

Chapter 34- The Great Depression and the New Deal

1933-1939

FDR: Politician in a Wheelchair

- Franklin Roosevelt's courageous fighting from polio schooled him in patience, tolerance, compassion, and strength of will—Roosevelt's personal and political asset was his wife, Eleanor
- FDR's political career was as much hers as it was his own; she was to become the most active First Lady in history—she powerfully influenced the policies of the national government
- Always she battled for the impoverished and the oppressed—infidelity between husband/wife
- Franklin Roosevelt's political appeal was amazing—his commanding presence, golden speaking voice, belief that money, rather than humanity, was expendable; he revealed a deep concern for the plight of the "forgotten man" and was assailed by the rich as a "traitor to his class"
- Democrats nominated Roosevelt in 1932 and the Democratic platform for repeal of prohibition, assailed Hoover depression, and promised a balanced budget, social and economic reforms

Presidential Hopefuls of 1932

- Roosevelt seized the offensive with an attack on the Republican Old Dealers—consistently preached a New Deal for the "forgotten man," but was annoyingly vague and contradictory
- The "Brains Trust," a small group of reform-minded intellectuals, who were predominantly college professors authored much of the later New Deal legislation, wrote many of his speeches
- The high spirits of the Democrats found expression in "Happy Days Are Here Again"
- Herbert Hoover remained in the White House battling the depression advocating "Prosperity Is Just Around the Corner," "The Worst Is Past," and "It Might Have Been Worse"

Hoover's Humiliation in 1932

- One striking feature of the election was the beginning of a distinct shift of blacks, traditionally grateful to the Republican party of Lincoln, over to the Roosevelt camp (worst sufferers) and by the election of 1932, they became a vital element in the Democratic party (cities in North)
- Hard times unquestionably ruined the Republicans; an overwhelming majority voiced a demand for a new deal—any upstanding Democratic candidate probably could have won
- The preinauguration lame duck period ground slowly to an end and Hoover was still president until up to March 4, 1933—tried to hold meetings with Roosevelt to discuss war-debt muddle
- With Washington deadlocked, the American economic machine clanked to a virtual halt; one worker in four tramped the streets, banks were locking their doors all over the nation

FDR and the Three R's: Relief, Recovery, Reform

- On Inauguration Day, March 4, 1933, Roosevelt provided Americans with inspirational hope
- He declared a nationwide banking holiday, March 6-10, as a prelude to opening the banks on a sounder basis and he summoned Congress into special session to cope with national emergency
- For the Hundred Days, members cranked out remedial legislation—Roosevelt's New Deal programs aimed at three R's—relief, recovery, and reform of current abuses (overlapped)
- Measures that Roosevelt called "must legislation"—all the new bills
- Congress gave the president extraordinary blank-check powers—legislative authority to Pres.
- Roosevelt was delighted to exert executive leadership—he was inclined to act by intuition
- The Hundred Days Congress passed many reforms, which owed much progressive movement—New Deal embraced pre-WWI progressive ideals of unemployment insurance, old-age insurance, minimum-wage, conservation/development of national resources, and restrictions on child labor

Roosevelt Tackles Money and Banking

- Congress in an incredible eight hours had the Emergency Banking Relief Act of 1933 ready
- The new law invested the president with power to regulate banking transactions and foreign exchange and to reopen solvent banks—Roosevelt turned to the radio to deliver "fireside chats"
- Through them, he gave assurances that it was now safer to keep money in a reopened bank than "under the mattress"—confidence returned as banks began to unlock their doors
- The Emergency/Hundred Days Congress supported public reliance on the banking system by enacting the Glass-Steagall Banking Reform Act, a measure that provided for the Federal Deposit Insurance Corporation, which insured individual deposits up to \$5,000
- Roosevelt moved to protect the melting gold reserve and to prevent panicky hoarding; he ordered all private holdings of gold to be surrendered to the Treasury in exchange for paper currency and then took the nation off the gold standard—"managed currency" was well on its way
- The goal of Roosevelt's "managed currency" was inflation, which he believed would relieve debtor's burdens and stimulate new production—gold buying and increasing value of gold
- The gold-buying scheme came to an end in February 1934, when FDR returned the nation to a limited gold standard for purposes of international trade only—increased amount of \$ circulation

Creating Jobs for the Jobless

- One out of every four workers was jobless when FDR took his inaugural oath (highest ever) and used federal money to assist the unemployed and “primed the pump” of industrial recovery
- The Hundred Days Congress created the Civilian Conservation Corps (CCC), a law that provided employment in government camps for about 3 million young men (driven away from crime)
- Their work included reforestation, fire fighting, flood control and swamp drainage, conservation
- The first major effort of the new Congress to tackle adult unemployment was the Federal Emergency Relief Act that aimed for immediate relief rather than long-range recovery
- The resulting Federal Emergency Relief Administration (FERA) was headed by Harry Hopkins and granted about \$3 billion to the states for wages on work projects and dole payments
- The HDC created the Agricultural Adjustment Act (AAA), which made available many millions of dollars to help farmers meet their mortgages and the Home Owners’ Loan Corporation, was designed to refinance mortgages on nonfarm homes (bailed out mortgage-holding banks)
- FDR established the Civil Works Administration (CWA) late in 1933 under Hopkins that was designed to provide temporary jobs during the cruel winter emergency

A Day for Every Demagogue

- Relief from Washington to needy families helped pull the nation through winter of 1933-1934
- One danger signal was the appearance of various demagogues, notably Father Charles Coughlin, a Catholic priest whose slogan was “Social Justice” broadcasted on radio and was anti-New Deal
- Notorious among agitators were those who capitalized on popular discontent to make promises
- Senator Huey (“Kingfish”) Long of LA who publicized his “Share Our Wealth” program, which would make “Every Man a King”—every family was to receive \$5,000 at expense of wealthy
- Another was Dr. Francis Townsend of California who had the support of 5 million “senior citizens” and his plan provided for every sixty year old to receive \$200 a month
- Congress authorized the Works Progress Administration (WPA) in 1935, the objective of which was employment on useful projects—launched under Hopkins, this agency spent about \$11 billion on thousands of public buildings, bridges, and hard-surfaced roads (9 million jobs)
- Agencies of the WPA found part-time occupations for high school/college students and for such unemployed white-collar workers as actors, musicians, and writers (art work, too)

A Helping Hand for Industry and Labor

- The Emergency Congress attempted to stimulate a nationwide comeback with the National Recovery Administration (NRA)—designed to assist industry, labor, and the unemployed
- Individual industries were to work out codes of “fair competition,” under which hours of labor would be reduced so that employment could be spread over more people (minimum wages)
- Workers, under the NRA, were formally guaranteed the right to organize and bargain collectively though representatives of their own choosing, the antiunion contract was forbidden
- A blue eagle was the symbol of the NRA and the slogan was “We Do Our Part”
- Too much self-sacrifice was expected of labor, industry and the public for such a scheme to work
- Complete collapse was imminent when in 1935, the Supreme Court shot down the dying eagle in famed *Schechter* “sick chicken” decision—congress could not “delegate legislative powers” to the president and congressional control of interstate commerce could not apply to local business
- The same act of Congress that formed the NRA authorized the Public Works Administration (PWA) intended both for industrial recovery and for unemployment relief (under Harold Ickes)
- Long-range recovery—over \$4 billion was spent on some 34,000 projects including the Grand Coulee Dam on the Columbia River (irrigation, electrical power) and public buildings
- Special stimulants aided the recovery of the liquor industry—imminent repeal of prohibition amendment afforded an opportunity to raise needed federal revenue and provide employment
- HDC legalized light wine and beer with alcoholic content not above 3.2 percent—prohibition was officially repealed by the 21st Amendment late in 1933 and saloon doors swung open

Paying Farmers Not to Farm

- Since 1918, farmers had suffered from low prices and overproduction, especially in grain
- During the depression, conditions became desperate as innumerable mortgages were foreclosed
- The Emergency Congress established the Agricultural Adjustment Administration (AAA)
- Through “artificial scarcity” this agency was to establish “parity prices” for basic commodities
- “Parity” was the price set for a product that gave it the same real value from 1909 to 1914 and the AAA would eliminate price-depressing surpluses by paying growers to reduce their crops
- The millions of dollars needed for these payments were to be raised by taxing of farm products
- The AAA was begun after planting of cotton crop for 1933, plants plowed, pigs slaughtered and much of their meat was distributed to people on relief—“sinful” destruction of food

- The Supreme Court killed the AAA in 1936 by declaring its regulatory taxation provisions unconstitutional but the New Deal Congress passed the Soil Conservation and Domestic Allotment Act of 1936 and withdrawal of acreage from production—shifted to conservation
- The Second Agricultural Adjustment Act of 1938 continued conservation payments

Dust Bowls and Black Blizzards

- Late in 1933 a prolonged drought struck the states of the trans-Mississippi Great Plains
- Rainless weeks followed by winds turned the area that stretched from eastern Colorado to western Missouri into the Dust Bowl—sun was darkened by powdery topsoil
- Drought and wind triggered the dust storms but there were other factors—high grain prices led to more land under cultivation, dry-farming techniques and mechanization had revolutionized Great Plains agriculture—stream tractor and disk plow left the powdery topsoil to be swept away
- Tens of thousands of refugees fled their ruined acres and in five years 350,000 “Okies” and “Arkies” trekked to southern California (portrayed by John Steinbeck’s *The Grapes of Wrath*)
- The Frazier-Lemke Farm Bankruptcy Act (1934) made possible a suspension of mortgage foreclosures for five years, but the Supreme Court voided it—revised law was upheld (3 years)
- In 1935 Roosevelt set up the Resettlement Administration, charged with the task of removing near-farmless farmers to better land—more than 200 million young trees were planted in prairie
- Inspired by the Pueblo Indians of NM, Commissioner of Indian Affairs John Collier promoted the Indian Reorganization Act of 1934 that encouraged tribes to establish local self-gov’t and to preserve their native crafts and traditions—stop loss of Indian lands; other Indians refused

Battling Bankers and Big Business

- Reformists were determined to curb the “money changers” who had played with investors before the Wall Street crash of 1929—HDC passed “Truth in Securities Act” (Federal Securities Act) which required promoters to transmit information regarding the soundness of stocks and bonds
- In 1934 Congress authorized the Securities and Exchange Commission (SEC), which was designed as a watchdog administrative agency—New Dealers directed fire at public utility holding companies, those supercorporations—example of the collapse of Samuel Insull’s empire
- The Public Utility Holding Company Act of 1935 delivered a “death sentence” to this type of bloated growth, except where it might be deemed economically needful

The TVA Harnesses the Tennessee River

- The electric-power industry attracted the fire of New Deal reformers (growth to \$13 billion)
- As a public utility, it reached directly and regularly into the pocketbooks of consumers and New Dealers accused it of using excess rates—Tennessee River provided a rare opportunity
- The river contained some 2.5 million of the most poverty-stricken people in America; by developing the hydroelectric potential of area, Washington could combine immediate advantage of putting thousands to work with a long-term project for reforming the power monopoly
- The Hundred Days Congress passed an act creating the Tennessee Valley Authority (TVA) in 1933 and this enterprise was largely a result of Senator George Norris of Nebraska
- This new agency was determined to discover precisely how much the production and distribution of electricity cost—utility corporations lashed back at this low cost of TVA power
- The gigantic project brought to the area not only full employment and cheap electric power, but low-cost housing, abundant cheap nitrates, restoration of eroded soil, reforestation, flood control
- Conservative reaction against the “socialistic” New Deal would confine the TVA to Tennessee

Housing Reform and Social Security

- To speed recovery and better homes, Roosevelt set up the Federal Housing Administration (FHA) as early as 1934—the building industry was to be stimulated by small loans to householders, both from improving their dwellings and for completing new ones
- Congress bolstered the program in 1937 by authorizing the United States Housing Authority (USHA)—an agency designed to lend money to states or communities for low-cost construction
- New deal efforts to expand the project collided with opposition from real estate promoters, builders, and landlords—the slum areas in America ceased growing and even shrank
- Success of New Dealers in field of unemployment insurance and old age pensions
- The Social Security Act of 1935 provided for federal-state unemployment insurance and to provide security for old age, categories of retired workers were to receive regular payments from Washington that was financed by a payroll tax on both employers and employees (dependents)
- Republican opposition to the sweeping new legislation was bitter
- Social security was largely inspired by the example of some of the more highly industrialized nations of Europe—American workers had to be employed to get coverage

A New Deal for Unskilled Labor

- The NRA had been a godsend to organized labor—walkouts occurred in the summer of 1934, including a paralyzing general strike in San Francisco, broken by vigilante tactics
- Fruit of Congress' deliberations was the Wagner or National Labor Relations Act of 1935, which recreated a powerful new National Labor Relations Board for administrative purposes and reasserted the right of labor to engage in self-organization and to bargain collectively
- Encouraged by the NLRB, a host of unskilled workers began to organize into effective unions
- The leader of this drive was John L. Lewis and in 1935, he succeeded in forming the Committee for Industrial Organization (CIO) within the ranks of the skilled American Federation of Labor
- In 1936, the older federation suspended the unions associated with the new organization
- The rebellious CIO moved on a concerted scale into the huge automobile industry; late in 1936, workers resorted to a technique known as the sit-down strike and refused to leave the factories
- The CIO won a resounding victory when General Motors recognized its union
- The US Steel Company granted rights of unionization to its CIO-organized employees but the little steel companies found back savagely—Memorial Day massacre in Republic Steel Company
- In 1938, Congress passed the Fair Labor Standards Act (Wages and Hour Bill) and industries involved in interstate commerce were to set up minimum wage and maximum-hour levels
- Labor by children under sixteen was forbidden and these reforms were bitterly opposed by many industrialists, especially by southern textile manufacturers who profited from low-wage labor
- The CIO surged forward, breaking completely with the AF of L in 1938 and became known as the Congress of Industrial Organization under the presidency of John L. Lewis (4 million)

Landon Challenges “the Champ” in 1936

- As the presidential campaign of 1936 neared, the New Dealers were on top of the world—the exultant Democrats renominated Roosevelt on a platform squarely endorsing the New Deal
- Republicans settled on governor of Kansas, Alfred M. Landon whose platform condemned the New Deal for its radicalism, experimentation, confusion, and “frightful waste”
- Backing Landon, ex-president Hoover echoed the American Liberty League (conservatives)
- Roosevelt denounced the “economic royalists” who sought to hide “behind the flag”
- A landslide overwhelmed Landon as the Republicans carried only two states (VT, Maine)

- The battle of 1936 bore out Republican charges of class warfare—the needy economic groups were lined up against the greedy economic groups (CIO contributed much to Roosevelt)
- Blacks had now shaken off their traditional allegiance to the Republican party
- FDR won primarily because he appealed to the “forgotten man”—coalition of the South, blacks, urbanites, and the poor—marshaled the support of the “New Immigrants”

Nine Old Men on the Supreme Bench

- Roosevelt took the president oath on January 20, 1937, instead of the traditional March 4
- The 20th Amendment to Constitution had been ratified in 1933, which swept away postelection lame duck session of Congress and shortened by six weeks the period before inauguration
- Roosevelt interpreted his reelection as a mandate to continue New Deal reforms
- In nine major cases involving the New Deal, the Roosevelt administration had been thwarted seven times and he grew impatient to the obstruction conservatism of the Court
- Democracy, in his view, meant rule by the people—Supreme Court should reflect public opinion
- Early in 1937, Roosevelt caught the country by surprise bluntly asking Congress for legislation to permit him to add a new justice to the Supreme Court for every member over seventy who would not retire—the maximum membership could then be fifteen (injecting new blood)

The Court Changes Course

- Congress and the nation were promptly convulsed over the scheme to “pack” the Supreme Court with a “dictator bill”—Roosevelt was vilified for attempting to upset the balance in gov’t
- Justice Owen J. Roberts began to vote on the side of his liberal colleagues—upheld principle of state minimum wage for women, upheld Wagner Act and the Social Security Act
- Congress voted to pay for justices over seventy who retired—replaced by Justice Hugo Black
- Congress finally passed a court reform bill, a version that applied only to lower courts—Roosevelt suffered his first major legislative defeat at the hands of his own party in Congress
- The Court, as he had hoped, became markedly more friendly to New Deal reforms—a succession of deaths and resignations enabled him in time to make nine appointments to the tribunal
- FDR aroused conservatives of both parties in Congress that few New Deal reforms were passed after 1937; Roosevelt squandered much of the political goodwill that had carried him previously

The Twilight of the New Deal

- Unemployment persisted in 1936 at about 15 percent and recovery had been modest

- In 1937 the economy took another sharp downturn, a severe depression-within-the-depression that the president's critics quickly dubbed the "Roosevelt recession"—government policies had caused the nosedive as social security taxes bit into payrolls and balanced budget problems
- Roosevelt at last embraced the recommendation of the British economist John Maynard Keynes
- In April 1937, Roosevelt announced a bold program to stimulate the economy by planned deficit spending—"Keynesianism" became the new economic orthodoxy and remained so for decades
- Roosevelt in 1937 urged Congress to authorize a sweeping reorganization of the national administration in the interests of efficiency—issue became tangled up with ambitions but in 1939, Congress passed the Reorganization Act (limited powers for administrative reforms)
- The Hatch Act of 1939 barred federal administrative officials, except the highest policy-making officers, 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—broadened in 1940 to limit campaign contributions/expenditures
- By 1938 the New Deal had clearly lost most of its early momentum; in the congressional elections of 1938, Republicans cut heavily into the New Deal majorities in Congress

New Deal or Raw Deal?

- Foes of the New Deal condemned its alleged waste, incompetence, confusion, contradictions, and cross-purposes—Roosevelt was accused by conservatives of being Jewish and tapping Jews
- They accused Roosevelt of confusing noise and movement with progress—"bureaucratic meddling" and "regimentation" were also bitter complaints of anti-New Dealers
- The federal government became incomparably the largest single business in the country
- The national debt had stood at an enormous figure of \$19 billion in 1932 and \$40 billion by 1939
- US stood for "unlimited spending"—business was bitter; business people declared that they could pull themselves out of the depression if they could only get the federal gov't off them
- Private enterprise was being stifled by "planned economy," "creeping socialism"
- States' rights were being ignored while the gov't were competing in business with its citizens
- Heavy fire was directed AT Roosevelt's attempts to browbeat the Supreme Court and to create a "dummy Congress"—the most damning indictment of the New Deal was that it had failed to cure the depression—gap between production and consumption was not closed
- Millions of men and women were still unemployed in 1939 not until WWII did prosperity return

FDR's Balance Sheet

- The New Deal had relived the worst of the crisis in 1933; it promoted the philosophy of “Balancing the human budget” and accepted the principle that the federal gov’t was morally bound to prevent mass hunger and starvation by “managing” the economy
- The Washington regime was to be used, not feared—FDR had been patron to business tycoons
- Roosevelt purged American capitalism of some of its worst abuses and the New Deal helped stifle the American Socialist party—Roosevelt provided bold reform without a revolution
- He has been called the greatest American conservative since Hamilton—he exercised that power to relieve the erosion of the nation’s greatest physical resources—its people