

SECTION 2 The Great Depression



THE BIG IDEA

In the 1930s:

- The world economy collapsed after the 1929 crash of the stock market started the Great Depression.
- President Hoover's efforts toward economic recovery did not succeed.
- President Franklin Roosevelt's New Deal provided relief, but did not end the Great Depression.



KEY TERMS

Great Crash
Great Depression
Bonus Army
Hoovervilles
Dust Bowl
New Deal

SECTION OVERVIEW

The 1930s were dominated by the Great Depression, which affected virtually every aspect of American life and caused ripple effects throughout the worldwide economy. With roots in unregulated stock market speculation, a flawed banking system, and the overproduction of goods, the Great Depression was triggered by the stock market crash in 1929. Banks failed, and many people lost their life savings. The losses shut down businesses, producing widespread unemployment, homelessness, and hunger.

President Franklin D. Roosevelt's New Deal launched ambitious programs to speed economic recovery. The New Deal dramatically increased the role of government in American life and strengthened the power of the presidency. The entry of the United States into World War II in 1941 finally put an end to the nation's worst economic collapse.

KEY THEMES AND CONCEPTS

As you review this section, take special note of the following key themes and concepts:

Economic Systems What were the main causes of the Great Depression?

Government How did Hoover respond to the depression, and why did people disapprove of his actions?

Culture and Intellectual Life How did the depression affect daily life and culture in America?

Government What were some of the key programs of the New Deal?

Diversity How did the New Deal affect organized labor, minorities, and women?

KEY PEOPLE

As you review this section, take special note of the following key people:

✓ Herbert Hoover

✓ John Steinbeck

✓ Walker Evans

✓ Margaret Bourke-White

✓ William Faulkner - less political

✓ Louis Armstrong

Franklin Delano Roosevelt

Frances Perkins

Harry Hopkins

Eleanor Roosevelt

John L. Lewis

Mary McLeod Bethune

John Maynard Keynes

Al Smith

Norman Thomas

Francis E. Townsend

Father Charles E. Coughlin

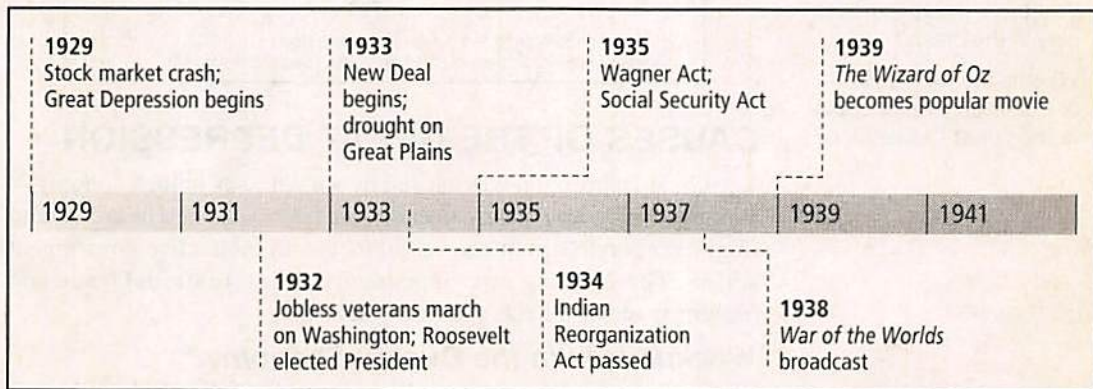
Huey Long

KEY SUPREME COURT CASES

As you review this section, take special note of the following key Supreme Court case:

Schechter Poultry Corporation v. United States (1935)

The Great Depression



In the 1920s, the science of economics was still fairly young. Few scholars—and even fewer business leaders or politicians—recognized the many warning signs of a looming crisis in the economy. In 1929 and the years to follow, the nation would wake up to the terrible reality that the economic freewheeling of the 1920s came at a price.

ANALYZING DOCUMENTS

According to the timeline above, who was President when the New Deal began?

THE GREAT CRASH

The end of the prosperity of the 1920s was marked by a series of plunges in the U.S. stock market in 1929 known as the **Great Crash**.

Throughout the 1920s, the stock market had grown on speculation by people who bought on margin and, in fact, owned only a small portion of their stocks. Many could not meet margin calls, demands to put up the money to cover their loans. The result was panic selling. On October 29 (Black Tuesday) alone, stock values fell \$14 billion. They dropped lower and lower in the weeks that followed.

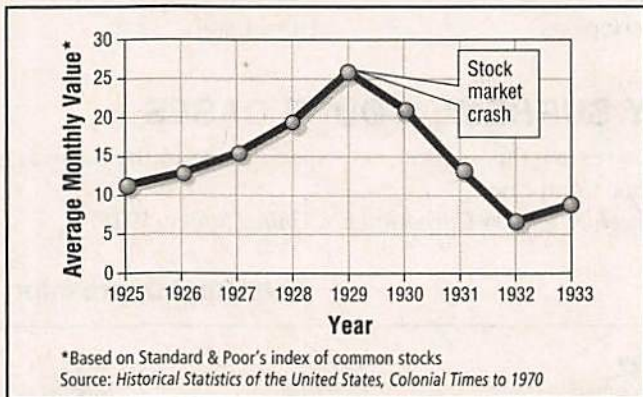
The Great Crash triggered the start of the **Great Depression**. It broke the national sense of optimism and confidence of the 1920s. The Great Crash dramatically exposed the fact that the national economy had serious weaknesses.

ANALYZING DOCUMENTS

Based on the graph at right and your knowledge of social studies, answer the following questions.

- When did the stock market crash occur?
- In what year did stock prices reach their lowest point?
- What role did speculation play in the crash?
- What is the relationship of the stock market crash to the Great Depression?

The Stock Market Crash



CAUSES OF THE GREAT DEPRESSION

The Great Depression was caused by weaknesses in the economy—overproduction and underconsumption, overexpansion of credit, and fragile corporate structures—combined with ineffective government action. The growing interdependence of international trade and banking made the effects even more damaging.

Weaknesses in the Overall Economy

Weaknesses in the economy had existed before 1929 and were expanding.

- The agricultural sector had been depressed throughout the 1920s, with a worldwide drop in prices.
- Unemployment plagued the railroad, coal, and textile industries well before 1929.
- Speculation in real estate and the resulting building boom had declined.
- Automobile sales had slowed.
- As early as the summer of 1929, the economy showed signs of underconsumption. Inventories of unsold goods began to accumulate in warehouses as consumer demand slowed.



PREPARING FOR THE EXAM

Underconsumption or overproduction means that people buy fewer goods than are produced. In other words, supply is greater than demand.

Some Economic Changes Between 1928 and 1932

(Figures in millions unless otherwise noted)

	1928	1929	1930	1931	1932
A. United States exports (merchandise)	\$5,030	\$5,157	\$3,781	\$2,378	\$1,576
B. Spending for new housing	\$4,195	\$3,040	\$1,570	\$1,320	\$485
C. Farm spending for lime and fertilizer	\$318	\$300	\$297	\$202	\$118
D. Federal spending	\$2,933	\$3,127	\$3,320	\$3,578	\$4,659
E. Cash receipts from farming	\$10,991	\$11,312	\$9,055	\$6,331	\$4,748
F. Lumber production (billions of board ft.)	36.8	38.7	29.4	20	13.5
G. Unemployment (in thousands)	2,080	1,550	4,340	8,020	12,060
H. Average weekly earnings of production works in manufacturing (actual dollars)	\$24.97	\$25.03	\$23.25	\$20.87	\$17.05

Unequal Distribution of Income

Contributing to underconsumption and to the weakness of the economy was an unequal distribution of wealth.

- In the 1920s, some 40 percent of all families had an income of less than \$1,500, which put them below the poverty line. At the same time, the 24,000 richest families in the nation had a total income *three times as large* as the total income of the 6 million poorest families. In short, while 1 percent of the population owned 59 percent of the nation's wealth, 87 percent of the population owned only 10 percent of the wealth.
- As a result, the economy was dependent on the spending of a very small portion of the population. These wealthy people spent their money on luxury goods and on investments. This type of spending was greatly affected by the stock market crash.
- The wealthy, not the great mass of the population, had benefited from increased output per worker in the face of stable salaries. With the increased output, production costs had dropped and profits had risen, but the workers could not buy what they produced. As a result, demand dropped. As the economy weakened, this non-purchasing group grew in size and became less and less able to buy even the necessities of life.

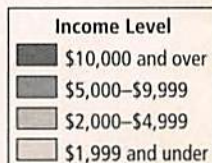
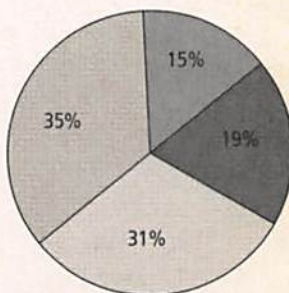
Excessive Buying on Credit

Excessive buying on credit resulted from these low and unequally distributed wages. Under consumption grew as workers could no longer make installment payments.

Weak Corporate Structure

The Great Crash set off the collapse of the nation's business structure. Business consolidations of the 1920s resulted in a few large companies

Income Distribution, 1929



The prosperity of the 1920s did not bring great wealth to most Americans.

ANALYZING DOCUMENTS

Examine the chart on the previous page entitled “Some Economic Changes Between 1928 and 1932,” then answer the following questions.

- How much did spending for new housing change between 1928 and 1932?
- What does the drop in U.S. exports indicate about the nature of the depression?
- How much did unemployment increase between 1928 and 1932?
- Based on this chart, which year was the economy in its most serious state?

in each industry. Holding companies controlled the stock of many different corporations and depended on the earnings of the various companies they held. This was a very fragile system, because when one company collapsed, it affected—in a domino fashion—the rest of the holding company.

Weak Banking Structure

Some 6,000 banks failed in the 1920s. This showed clearly that there were serious weaknesses in the banking industry.

Inadequate Government Policies

Actions by the federal government contributed to the depression.

- Stock market speculation was unregulated by the government.
- Tax policies that favored the wealthy resulted in further uneven distribution of income.
- The consolidation of corporations was not challenged under antitrust laws.
- The Federal Reserve Board allowed a low discount rate—the interest charged to member banks. This policy led to stock speculation. The board then raised interest rates in 1931, discouraging spending at just the time when spending would have helped the economy.

Weak International Economy

The world’s economies were affected by the collapse triggered by the crash of the U.S. stock market. Many European economies had never fully recovered from World War I, and the international economy depended heavily on the economy of the United States.

Foreign nations owed the United States money that they could repay only after the United States bought their goods and made foreign investments and loans. However, high American tariffs kept out goods from overseas and led to high foreign tariffs. Meanwhile, Americans invested at home in businesses or in the stock market rather than abroad.

When the U.S. economy slowed, the United States made fewer foreign investments and had less money to lend. This meant that foreign nations had less money to buy American goods and often defaulted on loans. The international nature of the banking system can be seen by the fact that banks in both Europe and the United States failed as a result of defaults on loans.

HOOVER’S RESPONSE TO THE GREAT DEPRESSION, 1929–1933

Herbert Hoover was the President who first had to deal with the deepening depression. Hoover had taken office in 1929, after having served as Coolidge’s secretary of commerce. An engineer by training, Hoover was a good businessman, a self-made millionaire, and a humanitarian. During and after World War I, he had an international

reputation as leader of a successful relief effort to aid starving Europeans and to help Europe recover economically.

Hoover's Economic Plan

In order to improve economic conditions, Hoover took the following actions:

- Tried to restore confidence in the American economy with such statements as "Prosperity is just around the corner."
- Altered his view that government should not become directly involved in the economy. He promoted programs that aided businesses, on the theory that as businesses recovered, economic benefits would trickle down to the workers and consumers.
- Allowed the organization of the Reconstruction Finance Corporation (1932) to lend money to railroads, mortgage and insurance companies, and banks on the verge of bankruptcy.
- Set a precedent for Franklin Roosevelt's New Deal with his use of federal works projects to create jobs and stimulate the economy.
- Obtained voluntary agreements from businesses not to lower wages or prices. However, as companies increasingly faced collapse, they often could not honor these promises.
- Halted the payment of war debts by European nations.

Failure of Hoover's Program

Despite these efforts, Hoover's refusal to provide direct relief damaged his image as the nation's leader. Also damaging was his insistence, in the face of worsening conditions, that the economy was actually improving.

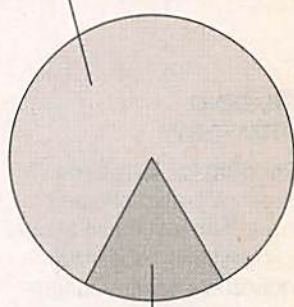
In the summer of 1932, thousands of unemployed World War I veterans and their families set up camps in Washington, D.C., to demand early payment of the bonus due to them for their war service. When the bill was defeated by Congress, most of the **Bonus Army**, as they were called, refused to leave town. Hoover insisted that the veterans were influenced by Communists and other agitators. He called out the army to break up the Bonus Army's camps and disperse the veterans. The news photographs showing tanks and tear gas being used against war veterans destroyed what little popularity Hoover had left.

Herbert Hoover took many steps to use the power of the federal government to stop the growing depression. In the end, his efforts were too little. Historians still debate whether he should be praised for the efforts he did make or condemned for not going far enough. Hoover's ability to act was limited by his beliefs. For example:

- He had great faith in the American economic system, insisting that the forces of the market would eventually set the economy right again.
- He stood for the Puritan work ethic—the idea that hard work earns its own rewards.
- He believed in voluntary rather than governmental action to solve problems of society.

Election of 1928

Republican Herbert C. Hoover
84% of electoral vote



Democrat Alfred E. Smith
16% of electoral vote

ANALYZING DOCUMENTS

"Our Republican leaders tell us economic laws . . . cause panics which no one could prevent. But while they prate of [chatter about] economic laws, men and women are starving . . . I pledge you, I pledge myself, to a new deal for the American people.

—F. D. Roosevelt, 1932

"The urgent question today is the prompt balancing of the budget. When that is accomplished, I propose to support adequate measures for relief of distress and unemployment."

—Herbert Hoover, 1932

Both of these quotes were made during the 1932 presidential campaign.

- What is the clearest difference between Roosevelt's and Hoover's approaches to the Great Depression?

- He believed in self-help and opposed direct relief on the grounds that it would destroy people's "rugged individualism."

THE HUMAN IMPACT OF THE GREAT DEPRESSION

READING STRATEGY

Reading for Evidence

Unemployment affected more than just those people who lost their jobs. After individuals became unemployed, what other people or organizations were affected?

ANALYZING DOCUMENTS

Based on the graph below, what relationship was there between the unemployment rate and Hoover's defeat in the election of 1932?

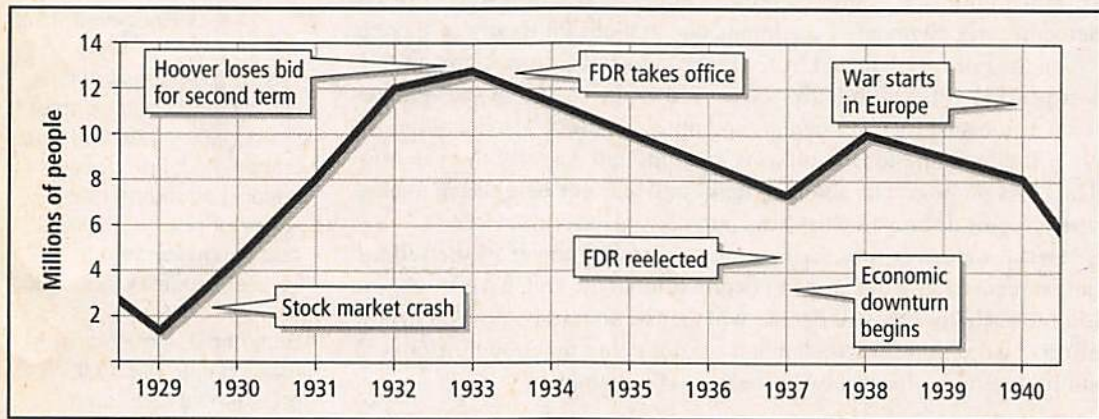
The Great Depression had a profound effect on all Americans.

Unemployment

By 1932, some 12 million people—25 percent of the American labor force—were unemployed. The human toll was seen in long "bread lines" at soup kitchens. Relief efforts by organizations such as the Red Cross were limited, because voluntary contributions slowed down. As banks failed, people lost their savings; as companies failed, people lost their jobs as well.

African Americans and unskilled workers were the first to experience unemployment. In 1931, African American unemployment was estimated as 30 to 60 percent greater than white unemployment. Women were criticized for working while men could not find jobs. In truth, female occupations, usually in service sectors such as nursing and clerical work, were less affected than positions in manufacturing that were usually given to men. Family life was disrupted as parents looked for ways to stretch what money the family had. Families moved in with relatives. Marriages were postponed. The birth rate dropped, as did college enrollment.

Unemployment, 1929–1940 (in millions)



Urban Life

In many cities, families who had lost their homes lived in unheated shacks they had built of cardboard, tin, or crates. These communities became known as **Hoovervilles**. Some people slept under old newspapers called "Hoover blankets." Others slept in city parks.

People selling apples and shoelaces on the street became a common sight. Cases of malnutrition, tuberculosis, and typhoid increased, as did deaths from starvation and suicide. Parents often went hungry to give what food they had to their children.

Rural Life

With more people unable even to buy food, farmers found that their already depressed income dropped by one half. Farm foreclosure sales grew in number. The farmers' desperate situation only worsened in the 1930s with a prolonged drought in parts of Texas, Oklahoma, Kansas, Colorado, and New Mexico, a region that became known as the Dust Bowl. The drought, combined with poor farming methods, resulted in the loss of the topsoil, which was whipped into giant dust storms that swept across the Great Plains. Devastation in the Dust Bowl created a group of migrant farmers called "Okies" who moved to California in search of work. Their sufferings were made famous in John Steinbeck's novel *The Grapes of Wrath*.

The Culture of the Great Depression

The sufferings of people during the Great Depression changed the popular culture of the 1930s, as people sought inexpensive and escapist leisure activities.

Spectator sports, especially baseball, remained popular, but fewer people could afford to attend. Instead, they played miniature golf, softball, pinball machines, the new board game Monopoly, or they read comic books. Dick Tracy was one of the most popular comic strips of the decade.

About one third of the nation's movie theaters closed during the depression, but each week as many as 90 million people turned out to see Hollywood films. Movies of the 1930s often dealt with issues other than the grim realities of depression life. Depression-era movies included *King Kong*, *Gone With the Wind*, and *The Wizard of Oz*, as well as cowboy adventures, serials, musicals, comedies, and Walt Disney cartoons starring characters such as Mickey Mouse.

Radio, which was free, offered the comedy of George Burns and Gracie Allen or Jack Benny, as well as soap operas, news, sports, serials, and music. Radio was to the 1930s what television is today—an influential, unifying means of communication.

Literature, photography, and paintings of the 1930s reflected the concerns of the times. The photographs of Walker Evans and Margaret Bourke-White revealed the suffering of the people. Bourke-White's work appeared in *Life* magazine, which for decades depicted American life in pictures. Government programs provided work for artists, writers, and actors through theater and art projects. Artists painted murals on public buildings. Writers wrote histories and guide books about various regions. Actors appeared in plays funded by the Federal Theater Project. Dancers performed, and orchestras played.

GEOGRAPHY IN HISTORY

Dust Bowl info

Starting in the late 1800s, farmers using steel plows cut through the thick grasses that covered the Great Plains. They grew wheat in areas too dry to grow corn. After World War I, when farm prices dropped, farmers responded by clearing more land and growing more wheat. The 1930s were a decade of drought. For seven years, winds blew the top soil, no longer protected by the grass cover, east from New Mexico, Texas, Oklahoma, Colorado, and Kansas to the Atlantic and beyond. Sixty percent lost their farms.

**READING
STRATEGY****Formulating Questions**

Reread the section about the culture of the Great Depression, then answer the following questions.

- What forms of entertainment were most popular during the Great Depression?
- Why were these forms of entertainment so popular?
- How did the tone of popular entertainment (such as movies and radio) differ from that of art and literature?

Some novels, such as those of John Dos Passos or John Steinbeck, protested the life of the 1930s. Other works, such as those of William Faulkner, were less political. Langston Hughes continued to write about African Americans, especially the poor and working class. He also wrote a novel about life in Chicago, which succeeded *Harlem* in the 1930s and 1940s as the center of African American culture.

Music of the 1930s continued to be dominated by jazz created by Louis Armstrong, Duke Ellington, and other musicians. It was also the age of big swing bands, such as those of Glenn Miller and Benny Goodman. The musical became a popular form of theater, with music by greats such as George Gershwin, Irving Berlin, Cole Porter, and Jerome Kern.

FRANKLIN DELANO ROOSEVELT

"I pledge you, I pledge myself, to a new deal
for the American people."

—Franklin Delano Roosevelt

In 1932, Franklin Delano Roosevelt was elected the thirty-second President. He was educated at Harvard University and the School of Law at Columbia University. He served as a Democrat in the New York State legislature, as assistant secretary of the navy under Woodrow Wilson, and as governor of New York before being elected President. He served as President throughout the rest of the depression and most of World War II, until his death in 1945.

Restoring Public Confidence

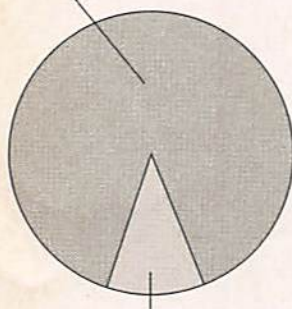
Franklin Roosevelt is ranked by historians as one of the greatest Presidents in American history. He inspired support and confidence in people. He was a master politician—intelligent, energetic, self-confident, charming, and optimistic. He had been tested by polio, which had left him in a wheelchair but made him tougher, more patient, and more compassionate.

Roosevelt, popularly called FDR, was also a master communicator. He held press conferences and effectively used the radio for "fireside chats" with the American public. He involved the public emotionally in his explanations of what he was doing to solve the nation's economic problems. He was able to convince people that he had confidence in himself and in our nation as well as genuine concern for the people.

FDR was controversial. While many respected and even loved him, others saw him as taking on almost dictatorial powers for himself and for the government. His attempt to make major changes in the Supreme Court is one example of controversy in his administration.

Election of 1932

Democrat Franklin D. Roosevelt
89% of electoral vote



Republican Herbert C. Hoover
11% of electoral vote

Another is his decision to break the so-called unwritten Constitution and run for a third term in 1940. Roosevelt ran for and was elected to a fourth term in 1944. He died in office in 1945. In 1951, the Twenty-second Amendment was added to the Constitution, limiting a President to two terms in office. Some saw it as a reaction against Roosevelt.

Preparing to Lead the Nation

In the months between his election and his inauguration, Roosevelt surrounded himself with a group of formal and informal advisers. His cabinet members included Postmaster James Farley, Secretary of State Cordell Hull, and the first woman to hold a Cabinet post, Frances Perkins, as secretary of labor. FDR's informal advisers, known as the "brain trust," were a group of intellectuals and lawyers, several of whom were Columbia University professors. They favored reform and strongly influenced Roosevelt's New Deal administration. The most well-known brain trust member was social worker Harry Hopkins.

FDR's Eyes and Ears: Eleanor Roosevelt

Another major influence on Roosevelt and his New Deal was his wife, Eleanor Roosevelt. She was a humanitarian, active on behalf of women and minorities, especially African Americans. As First Lady, she became an important political figure in the nation. Through her travels, she served as the President's eyes and ears, but what he heard and saw was filtered through her progressive views and sensitivity to the plight of others. She helped to mold New Deal policy in several ways: through intervention with her husband on behalf of social reform; through her syndicated newspaper column; and through her travels and speeches around the nation. After Franklin Roosevelt's death in 1945, Eleanor Roosevelt became a leader in the issue of human rights, playing a key role in the creation of the 1948 Universal Declaration of Human Rights.

THE NEW DEAL IN ACTION: RELIEF, RECOVERY, REFORM

Roosevelt's program to combat the problems caused by the depression was called the New Deal. The programs of the New Deal had the following goals:

- Relief for those people who were suffering
- Recovery for the economy, so it could grow again
- Reform measures to avoid future depressions

Relief Legislation of the New Deal

Congress passed a wide range of relief legislation as part of the New Deal.



Old Reliable

Source: Berryman, *Graft Collection* Apr. 12, 1938

ANALYZING DOCUMENTS

Note that cartoons can convey a great amount of information quickly. Examine the cartoon above. Does the cartoonist support or oppose FDR's policies?

READING STRATEGY**Organizing Information**

Organize the information on the chart to categorize those programs that provided for:

1. Relief
2. Recovery
3. Reform

EMERGENCY BANKING ACT, 1933 Roosevelt's first act as President was to close the nation's banks by declaring a bank holiday in order to stop the collapse of the national banking system. The time was used to assure the public that it could have confidence in the banks once they reopened. The law required the examination of banks to ensure that only financially sound banks were operating.

FEDERAL EMERGENCY RELIEF ACT (FERA), 1933 Between 1933 and 1935, some \$500,000 was provided for distribution by states and cities for direct relief and work projects for hungry, homeless, and unemployed people.

PUBLIC WORKS ADMINISTRATION (PWA), 1933 Operating from 1933 until 1939, the PWA provided jobs through construction projects, such as bridges, housing, hospitals, schools, and aircraft

New Deal Programs

Program	Initials	Begun	Purpose
Civilian Conservation Corps	CCC	1933	Provided jobs to young men to plant trees, build bridges and parks, and set up flood control projects
Tennessee Valley Authority	TVA	1933	Built dams to provide cheap electric power to seven southern states; set up schools and health centers
Federal Emergency Relief Administration	FERA	1933	Gave relief to unemployed and needy
Agricultural Adjustment Administration	AAA	1933	Paid farmers not to grow certain crops
National Recovery Administration	NRA	1933	Enforced codes that regulated wages, prices, and working conditions
Public Works Administration	PWA	1933	Built ports, schools, and aircraft carriers
Federal Deposit Insurance Corporation	FDIC	1933	Insured savings accounts in banks approved by government
Rural Electrification Administration	REA	1935	Loaned money to extend electricity to rural farmers
Works Progress Administration	WPA	1935	Employed men and women to build hospitals, schools, parks, and airports; employed artists, writers, and musicians
Social Security Act	SSA	1935	Set up a system of pensions for elderly, unemployed, and handicapped

carriers. The PWA also moved government money into the economy. It was hoped that this “pump priming” would create jobs, revive production, and lead to more consumer spending.

CIVILIAN CONSERVATION CORPS (CCC), 1933 Between 1933 and 1941, the CCC provided work for 2.5 million young men ages 18 to 25 conserving natural resources. Only 8,000 young women joined the CCC.

WORKS PROGRESS ADMINISTRATION (WPA), 1935 From 1935 until 1943, the WPA provided temporary jobs for 25 percent of adult Americans. The agency was created to replace direct relief with public works projects. The WPA spent more government money than any other program. While WPA workers built roads, bridges, airports, public buildings, playgrounds, and golf courses, the program also offered work to writers, artists, musicians, scholars, and actors. Critics attacked the cultural work projects in particular. Others criticized the WPA for being inequitable. With WPA employment limited to one member of a family, only women who were heads of households were eligible for WPA jobs.

TENNESSEE VALLEY AUTHORITY (TVA), 1933 The federally funded TVA provided jobs, cheap electricity, and flood control to poor rural areas of seven states through dam construction on the Tennessee River and its tributaries. The TVA was made possible through the efforts of Republican Senator George Norris of Nebraska. The TVA was praised as a bold experiment in government intervention to meet regional needs. It was attacked as “creeping socialism.”

Recovery Legislation of the New Deal

Congress also passed a wide range of recovery legislation as part of the New Deal.

NATIONAL INDUSTRIAL RECOVERY ACT, 1933 The National Recovery Administration (NRA) had the authority to work with businesses to help them recover. The NRA set “codes of fair competition” within industries to maintain prices, minimum wages, and maximum hours. The public was encouraged to buy from companies that followed the NRA codes. The NRA was not popular, however. Some consumers complained that the NRA plan raised prices. Companies opposed the provisions giving unions the right to organize. Small companies felt at a disadvantage compared to larger companies. The NIRA was declared unconstitutional in 1935.

HOME OWNERS LOAN CORPORATION (HOLC), 1933 This agency was created to help homeowners save their houses from foreclosure. It provided funds to pay off mortgages and provided new long-term mortgages at lower, fixed-interest rates.

READING STRATEGY

Organizing Information

A timeline can help you understand how the New Deal progressed. Create a timeline of the most significant legislation of the New Deal. Be sure to include all three categories of New Deal legislation (relief, recovery, and reform).

**PREPARING FOR THE EXAM**

The purpose of agricultural price supports is to keep the prices of farm products at a reasonable and stable level. By paying farmers to reduce the number of acres they plant, the government helps reduce the supply of farm products. When demand stays the same for the reduced supply, prices will rise.

- Does this type of a program still exist today?
- If so, in what form?

KEY THEMES AND CONCEPTS**Government**

"Every qualified person shall be entitled to receive, with respect to the period beginning on the date he attains the age of sixty-five . . . an old-age benefit. . ."

—Social Security Act, 1935

- What was the reason for the Social Security Act?
- How was it funded?
- What are current concerns and proposals regarding social security?

FEDERAL HOUSING ADMINISTRATION (FHA), 1934 The FHA was created by the National Housing Act to insure bank mortgages. These mortgages were often for 20 to 30 years and at down payments of only 10 percent.

FIRST AGRICULTURAL ADJUSTMENT ACT (AAA), 1933 The aim of the AAA was to raise farmers' income by cutting the amount of surplus crops and livestock. In that way, farmers would be able to sell their crops at the same prices of the years 1909–1914, a time when farm prices were high. The government paid farmers for reducing the number of acres they planted. The plan was financed through a processing tax on companies that made the wheat, corn, cotton, hogs, milk, and tobacco into consumer products. Large farmers, rather than small farmers and tenant farmers, benefited from the AAA. The public was outraged at the destruction of crops and animals in order to keep production down. However, farm prices did increase. Although the AAA was declared unconstitutional in 1936, the principle of farm price supports had been established. The AAA was replaced with a law that encouraged using soil conservation methods.

SECOND AGRICULTURAL ADJUSTMENT ACT (AAA), 1938 The second AAA was passed in response to a drop in farm prices in 1938. The government paid farmers to store portions of overproduced crops until the price reached the level of 1909–1914 prices. In spite of New Deal efforts, America's farmers did not regain prosperity until the 1940s, when World War II brought increased demand for food.

Reform Legislation of the New Deal

Congress also passed a wide range of reform legislation as part of the New Deal.

GLASS-STEAGALL ACT, 1933 This law created the Federal Deposit Insurance Corporation (FDIC), which guaranteed individual bank deposits up to \$5,000. The law also increased the powers of the Federal Reserve Board so that it had more control over speculation on credit.

SECURITIES EXCHANGE ACT, 1934 This act created the Securities and Exchange Commission (SEC), which had the authority to regulate stock exchanges and investment advisers. SEC powers included the right to bring action against those found practicing fraud. The SEC could require financial information about stocks and bonds before they were sold.

SOCIAL SECURITY ACT, 1935 The 1935 Social Security Act was a combination of public assistance and insurance. The law had three main parts: (1) It provided old-age insurance, paid by a tax on both the employer and employee while the employee was working. The worker and employer, not the government funded this part of social security.

(2) It provided unemployment insurance for workers, paid by employers. (3) It gave assistance to dependent children and to the elderly, ill, and handicapped.

NATIONAL LABOR RELATIONS ACT (WAGNER ACT), 1935

The Wagner Act, named for its author, New York Senator Robert Wagner, guaranteed labor the right to form unions and to practice collective bargaining. It created the National Labor Relations Board (NLRB) to ensure that elections to select unions were conducted fairly.

FAIR LABOR STANDARDS ACT, 1938 This law set a minimum wage (originally 25 cents per hour) and a maximum work week (originally 44 hours) for workers in industries involved in interstate commerce. The law also banned child labor in interstate commerce. It is one of many examples of New Deal legislation passed using the power given to Congress to regulate interstate commerce.

25¢ per hr.

THE NEW DEAL AND ORGANIZED LABOR

Roosevelt was interested in helping workers primarily through social legislation, such as social security. He also wanted to work cooperatively with business, as seen in the NRA legislation. When the NRA was ruled unconstitutional and with it the part that ensured labor the right to form unions, Roosevelt turned to the Wagner Act as a means of aiding labor. By 1935, he had turned away from business and saw organized labor unions as a force in society that would balance the power of big business.

This pro-labor attitude of the New Deal resulted in an increase in union membership of more than 1.5 million members between 1933 and 1935. After the Wagner Act became law in 1935, membership grew another 3 million. By 1938, it had reached 7 million organized workers. These gains took place during a split within organized labor over how to unionize workers.

The American Federation of Labor (AFL), whose craft unions of skilled workers had dominated the labor movement since 1886, was challenged for control by a new union organized by industry. These new unions organized all workers, skilled and unskilled, in a given industry, such as textiles, coal, steel, and automobiles, much like the old Knights of Labor. But unlike the Knights, the industrial unions concentrated on "bread and butter" issues of wages, hours, and working conditions. Led by John L. Lewis, head of the United Mine Workers, the new industrial unions formed the Committee for Industrial Organization (CIO) within the AFL. In 1937 the CIO became a separate union, the Congress of Industrial Organizations (CIO).

In addition to the way it organized workers, the CIO differed from the AFL because its members included women, African Americans, and immigrants from southern and eastern Europe. These groups made

ANALYZING DOCUMENTS

"Employees shall have the right of self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing. . . ."

—National Labor Relations Act (Wagner Act)
July 5, 1935

- Why can this act be called the "Magna Carta of Labor"?

**ANALYZING
DOCUMENTS**

"They picked me up about eight different times and threw me on my back on the concrete. While I was on the ground they kicked me in the face, head, and other parts of my body . . . I never raised a hand."

—Walter Reuther, 1937
Ford Motor Company strike

- Did the Wagner Act resolve problems between management and labor? What is your evidence?

up a large percentage of the unskilled work force that comprised the CIO unions. Despite their differences, the two organizations merged in 1955 to form the powerful AFL-CIO.

The 1930s were marked by a series of bitter strikes as the CIO attempted to unionize large industries, including the steel and automobile industries. Union workers demanded that companies enter into collective bargaining. Often police and company-paid guards used force against strikers. The workers made effective use of the **sit down strike**, a tactic in which they remained in the plant but refused to work until their demands were met.

THE NEW DEAL'S EFFECTS ON MINORITIES AND WOMEN

The New Deal legislation affected Native Americans, African Americans, Latinos, and women in a variety of ways.

Native Americans and the New Deal

In 1924, Native Americans were finally granted citizenship by Congress. However, Native Americans continued to suffer under the government policy of forced assimilation enacted in 1887 by the Dawes Act. It aimed at breaking up the tribal structure of Native American life and forcing Indians to become landowning farmers. The Native Americans lost an additional 90 million acres of land between 1887 and 1934.

Under Roosevelt and the New Deal, government policy changed to one of tribal restoration. The 1934 Indian Reorganization Act, also called the Wheeler-Howard Act, was passed largely through the efforts of Roosevelt's commissioner of Indian affairs, John Collier. The bill's aim was restore tribal self-government as well as Native American languages, customs, and religious freedom. Another New Deal program provided for the education of Native American children under the Bureau of Indian Affairs.

African Americans and the New Deal

African Americans were not a well-organized interest group in the 1930s. Therefore, they benefited less from the New Deal than did other groups. Roosevelt was not a strong advocate of civil rights, in part because he did not want to alienate southern Democrats in Congress, whose votes he needed to pass New Deal legislation. He did not support African American efforts to abolish the poll tax or to pass an antilynching law. Lynchings, in fact, increased during the 1930s.

However, within the New Deal programs, Eleanor Roosevelt and Harry Hopkins gave strong support to African Americans. As many as 50 African Americans were appointed to posts in various New Deal agencies. The most influential among them was Mary McLeod Bethune, who served in the National Youth Administration. While

African Americans protested discrimination within New Deal programs, some 40 percent of the nation's African Americans received help through a New Deal program. Many moved from the Republican party to the Democratic party during the New Deal.

Latinos and the New Deal

Many Latinos worked in agriculture and were particularly hard hit by the depression. "Okies" fleeing the Dust Bowl competed with Mexicans and Mexican Americans for migrant farm work in California. While the New Deal provided relief for these workers, the government's policy was to stop immigration and return to Mexico any unemployed noncitizens.

Women and the New Deal

Like African Americans, women were not an organized group during the 1930s. As you have read, women experienced less unemployment during this period, because they worked in low-paying jobs less affected by the depression. Single women and female heads of families made up a large portion of the female work force. Women earned about 50 cents for every dollar a man was paid, and they were often expected to give up jobs to male heads of families. The belief that the proper work for women was that of a wife and mother remained strong. Many New Deal programs simply would not hire women.

While women made little progress in the workplace, the New Deal did help women in government. Eleanor Roosevelt, Frances Perkins, and Mary McLeod Bethune were only a few of the women visibly active in the New Deal administration. More women also ran for and won political office although they were still far outnumbered by men.

The 1936 Election Mandate

In his first term, Roosevelt won the support of large numbers of Americans. Popular belief in him and in his New Deal program that seemed to offer something to everyone translated into votes. Roosevelt carefully built what is known as the New Deal coalition, a voting bloc that embraced the solid Democratic South, new immigrant workers, the big cities, African Americans who had previously voted Republican, organized labor, the elderly, and farmers who usually voted Republican.

This coalition emerged in the 1936 election, when Roosevelt was reelected to a second term. Roosevelt received a mandate, or a clear endorsement, from the electorate, carrying all but two states. This change in the two-party system was to dominate American politics over the next generation.

READING STRATEGY

Organizing Information

The New Deal affected various groups in different ways. To help you understand how different people were affected by the New Deal, create a chart showing the impact of the New Deal on:

- African Americans
- Latinos
- Women

ANALYZING DOCUMENTS

Examine the chart at right, then answer the following questions.

- What was the significance of the “First Hundred Days”?
- What is meant by the term *Second New Deal*, and what did it accomplish?
- Why did the economy weaken in 1937 and 1938?
- What ultimately caused the unemployment rate to improve?

PREPARING FOR THE EXAM

Compare the New Deal to other reform movements, such as Progressivism and the Great Society.

- Do they too appear to have stages?

Stages of the New Deal

- 1. 1933–early 1935:** New Deal legislation dealt with relief and recovery. Much of this legislation was passed in the “First Hundred Days” after FDR took office in March 1933. The 1934 Congressional elections increased the size of the Democratic majority in each house, which helped the New Deal legislative effort.
- 2. 1935 and early 1936:** Often called the “Second Hundred Days” or the “Second New Deal,” this period’s legislation focused more on social reform.
- 3. 1936 election:** This year is considered the high point of the New Deal.
- 4. 1937–1938:** A recession led to a new collapse in the weak economy that had just been starting to improve. The recession was due in part to New Deal cutbacks in spending after the 1936 election.
- 5. 1938:** By 1938 the New Deal had ended due to increased opposition in Congress and preoccupation with the danger of world war. Unemployment did not improve significantly until World War II created jobs in the production of war goods.

NEW DEAL GENERATES CONTROVERSY

Roosevelt and his New Deal mobilized the government and the nation to fight the effects of the Great Depression. His program for relief, recovery, and reform provoked controversy. Criticisms came from those who felt that it was too radical or went too far as well as from those who felt its programs were too conservative or did not go far enough.

FDR’s Policy Strategies

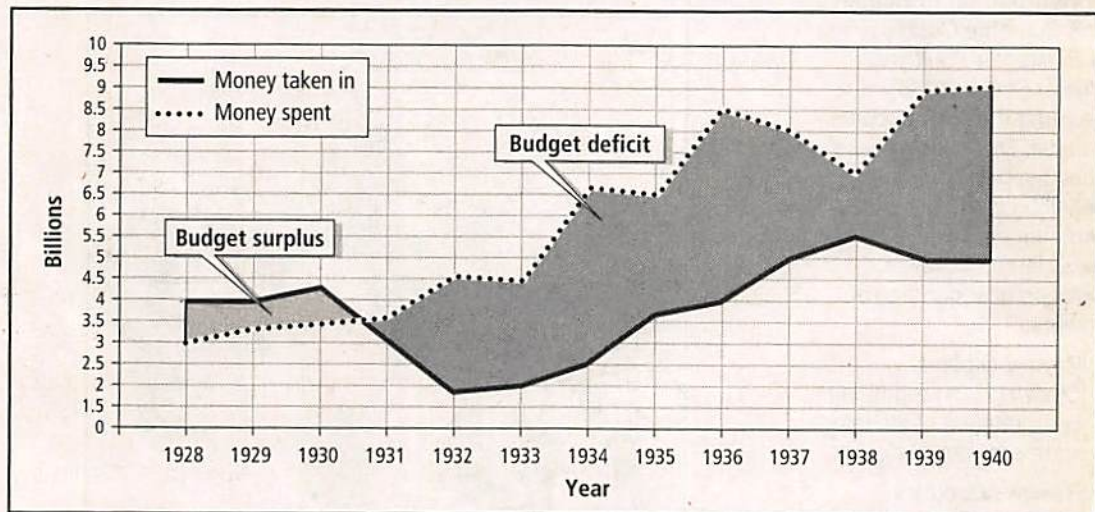
Roosevelt was a pragmatist. That means he did not come to office committed to a single theory or set of beliefs but rather was a man of action, interested in whatever worked to solve a problem. In short, he was an experimenter. The New Deal showed his willingness to make choices based on trial and error in order to solve problems.

FDR was influenced by Populist and Progressive philosophies of using the government to solve social and economic problems. He also used ideas of the Hoover administration and lessons learned in mobilizing the nation to fight World War I. The strategies used by the New Deal included:

- Passing relief measures that involved the federal government in the nation’s economy to a greater degree than ever before. This direct governmental action was justified by using the commerce and elastic clauses of the Constitution.
- Taking fiscal action to stimulate the economy and lower unemployment by lowering taxes and increasing government spending.
- Assuming responsibility for the general welfare by protecting people against risks that they could not handle on their own.

- Increasing the regulatory role of the federal government over banks, businesses, and the stock exchange.
- Adopting deficit spending as an economic means of reviving the economy. This policy was based on the theories of economist John Maynard Keynes, who argued that the government must spend huge amounts of money to encourage production levels and purchasing power to increase. This policy, Keynes argued, would result in economic recovery.

Federal Income and Spending, 1928–1940



Supreme Court Reaction

Throughout the New Deal, the Supreme Court majority practiced judicial restraint, narrowly interpreting the interstate commerce clause and striking down many of FDR's programs, which were based on a broad interpretation of that part of the Constitution. In a series of decisions, the Court ruled that several key New Deal laws were unconstitutional.

SUPREME COURT AND THE NRA The National Recovery Act (NRA) was declared unconstitutional in *Schechter Poultry Corporation v. United States* (1935). The Court ruled that the law illegally gave Congress power to regulate intrastate commerce (or commerce within a single state) and violated the separation of powers by giving the legislative powers to the executive branch.

SUPREME COURT AND THE AAA In *United States v. Butler* (1936), the Supreme Court struck down the Agricultural Adjustment Act (AAA) on the grounds that agriculture was a local, not an interstate, matter under the provisions of the Tenth Amendment.

ANALYZING DOCUMENTS

Use the chart above and your knowledge of social studies to answer the following questions.

- What is the definition of a budget deficit?
- In what year was the budget deficit the largest?
- What caused this increase in the budget deficit?

Review the New Deal programs to determine on what these funds were spent.

KEY THEMES AND CONCEPTS

Constitutional Principles

The Supreme Court's ruling in *Schechter Poultry v. United States* (1935) declared the NRA unconstitutional. This decision was based in part on a narrow definition of the interstate commerce clause. It also considered this law a violation of separation of powers.

- Review *Gibbons v. Ogden* (1824) regarding interpretation of the interstate commerce clause.
- Review *Marbury v. Madison* regarding separation of powers.
- When else has the interstate commerce clause produced controversy?
- What is meant by separation of powers?

FDR's Court-Packing Plan

Supreme Court opposition to FDR's programs continued with the Court consistently vetoing New Deal legislation. Franklin Roosevelt asked Congress to approve a law that would permit the President to increase the number of judges from nine to fifteen if the judges refused to retire at the age of 70.

The Judicial Reorganization Bill—or the “court-packing” plan, as its opponents called it—was intended to make the Supreme Court approve the New Deal laws. It never became law because it was a threat to the separation of powers.



Political Opposition

In his first two terms, Roosevelt's strongest opposition was from big business. In 1934, a group of conservative Democratic and Republican business owners and politicians, including former presidential candidate Al Smith, formed the American Liberty League. It claimed that Roosevelt was exercising too much power as President. It attacked the New Deal because its programs were being financed through deficit spending. The group expressed fear that the American free enterprise system was being destroyed.

Radical groups such as the Communist party also offered alternatives to the New Deal but failed to gain any major public support. At its peak in 1938, the Communist party of the United States of America had only 55,000 members, and its 1936 presidential candidate won only 80,000 votes. Meanwhile, the pro-Nazi German-American Bund became active, as did the **Black Shirts**, fascists who supported the views of Italian dictator Benito Mussolini.

The Socialist party in America drew some rising support, although some members began to vote for Roosevelt. The party was led by Eugene Debs and by Norman Thomas, the party's presidential candidate. Unlike the Communist party, the Socialists believed in the use of democratic means to make changes in the American economic structure.

As frustration grew in the face of the prolonged depression, various individuals entered the political scene, each criticizing the New Deal and offering often simplistic solutions to the economic crisis. These men were called "homegrown demagogues" because their philosophies did not come from a foreign nation and because they appealed to people's emotions and prejudice. These demagogues included:

- Francis E. Townsend, who created a financially impossible plan to provide government pensions for the elderly.
- Father Charles E. Coughlin, a Catholic priest who blamed business owners, especially Jewish ones, for the economic crisis.
- Huey Long, a powerful United States senator from Louisiana, who proposed that income and inheritance taxes on the wealthy be used to give each American a \$2,500 income, a car, and a college education. Long was assassinated in 1935.

ANALYZING DOCUMENTS

Using the table below and the text, answer the following questions.

- Who are some specific people who voiced the criticisms shown in the graphic summary?
- What evidence is there to support each of these positions?

Critics of the New Deal

Women and African Americans	Progressives and Socialists	Republicans and other political opponents
New Deal programs offer more opportunities to white men than to women and minorities. Women and African Americans are paid less for the same work.	New Deal programs are not doing enough to solve the nation's problems. More should be done to distribute the nation's wealth among all Americans.	Government is taking on too much responsibility and becoming too powerful. FDR is like a dictator. New Deal taxes on the wealthy are unfair. New Deal programs are too much like socialism.

While FDR remained popular, his programs drew criticism from a wide variety of opponents.

EVALUATING THE NEW DEAL

Most historians agree on the following assessment of the New Deal:

- World War II was largely responsible for ending the Great Depression. The New Deal did not solve unemployment, the farm crisis, or underconsumption.
- Nevertheless, the New Deal did help people cope with the effects of the Great Depression.
- The New Deal brought more power to the presidency and to the federal government. The government now had a role and a responsibility in more aspects of the nation's economic and social life.
- The New Deal preserved the free-enterprise system.

ANALYZING DOCUMENTS

"Roosevelt is the only President we ever had that thought the Constitution belonged to the poor man too."

—George Dobbin,
mill worker, 1939

- How would a worker such as George Dobbin evaluate the New Deal?

Questions for Regents Practice

For online Questions for Regents Practice,
visit the Prentice Hall Web site at www.phschool.com.

MULTIPLE CHOICE

Directions

Review the Test-Taking Strategies section of this book. Then answer the following questions, drawn from actual Regents examinations. Each question is followed by four choices. Read each question carefully. Decide which choice is the correct answer. Then on a separate piece of paper, mark your answer for each question.

- 1 Which was a major problem faced by United States farmers in both the 1890s and 1920s?
 - 1 lagging technology
 - 2 lack of tariff protection
 - 3 overproduction of basic staples
 - 4 inflationary currency
- 2 In which respect were the decades of the 1920s and the 1960s in the United States most similar?
 - 1 organized militancy by ethnic minorities
 - 2 public concern with pollution of the environment
 - 3 widespread government activity dealing with social issues
 - 4 significant changes in manners and morals
- 3 What was the one similarity between the Red Scare following World War I and the Cold War following World War II?
 - 1 Fear of communism led to the suppression of the civil liberties of some Americans.
 - 2 Large numbers of Russian revolutionaries settled in the United States.
 - 3 Congressional investigations proved that the federal government was heavily infiltrated by Communist spies.
 - 4 Renewed fighting between wartime enemies was a constant threat.
- 4 Which is most commonly associated with the presidencies of Ulysses S. Grant and Warren G. Harding?
 - 1 depression in business
 - 2 corruption of public officials
 - 3 humanitarian reforms
 - 4 territorial expansion
- 5 In the United States, the widespread disregard of the fugitive slave laws and of Prohibition laws most clearly indicated that
 - 1 strongly held values are difficult to regulate
 - 2 the federal government is generally unable to enforce its own laws
 - 3 little respect is given to the legal system
 - 4 the judicial system is too lenient in its treatment of offenders
- 6 A major reason for the isolationist trend in the United States following World War I was
 - 1 a desire to continue the reforms of the Progressives
 - 2 the public's desire to end most trade with other nations
 - 3 the failure of the United States to gain new territory
 - 4 a disillusionment over the failure to achieve United States goals in the post-war world