

A.P. U.S. HISTORY NOTES

Chapter 36: “The Great Depression and the New Deal” ~ 1933 – 1938 ~

- I. FDR: A Politician in a Wheelchair
 1. In 1932, voters still had not seen any improvement, and wanted a new president.
 2. President **Herbert Hoover** was nominated again without much vigor and true enthusiasm, and he campaigned saying that his policies prevented the **Great Depression** from being worse than it was.
 3. The Democrats nominated **Franklin Delano Roosevelt**, a tall, handsome man who was the fifth cousin of famous Theodore Roosevelt and had followed in his footsteps.
 - i. FDR was suave and conciliatory while TR was pugnacious and confrontational.
 - ii. FDR was stricken with polio in 1921, and during this time, his wife, **Eleanor**, became his political partner.
 - a. Eleanor was to become the most active First Lady ever.
 - iii. Franklin also lost a friend in 1932 when he and **Al Smith** both sought the Democratic nomination.
- II. Presidential Hopefuls of 1932
 1. In the campaign, Roosevelt seized the opportunity to prove that he was not an invalid, and his campaign also featured an attack on Hoover’s spending (ironically, he would spend even more during his term).
 2. The Democrats found expression in the airy tune “Happy Days Are Here Again,” and clearly, the Democrats had the advantage in this race.
- III. The Humiliation of Hoover in 1932
 1. Hoover had been swept into the presidential office in 1928, but in 1932, he was swept *out* with equal force, as he was defeated 472 to 59.
 2. Noteworthy was the transition of Blacks from the Republican to the Democratic Party.
 3. During the lame-duck period, Hoover tried to initiate some of Roosevelt’s plans but was met by stubbornness and resistance.
 4. Hooverites would later accuse FDR of letting the depression worsen so that he could emerge an even more shining savior.
- IV. FDR and the Three R’s: Relief, Recovery, and Reform
 1. On Inauguration Day, FDR asserted, “the only thing we have to fear is fear itself.”
 2. He called for a nationwide banking holiday to eliminate paranoid bank withdrawals, and then commenced on his Three R’s.
 3. The Democratic-controlled Congress was willing to do as FDR said, and the first 100 days of FDR’s administration were filled with more legislative activity than ever before.
 - i. Many of the New Deal Reforms had been adopted by European nations a decade before.
- V. Roosevelt Tackles Money and Banking
 1. The **Emergency Banking Relief Act** of 1933 as passed first.
 2. Then, Roosevelt settled down for the first of his thirty famous “**Fireside Chats.**”
 3. The “**Hundred Days Congress**” passed the **Glass-Steagall Banking Reform Act**, that provided the **Federal Deposit Insurance Corporation**, which insured individual deposits up to \$5000, thereby eliminating the epidemic of bank failure and restoring faith to banks.

4. FDR then took the nation off of the gold standard and achieved controlled inflation by ordering Congress to buy gold at increasingly higher prices.
 - i. In February 1934, he announced that the U.S. would pay foreign gold at a rate of one ounce of gold per very \$35 due.

VI. Creating Jobs for the Jobless

1. Roosevelt had no qualms about using federal money to assist the unemployed, so he created the **Civilian Conservation Corps (CCC)**, which provided employment in fresh-air government camps for about 3 million uniformed young men.
 - i. They reforested areas, became fire fighters, drained swamps, and controlled floods.
 - ii. However, critics accused FDR of militarizing the youths and acting as dictator
2. The **Federal Emergency Relief Act** looked for immediate relief rather than long-term alleviation, and its **Federal Emergency Relief Administration (FERA)** was headed by the zealous **Harry L. Hopkins**.
3. The **Agricultural Adjustment Act (AAA)** made available many millions of dollars to help farmers meet their mortgages.
4. The **Home Owners' Loan Corporation (HOLC)** refinanced mortgages on non-farm homes and bolted down the loyalties of middle class, Democratic homeowners.
5. The **Civil Works Administration (CWA)** was established late in 1933, and it was designed to provide purely temporary jobs during the winter emergency.
 - i. Many of its tasks were rather frivolous and were designed for the sole purpose of making jobs.
6. One FDR opponent was **Father Charles Coughlin**, a Catholic priest in Michigan who disliked the **New Deal** and voiced his opinions on radio.
7. Senator **Huey P. Long** of Louisiana was popular for his "**Share the Wealth**" program, where every family was to receive \$5000, allegedly from the rich.
 - i. His chief lieutenant was former clergyman **Gerald L. K. Smith**.
 - ii. He was later shot by a deranged medical doctor in 1935.
8. **Dr. Francis E. Townsend** of California attracted the trusting support of perhaps 5 million "senior citizens" with his fantastic plan of each senior receiving \$200 month, provided that all of it would be spent within the month.
9. Congress also authorized the **Works Progress Administration (WPA)** in 1935, which put \$11 million on thousands of public buildings, bridges, and hard-surfaced roads and gave 9 million people jobs in its eight year existence.
 - i. It also found part-time jobs for needy high school and college students and for actors, musicians, and writers.
 - ii. **John Steinbeck** counted dogs in his California county.

VII. A Helping Hand for Industry and Labor

1. The **National Recovery Administration (NRA)**, by far the most complicated of the programs, was designed to assist industry, labor, and the unemployed.
 - i. There were maximum hours of labor, minimum wages, and more rights for labor union members, including the right to choose their *own* representatives in bargaining.
 - ii. The Philadelphia Eagles were named after this act, which received much support and patriotism, but eventually, it was shot down by the Supreme Court.
 - a. Besides too much was expected of labor, industry, and the public.
2. The **Public Works Administration** also intended both for industrial recovery and for unemployment relief.

- i. Headed by Secretary of the Interior **Harold L. Ickes**, it aimed at long-range recovery by spending over \$4 billion on some 34,000 projects that included public buildings, highways, and parkways (i.e. the **Grand Coulee Dam** of the Columbia River).
 - 3. One of the Hundred Days Congress's earliest acts was to legalize light wine and beer with an alcoholic content of 3.2% or less and also levied a \$5 tax on every barrel manufactured.
 - i. Prohibition was officially repealed with the **21st Amendment**.
- VIII. Paying Farmers Not to Farm
 - 1. To help the farmers, which had been suffering ever since the end of World War I, Congress established the **Agricultural Adjustment Administration**, which paid farmers to reduce their crop acreage and would eliminate price-depressing surpluses.
 - i. However, it got off to a rocky start when it killed lots of pigs for not good reason, and paying farmers not to farm actually increased unemployment.
 - ii. The Supreme Court killed it in 1936.
 - 2. The New Deal Congress also passed the **Soil Conservation and Domestic Allotment Act** of 1936, which paid farmers to plant soil-conserving plants like soybeans or to let their land lie fallow.
 - 3. The **Second Agricultural Adjustment Act** of 1938 was a more comprehensive substitute that continued conservation payments but was accepted by the Supreme Court.
- IX. Dust Bowls and Black Blizzards
 - 1. After the drought of 1933, furious winds whipped up dust into the air, turning parts of Missouri, Texas, Kansas, Arkansas, and Oklahoma into the **Dust Bowl** and forcing many farmers to migrate west to California (ala *The Grapes of Wrath*).
 - i. The dust was very hazardous to the health and to living, creating further misery.
 - 2. The **Frazier-Lemke Farm Bankruptcy Act**, passed in 1934, made possible a suspension of mortgage foreclosure for five years, but it was voided in 1935 by the Supreme Court.
 - 3. In 1935, FDR set up the **Resettlement Administration**, charged with the task of removing near-farmless farmers to better land.
 - 4. **Commissioner of Indian Affairs John Collier** sought to reverse the forced-assimilation policies in place since the **Dawes Act** of 1887.
 - i. He promoted the **Indian Reorganization Act** of 1934 (the Indian "New Deal"), which encouraged tribes to preserve their culture and traditions.
 - ii. Not all Indians liked it; 77 tribes refused to organize under its provisions (200 did).
- X. Battling Bankers and Big Business
 - 1. The **Federal Securities Act** ("Truth in Securities Act") required promoters to transmit to the investor sworn information regarding the soundness of their stocks and bonds.
 - 2. The **Securities and Exchange Commission** was designed as a watchdog administrative agency, and stock markets henceforth were to operate more as trading marts than as casinos.
 - 3. In 1932, Chicagoan **Samuel Insull**'s multi-billion dollar financial empire had crashed, and such cases as his resulted in the **Public Utility Holding Company Act** of 1935.
- XI. The TVA Harnesses the Tennessee River
 - 1. The sprawling electric-power industry attracted the fire of New Deal reformers.
 - i. New Dealers accused it of gouging the public with excessive rates.
 - 2. Thus, the **Tennessee Valley Authority** (1933) sought to discover exactly how much money it took to produce electricity and then keep rates reasonable.
 - i. It constructed dams on the Tennessee River and helped the 2.5 million extremely poor citizens of the area improve their lives and their conditions.

- ii. Hydroelectric power of Tennessee would give rise to that of the West.
- XII. Housing Reform and Social Security
 1. To speed recovery and better homes, FDR set up the **Federal Housing Administration (FHA)** in 1934 to stimulate the building industry through small loans to householders.
 - i. It was one of the few “alphabetical” agencies to outlast the age of Roosevelt.
 2. Congress bolstered the program in 1937 by authorizing the **U.S. Housing Authority (USHA)**, designed to lend money to states or communities for low-cost construction.
 - i. This was the first time in American history that slum areas stopped growing.
 3. The **Social Security Act** of 1935 was the greatest victory for New Dealers, since it created pension and insurance for the old-aged, the blind, the physically handicapped, delinquent children, and other dependents by taxing employees and employers.
 - i. Republican attacked this bitterly.
- XIII. A New Deal for Unskilled Labor
 1. A rash of walkouts occurred in the summer of 1934, and after the NRA was axed, the **Wagner Act** (aka National Labor Relations Act) of 1935 took its place.
 - i. Under the encouragement of a highly sympathetic **National Labor Relations Board**, unskilled laborers began to organize themselves into effective unions, one of which was **John L. Lewis**, the boss of the **United Mine Workers** who also succeeded in forming the **Committee for Industrial Organization (CIO)** within the ranks of the AF of L in 1935.
 - ii. The CIO later left the AF of L and won a victory against General Motors.
- XIV. Roosevelt’s “Coddling” of Labor
 1. The CIO also won a victory against the **United States Steel Company**, but smaller steel companies struck back, resulting in such incidences as the **Memorial Day Massacre** of 1937 at the plant of the **Republic Steel Company of South Chicago** in which police fired upon workers, leaving scores killed or injured.
 2. In 1938, the **Fair Labor Standards Act** (Wages and Hours Bill) was passed, setting up minimum wage and maximum hours standards and forbidding children under the age of sixteen from working.
 3. Roosevelt enjoyed immense support from the labor unions.
 4. In 1938, the CIO broke completely with the AF of L and renamed itself the **Congress of Industrial Organizations** (the new CIO).
- XV. Landon Challenges “the Champ” in 1936
 1. The Republicans nominated Kansas Governor **Alfred M. Landon** to run against FDR.
 - i. Landon was weak on the radio and weaker in personal campaigning, and while he criticized FDR’s spending, he also favored enough of FDR’s New Deal to be ridiculed by the Democrats as an unsure idiot.
 2. In 1934, the **American Liberty League** had been formed by conservative Democrats and wealthy Republicans to fight “socialistic” New Deal schemes.
 3. Roosevelt won in a super huge landslide, getting 523 Electoral votes to Landon’s 8.
 4. FDR won primarily because he appealed to the “forgotten man,” whom he never forgot.
- XVI. Nine Old Men on the Supreme Bench
 1. The **20th Amendment** had cut the lame-duck period down to six weeks, so FDR began his second term on January 20, 1937, instead of on March 4.
 2. He controlled Congress, but the Supreme Court kept on blocking his programs, so he proposed a shocking plan that would add a member to the Supreme Court for every existing member over the age of 70, for a maximum possible total of 15 total members.
 - i. For once, Congress voted against him because it did not want to lose its power.
 3. Roosevelt was ripped for trying to be a dictator.

XVII. The Court Changes Course

1. FDR's "court-packing scheme" failed, but he did get some of the justices to start to vote his way, including **Owen J. Roberts**, formerly regarded as a conservative.
2. So, FDR did obtain his purpose of getting the Supreme Court to vote his way.
3. However, his failure of the court-packing scheme also showed how Americans still did not wish to tamper with the sacred justice system.

XVIII. The Twilight of the New Deal

1. During Roosevelt's first term, the depression did not disappear, and unemployment, down from 25%, was still at 15%.
 - i. In 1937, the economy took another (brief) downturn when the "Roosevelt recession," caused by government policies, occurred.
 - ii. Finally, FDR embraced the policies of British economist **John Maynard Keynes**.
2. In 1937, he announced a bold program to stimulate the economy by planned deficit spending.
3. In 1939, Congress relented to FDR's pressure and passed the **Reorganization Act**, which gave him limited powers for administrative reforms, including the key new **Executive Office in the White House**.
4. The **Hatch Act** of 1939 barred federal administrative officials, except the highest policy-making officers from active political campaigning and soliciting.

XIX. New Deal or Raw Deal?

1. Foes of the New Deal condemned its waste, citing that nothing had been accomplished.
2. Critics were shocked by the "try anything" attitude of FDR, who had increased the federal debt from \$19.487 million in 1932 to \$40.440 million in 1939.
3. It took **World War II**, though, to really lower unemployment, but the war also created a heavier debt than before.

XX. FDR's Balance Sheet

1. New Dealers claimed that the New Deal had alleviated the worst of the Great Depression.
2. FDR also deflected popular resentments against business and may have saved the American system of free enterprise, yet business tycoons hated him.
3. He provided bold reform without revolution.
4. Later, he would guide the nation through a titanic war in which the democracy of the world would be at stake.