

The Great Depression and the New Deal



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What caused the Great Depression?

- Stock Market Crashes of 1929
- 4 million owned stock
 - (10% of households)
- Rise in avg. prices over 40% (1921-1929)
- Margin buying
 - borrow up to 75% to purchase stocks
- “Black Thursday” (10/24/29) and “Black Tuesday” (10/29/29)
 - \$87 billion to \$55 billion

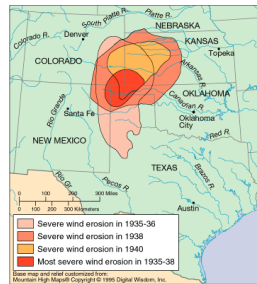


Wall St., 1929

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Structural Weaknesses

- Farmers – ¼ of employed workers
- Low prices
- Over production
- Default on mortgage payments and risk foreclosures
- Avg. income \$273 compared to \$750
- Farm Holiday Association
 - Dumping food
- The Dust Bowl (1930 to 1941)
 - Ecological and human-made disasters
 - Draught
 - Top-soil erosion
 - 350,000 relocated West in 1930s



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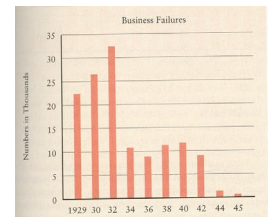
A Crisis with Credit

- 9,000 Bank Failures
 - Uninsured deposits
 - life savings lost
 - Impact on middle-class and elderly
- Cautious investment strategies
 - Fell by 88% between 1929-1932
- 100,000 Businesses failures
- GNP declined from \$103.1 billion in 1929 to \$58 billion in 1932

American Banks and Bank Failures, 1920-1940

Year	Total Number of Banks	Total Assets (\$ billion)	Bank Failures
1920	30,909	53.1	168
1929	25,568	72.3	659
1931	22,242	70.1	2,294
1933	14,771	51.4	4,004
1934	15,913	55.9	61
1940	15,076	79.7	48

Source: Historical Statistics of the United States: Colonial Times to 1970 (Washington, DC: U.S. Government Printing Office, 1975), 1019, 1038-1039.



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International Depression

- Dawes Plan (1924)
 - Loans to Germany
 - reduction in amount of reparations owed to Allies
 - purchase U.S. manufactured goods and agricultural products
- European economies collapsed by 1931
 - Reduction in demand for U.S. goods
 - Inability to repay reparations and loans
- U.S. reduce foreign investments
- U.S. cutback on purchase of raw materials, supplies, and goods from abroad
- Hawley-Smoot Tariff (1930)
 - Raised tariffs to all-time high

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Unequal Distribution of Wealth

- Top .1% hold aggregate income equal to the bottom 42%
- Bottom 71% annual incomes below \$2500
- 80% have no savings
- Lag in Consumer Power
 - Expenditures fell by 18% between 1929-1932
- Unemployment
 - 3.2% in 1929 to 25% by 1933

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Making Do in Hard Times

- “Mass unemployment is both a statistic and an empty feeling in the stomach....To fully comprehend it, you have to both see the figures and feel the emptiness.”
 - Cabell Phillips, writer
- “What is going to become of us?...I’ve lost twelve and a half pounds this last month, just thinking. You can’t sleep, you know. You wake up at 2 a.m. and you lie and think.”
 - Man in Arizona
- “The Country had been in the throes of the Depression for two years before the Negroes in Stamps knew it. I think that everyone thought the Depression, like everything else, was for the white folks.”
 - Maya Angelou
- Downward mobility and “newly” poor

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Depression and Gender

- Men’s declining status as breadwinners
 - Greater impact of depression on “male” industries
 - Steel industry, mining, and manufacturing
- “Lady, you just can’t know what it’s like to have to move your family out of the nice house you had in the suburbs, part paid for, down into another apartment, smaller and in a worse neighborhood, down, down, down, until finally you end up in the slums.”
 - Unemployed man in Pittsburgh
- Women’s increased responsibilities as breadwinners
- “pink ghettos” suffered less from economic contraction
 - Clerical, sales, service and trade occupations
 - 50% increase in married women in work force (11 million by 1940)
- Women’s increased responsibilities as homemakers
 - Deficit living
 - Consumer credit increased by 20% 1929-1936
 - Consumer to Producers
 - Emotional work
 - “The men, cut adrift from their usual routine, lost much of their sense of time and dawdled helplessly and idly about the streets; while in the homes the woman’s world remained largely intact and the round of cooking, housecleaning, and mending became if anything more absorbing.” Study of Middletown (Muncie, Indiana), 1937
- Who deserves assistance?
 - “Few of the people who opposed married women’s employment...seem to realize that a coal miner or steel worker cannot very well fill the jobs of nursemaids, cleaning women, or the factory and clerical jobs now filled by women.”

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Depression and the Family

- Marriage rates fell
 - 10.14/1000 in 1929 to 7.87 in 1932
 - “Do you realize how many people in my generation are not married?...It wasn’t that we didn’t have a chance. I was going with someone when the Depression hit. We probably would have gotten married. He was a commercial artist and had been doing very well....Suddenly he was laid off. It hit him like a ton of bricks. And he just disappeared.”
 - family economy as strategy
- Divorce rates fell
- Birth rates decline
 - 14% decrease (1930-1933)
 - Birth control becomes legal in all states, except Mass. and Conn. (after 1936)
- Increase in high school attendance
 - Less than half in 1930 to ¾ in 1940

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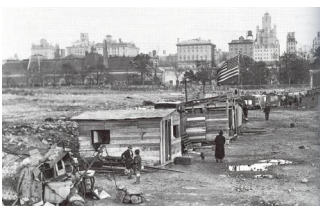
Herbert Hoover

- Government-business cooperation
- Moratorium on payment of Allied debts in 1931
- Reconstruction Finance Corporation (1932)
 - Provide federal loans to railroads, financial institutions, banks, and insurance companies
 - 1st federal institution to intervene directly in the economy during peacetime
- Priming the pump and “trickle-down” economics
- Revenue Act (1932)
 - 33% tax increase to balance the budget

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- Prefer local and state relief efforts
 - “My sober and considered judgment...is that at this stage Federal aid would be a disservice to the unemployed.”
 - Walter S. Gifford, chair of the President’s Organization for Unemployment Relief (1931), 1932
 - NY provided \$2.39/week for a family
- Emergency Relief Act (1932)
 - Authorized RFC to lend \$300 million to states that had exhausted own relief funds
 - Less than \$30 million given out
- Public Works
 - Raised federal budget
 - Only 20% of \$1.5 billion budget spent for public works projects
- Bonus Army (1932)
 - 15,000 unemployed WWI veterans march on Washington to demand bonuses, scheduled for distribution in 1945
 - “We were heroes in 1917, but we’re bums now.”

Public Relief



Hoovervilles

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- A time of experimentation and the “Brain Trust”
 - “I have no expectation of making a hit every time I come to bat....What I seek is the highest possible batting average.”
 - FDR
 - “I graduated college in ’35. I went down to Washington and started to work in the spring of ’36. The New Deal was a young man’s world. Young people, if they showed any ability, got an opportunity. I was a kid, twenty-two or twenty-three. In a few months I was made head of the department...It was the idea of being asked big questions...Where was society going?...The climate was exciting. You were part of a society that was on the move. You were involved in something that could make a difference. Laws could be changed. So could the conditions of people. The idea of [being] involved close to the center of political life was unthinkable, just two or three years before all of this happened. Unthinkable for someone like me, of lower middle-class, close to ghetto, Jewish life. Suddenly you were a significant member of society. It was not the kind of closed society you had lived in before.”
 - Joe Marcus
- “A very personal enterprise.”
 - “fireside chats”
 - 5,000-8,000 letters arrived weekly
 - “Mr. Roosevelt is the only man we ever had in the White House who would understand that my boss is a son of a bitch.”
 - “He saved my home.”
 - “He gave me a job.”
 - 1st president to hire a press secretary
 - Repealed Prohibition (1933)

FDR and the New Deal



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The First New Deal: Shoring up Credit

- Emergency Banking Act (1933)
 - Bank Holiday (38 states closed their banks)
 - Permitted reopening only upon Treasury department inspection that demonstrated sufficient cash reserves
 - Deposits exceeded withdrawals
 - Bank closures dropped from 4000 to 61 (1933-1934)
 - “Capitalism was saved in eight days.”
 - Raymond Moley, FDR speech writer
- Home Owners Loan Corporation
 - Refinance home mortgages
 - 20% of homeowners
- Glass-Steagall Act
 - Created Federal Deposit Insurance Corporation (FDIC)
 - Insured bank depts up to \$2,500

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Assisting Agriculture

- Agricultural Adjustment Act (AAA)
- Allotment system for seven commodities
 - Wheat, cotton, corn, hogs, rice, tobacco, dairy
- Cash subsidies for cutting production
- Unequal distribution of benefits
 - Owners of large and medium-size farmers
 - Reduction of renters and sharecroppers
 - 200,000 black tenant farmers displaced in the South
- Southern Tenant Farmers Union (STFU), 1934
 - 30,000 members
 - ½ black
 - Demand fair share of subsidy payments

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Economic Recovery

- National Industrial Recovery Act (NIRA)
 - Created National Recovery Administration (NRA)
- System of self-government
 - Each industry establish a code of prices and production quotas
- Minimum wages and maximum hours; outlaws child labor
 - Lower wages for women for same jobs
- Guaranteed workers the right to organize and bargain collectively
- Dominated by trade associations and large companies

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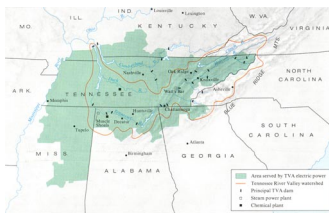
Unemployment Legislation

- Federal Emergency Relief Administration (FERA)
 - Gave (not loaned) \$1 billion in federal moneys to states for relief programs
 - “People don’t eat in the long run –they eat every day.”
 - Harry Hopkins
- Public Works Administration (PWA)
 - Part of NIRA
 - \$3.3 billion for construction of roads, bridges, public buildings, etc.
 - Jobs for men
- Civil Works Administration (CWA)
 - \$400 million of PWA funds
 - Employed 4 million at peak
 - \$15/week
- Civilian Conservation Corps (CCC)
 - 250,000 young men live in segregated camps
 - Reforestation and conservation
 - Planted 2 billion trees by 1941 (12/every American)

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Tennessee Valley Authority (TVA)

- Government-sponsored regional development
- Build hydro-electric power plant
- Rural Electrification Administration (1935)
 - Low-interest federal loans to cover costs of installing power lines
 - Less than 10% had electricity in 1935
 - 40% by 1940
 - 90% by 1950
- “Electricity brought relief from the drudgery and isolation of farm life. An electric milking machine saved hours of manual labor, most of it previously done before dawn by the faint glow of a kerosene lamp so farmers could devote the daylight hours to outdoor chores. An electric water pump lightened many chores, especially the hauling of water. Electric irons, vacuum cleaners, and washing machines eased women’s burdens.”



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New Deal Critics

- Critics from the Right
 - “reckless spending”
 - “socialist”
- Schecter v. U.S. (1935)
 - NIRA ruled unconstitutional
 - Federal regulation limited to interstate commerce
- Critics from the Left
 - Francis Townsend and Old Age Pension
 - \$200/month for citizens over 60
 - 3 million by 1936
 - Senator Huey Long and Share Our Wealthy Society
 - 4 million followers
 - 100% taxation over \$1 million and inheritances over \$5 million
 - “Every man a king”



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The Second New Deal



- Keynesian Economics
 - Every government dollar has a multiplier effect
 - Expenditures grew from \$4.8 billion in 1932 to \$9.4 billion in 1939
 - Year deficits of \$3 billion
- Works Progress Administration (WPA)
 - Harry Hopkins
 - Spent \$10.5 billion
 - 8.5 million employed (1935-1943), 405,000 women
 - Avg. wage \$54/month (subsistence \$100/month)
- Construction
 - 661,087 miles of roads
 - 125,110 public buildings
 - 8,192 parks
 - 883 airports
 - Built or repaired 124,087 bridges
- Federal One (artists, actors, writers)
 - "Art for the millions"
 - Documentary impulse



Top:
"Construction
of a Dam" by
William
Gropper
Side: "Migrant
Mother" by
Dorothea Lange

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Social Security (1935)

- Federal responsibility for welfare
- Old-age pensions
 - Failed to cover domestics, farm workers, casual laborers or public employees
- Unemployment insurance
- Categorical Assistance
 - Aid to blind, deaf, disabled and to dependent children
 - "deserving poor"

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The Magna Carter for Labor

- National Labor Relations Act (or Wagner Act)
- 1st time federal government guaranteed the right of workers to join or form independent labor unions
 - Farm workers not covered
- Outlawed unfair labor practices
 - Firing or blacklisting workers for union activities
- Established National Labor Relations Board
 - Conduct elections to determine union representation
 - Enforce guarantee of collective bargaining
- Unionized workers tripled to 9 million (23% of nonfarm work force)
- Congress of Industrial Organizations (1935-1938)
 - Industrial unionism vs. craft unionism
 - Sit-down strikes
 - Attract Mexican Americans, Blacks, and women

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The New Deal Coalition

- African Americans
 - FDR opposed national lynching law
 - ER (1934)
- Mary McLeod Bethune
 - Black Women's Club Movement
 - National Youth Administration (1935-1944)
- "Black Cabinet"
 - The Federal Council of Negro Affairs
- 1936 election
 - 71% outside of the South voted for FDR



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Eleanor Roosevelt and the Women's Network

- From Progressivism to New Deal Politics
- Eleanor Roosevelt
 - "Conscience of the New Deal"
 - "My Day"
 - Whitehouse Conference on Emergency Needs of Women (1933)
- Molly Dewson, women's Division of the Democratic National Committee
- Frances Perkins, Secretary of labor
 - 1st woman named to a cabinet post
- Government appointments, especially in New Deal agencies

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An Indian New Deal

- Indian Reorganization Act (1934)
 - Reversed Dawes Severalty Act
- Preserve Indian languages, arts, and traditions
- Reconstitute tribal communities
- Self-determination or paternalism



Chief Richard of the Blackfoot Nation and John Collier, Commissioner for Indian Affairs 24

Mexican and Filipino Americans

- Agricultural labor, domestic service, and food processing
 - White, native-born made up 20% of migratory farm labor force before depression
 - 85% by late 1930s
- Immigration Exclusion
 - 150,000-180,000 Filipinos immigrated to the U.S. 1920s-1934
 - Tydings-McDuffie Act (1934)
 - Philippines as a commonwealth - independence in 10 years (actual independence in 1946)
 - Filipino classified as "aliens" - 50 per year immigration quota
- Deportation of "reserve labor force"
 - 1/3-1/2 of Mexican American population returned to Mexico
- Americanization and labor unionizing
 - El Congreso Nacional del Pueblo de Habla Espanol (1939)
 - 1st national civil rights conference for Spanish-speaking peoples
 - Become U.S. citizens and vote

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The beginning of the end

- The Second Term and Court-Packing
 - FDR propose expanding court from 9 to 15
 - One for every justice over 70
- The Roosevelt Recession (1937-1938)
 - Curtailment of federal spending
 - GNP increased 10% yearly from 1933-1937
 - Unemployment declined to 14% by 1937
 - Grew to 19%
- Fair Labor Standards Act (1938)
 - 1st federal min. wage (.25/hour)
 - Max. work week (44 hours) for interstate commerce

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How to Assess the New Deal?

- Increased role of federal government in American lives and communities
 - Fiscal activism and social welfare
- Federal guarantees for unionizing, min. wages, and max. hours
- Established Democratic Party Coalition

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