany)

4. Roosevelt - became the people's hero - he was elected four times.

5. Repercussions - Democracy survived in America (unlike Italy and Germany). The New Deal became a model of how a democratic government ought to behave - arguably influenced the British Welfare State of 1948. And in 1998, when the Labour Government of Britain was trying to introduce new laws to help poor people, it called it: a New Deal.

Weaknesses and Failings

1. Did not end the Depression

- indeed, Roosevelt's insistence on a balanced budget, healthy interest rates and 'sound money' may have helped to continue it. Roosevelt had no new ideas how to end the depression - just Hoover's schemes only bigger. By 1935 he had failed to end unemployment (which was only down to 10.6 million), and - although unemployment fell to 7.7 million in 1937 - when Roosevelt tried to cut back government expenditure in 1938, it rose again to 10.4 million. It is not really fair to criticise Roosevelt for this - no one at that time knew how to end the Depression - but the Depression did not end until the Second World War got production going again.

2. Damaged Blacks and immigrants

- in fact, many were laid off as a direct result of the New Deal's attempts to give workers rights.

3. Determined Opposition (BRASS)

- a **Businessmen** hated the New Deal because it interfered with their businesses and supported workers' rights. Rich people accused Roosevelt of betraying his class. Henry Ford hired thugs to attack his trade union workers.
- b **Republicans** hated the expenditure, which they said was wasteful ('boondoggling' - jobs for the sake of jobs). CWA had to be abolished in 1935, though immediately replaced by the PWA. After 1938, Republicans took over the Senate, and Roosevelt was unable to get any more New Deal legislation through.
- c **Activists** like Huey Long (Senator for Louisiana who started a 'Share the Wealth' campaign to confiscate fortunes over \$3m) and Francis Townsend (who campaigned for a pension of \$200 a month) said it did not go far enough.
- d **State governments** opposed the New Deal, saying that the Federal government was taking their powers.
- e The **Supreme Court** ruled that the NRA codes of employers' conduct, and the AAA programme, were illegal because they took away the States' powers. Because of this, in 1937, Roosevelt threatened to force old Supreme Court judges to retire and to create new ones; the crisis was averted when the Supreme Court reversed its decisions.

