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THE GREAT DEPRESSION AND THE NEW DEAL, 1929–1939

CHAPTER OUTLINE

- Causes of the Great Depression • Hoover: The Fall of a Self-Made Man
- A Culture in Crisis • The Democratic Roosevelt • The First New Deal, 1933–1935 • Political Mobilization, Political Unrest, 1934–1935 • The Second New Deal, 1935–1937 • America's Minorities and the New Deal
- The New Deal Abroad • Stalemate, 1937–1940

THE GREAT DEPRESSION began on October 29, 1929 (Black Tuesday), with a spectacular stock market crash. On that one day, stock values plummeted \$14 billion. By the end of that year, stock prices had fallen 50 percent from their September highs. By 1932, the worst year of the depression, they had fallen another 30 percent. In three years, \$74 billion of wealth had simply vanished. Meanwhile, the unemployment rate had soared to 25 percent.

Many Americans who lived through the Great Depression could never forget the scenes of misery they saw everywhere. In cities, the poor meekly awaited their turn for a piece of stale bread and thin gruel at ill-funded soup kitchens. Scavengers poked through garbage cans for food, scoured railroad tracks for coal that had fallen from trains, and sometimes ripped up railroad ties for fuel. Hundreds of thousands of Americans built makeshift shelters out of cardboard, scrap metal, and whatever else they could find in the city dump. They called their towns “Hooverilles,” after the president they despised for his apparent refusal to help them.

The Great Depression brought cultural crisis as well as economic crisis. In the 1920s, American business leaders had successfully redefined the national culture in business terms, as Americans' values became synonymous with the values of business: economic growth, freedom of enterprise, and acquisitiveness. But the swagger of American businessmen during the 1920s made them vulnerable to attack in the 1930s, as jobs, incomes, and growth all disappeared. With the prestige of business and business values in decline, how could Americans regain their hope and recover their confidence in the future? The first years of the 1930s held no convincing answers.

CHRONOLOGY

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| 1929 | Herbert Hoover assumes the presidency ♦ Stock market crashes on “Black Tuesday” |
| 1930 | Tariff Act (Hawley-Smoot) raises tariffs |
| 1931 | More than 2,000 U.S. banks fail |
| 1932 | Unemployment rate reaches 25 percent ♦ Reconstruction Finance Corporation established ♦ Bonus Army marches on Washington ♦ Roosevelt defeats Hoover for presidency |
| 1933 | Roosevelt assumes presidency ♦ Hundred Days legislation defines First New Deal (March–June) ♦ Roosevelt administration recognizes the Soviet Union ♦ Good Neighbor Policy toward Latin America launched |
| 1934 | Father Charles Coughlin and Huey Long challenge conservatism of First New Deal ♦ 2,000 strikes staged across country ♦ Democrats overwhelm Republicans in off-year election ♦ Radical political movements emerge in several states ♦ Indian Reorganization Act grants limited right of self-government to American Indians ♦ Reciprocal Trade Agreement lowers tariffs |
| 1935 | Committee for Industrial Organization (CIO) formed ♦ Supreme Court declares National Recovery Administration (NRA) unconstitutional ♦ Roosevelt unveils his Second New Deal ♦ Congress passes Social Security Act and National Labor Relations Act (Wagner Act) ♦ Holding Company Act breaks up utilities’ near-monopoly ♦ Congress passes Wealth Tax Act ♦ Emergency Relief Administration Act passed, funds Works Progress Administration ♦ Rural Electrification Administration established ♦ Number of Mexican immigrants returning to Mexico reaches 500,000 |
| 1936 | Roosevelt defeats Alf Landon for second term ♦ Supreme Court declares Agricultural Adjustment Act (AAA) unconstitutional ♦ Congress passes Soil Conservation and Domestic Allotment Act to replace AAA ♦ Farm Security Administration established |
| 1937 | United Auto Workers defeats General Motors in sit-down strike ♦ Roosevelt attempts to “pack” the Supreme Court ♦ Supreme Court upholds constitutionality of Social Security and National Labor Relations acts ♦ Severe recession hits |
| 1938 | Conservative opponents of New Deal do well in off-year election ♦ Superman comic debuts |
| 1939 | 75,000 gather to hear Marian Anderson sing at Lincoln Memorial |

The gloom broke in early 1933 when Franklin Delano Roosevelt became president and unleashed the power of government to regulate capitalist enterprises, to restore the economy to health, and to guarantee the social welfare of Americans who were unable to help themselves. Roosevelt called his pro-government program a “new deal for the American people,” and it would dominate national politics for the next 40 years. Hailed as a hero, Roosevelt became (and remains) the only

president to serve more than two terms. In the short term, the New Deal failed to restore prosperity to America, but the **liberalism** it championed found acceptance among millions, who agreed with Roosevelt that only a large and powerful government could guarantee Americans their liberty.

CAUSES OF THE GREAT DEPRESSION

America had experienced other depressions, or “panics,” and no one would have been surprised if the boom of the 1920s had been followed by a one- or two-year economic downturn. No one was prepared, however, for the economic catastrophe of the 1930s.

Stock Market Speculation

In 1928 and 1929, the New York Stock Exchange had undergone a remarkable run-up in prices. In less than two years, the Dow Jones Industrial Average had doubled. Money had poured into the market, but many investors were buying on 10 percent “margin,” putting up only 10 percent of the price of a stock and borrowing the rest from brokers or banks. Few thought they would ever have to repay these loans with money out of their own pockets. Instead, investors expected to resell their shares within a few months at dramatically higher prices, pay back their loans from the proceeds, and still clear a handsome profit. And, for a while, that is exactly what they did.

The possibility of making a fortune by investing a few thousand dollars only intensified investors’ greed. As speculation became rampant, money flowed indiscriminately into all kinds of risky enterprises. The stock market spiraled upward, out of control. When, in October 1929, confidence in future earnings faltered, creditors began demanding that investors who had bought stocks on margin repay their loans. The market crashed from its dizzying heights.

Still, the crash by itself fails to explain why the Great Depression lasted as long as it did. Poor decision making by the Federal Reserve Board, an ill-advised tariff that took effect soon after the depression hit, and a lopsided concentration of wealth in the hands of the rich deepened the economic collapse and made recovery more difficult.

Mistakes by the Federal Reserve Board

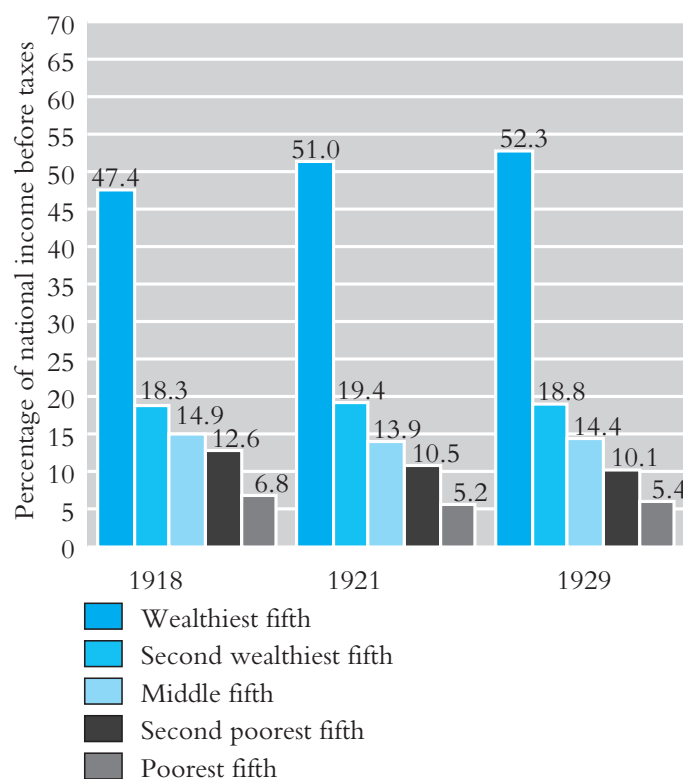
In 1930 and 1931, the Federal Reserve curtailed the amount of money in circulation and raised interest rates, thereby making credit more difficult for the public to secure. Although employing a tight money policy during the boom years of 1928 and 1929 might have restrained the stock market and strengthened the economy, it was disastrous once the market had crashed. What the economy needed in 1930 and 1931 was an expanded money supply, lower interest rates, and easier credit. Such a course would have made it easier for debtors to pay their creditors. Instead, by choosing the opposite course, the Federal Reserve plunged an economy starved for credit deeper into depression. Higher interest rates also triggered an international crisis, as the banks of Germany and Austria, heavily dependent on U.S. loans, went bankrupt. The German-Austrian collapse, in turn, spread financial panic through Europe and hurt U.S. manufacturers and banks specializing in European trade and investment.

An Ill-Advised Tariff

The Tariff Act of 1930, also known as the Hawley-Smoot Tariff Act, accelerated economic decline abroad and at home. Throughout the 1920s, agricultural interests had sought higher tariffs to protect American farmers against foreign competition. But Hawley-Smoot not only raised tariffs on 75 agricultural goods from 32 to 40 percent (the highest rate in American history), it also raised tariffs by a similar percentage on 925 manufactured products. Industrialists had convinced their supporters in the Republican-controlled Congress that such protection would give American industry much-needed assistance. The legislation was a disaster. Angry foreign governments retaliated by raising their own tariff rates to keep out American goods. International trade, already weakened by the tight credit policies of the Federal Reserve, declined even further.

A Maldistribution of Wealth

A maldistribution in the nation's wealth that had developed in the 1920s also stymied economic recovery. Although average income rose in the 1920s, the incomes of the wealthiest families rose higher than the rest. Between 1918 and 1929, the share of the national income that went to the wealthiest 20 percent of the population rose by more than 10 percent, while the share that went to the poorest 60 percent fell by almost 13 percent. The Coolidge administration contributed to this maldistribution by lowering taxes on the wealthy, thereby allowing a higher proportion of



Income Distribution Before the Great Depression

Source: From Gabriel Kolko, *Wealth and Power in America: An Analysis of Social Class and Income Distribution* (New York: Praeger, 1962), p. 14.

national wealth to remain in their hands. The deepening inequality of income distribution slowed consumption and held back the growth of consumer-oriented industries (cars, household appliances, processed and packaged foods, recreation), the most dynamic elements of the U.S. economy. Even when the rich spent their money lavishly—building huge mansions, buying expensive cars, vacationing on the French Riviera—they still spent a smaller proportion of their total incomes on consumption than wage earners did. The average 1920s wage earner, for example, might spend one-quarter to one-half of his annual earnings to buy a car.

Putting more of the total increase in national income into the pockets of average Americans during the 1920s would have steadied the demand for consumer goods and strengthened the newer consumer industries. Such an economy might have recovered relatively quickly from the stock market crash of 1929. Instead, recovery from the Great Depression lagged until 1941, more than a decade later.

HOOVER: THE FALL OF A SELF-MADE MAN

In 1928, Herbert Hoover seemed to embody the American dream. From modest beginnings, Hoover had parlayed his intelligence and drive into gaining admission to Stanford University, becoming a mining engineer, and then rising rapidly to top management positions in globe-spanning mining companies. A talented and tireless administrator, Hoover won an international reputation in the First World War for his success, as head of the U.S. Food Administration, in feeding millions of European soldiers and civilians. Then, in the 1920s, he became an active and influential secretary of commerce (see Chapters 23 and 24). As the decade wound down, no American seemed better qualified to become president of the United States, an office that Hoover assumed in March 1929. Hoover was certain he could make prosperity a permanent feature of American life. “We in America today are nearer to the final triumph over poverty than ever before in the history of any land,” he declared in August 1928. A little more than a year later, the Great Depression struck.

Hoover's Program

To cope with the crisis, Hoover first turned to the associational principles he had followed as secretary of commerce (see Chapter 24). He encouraged organizations of farmers, industrialists, and bankers to share information, bolster one another's spirits, and devise policies to aid economic recovery. He urged farmers to restrict output, industrialists to hold wages at pre-depression levels, and bankers to help each other remain solvent. The federal government would provide them with information, strategies of mutual aid, occasional loans, and morale-boosting speeches.

Hoover also secured a one-year moratorium on loan payments that European governments owed American banks. He steered through Congress the Glass-Steagall Act of 1932, which was intended to help American banks meet the demands of European depositors who wished to convert their dollars to gold. And to ease the crisis at home, he began to expand the government's economic role. The Reconstruction Finance Corporation (RFC), created in 1932, made \$2 billion available in loans to ailing banks and to corporations willing to build low-cost housing, bridges, and other public works. The RFC was the biggest federal peacetime intervention in the

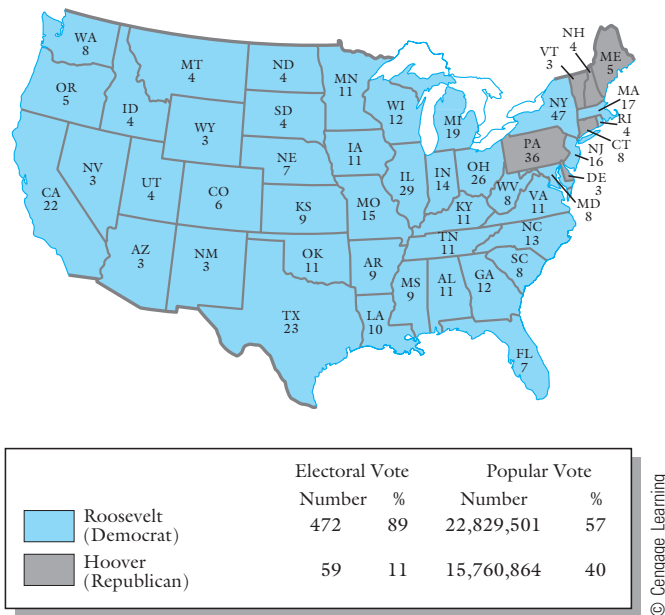
economy up to that point in American history. The Home Loan Bank Board, set up that same year, offered funds to savings and loans, mortgage companies, and other financial institutions that lent money for home construction and mortgages.

Despite this new government activism, Hoover was uncomfortable with the idea that the government should be responsible for restoring the nation's economic welfare. When RFC expenditures, in 1932, created the largest peacetime deficit in U.S. history, Hoover tried to balance the federal budget. He also insisted that the RFC issue loans only to relatively healthy institutions that were capable of repaying them and that it favor public works, such as toll bridges, that were likely to become self-financing. As a result of these constraints, the RFC spent considerably less than Congress had authorized. Hoover was especially reluctant to engage the government in providing relief to unemployed and homeless Americans. To give money to the poor, he insisted, would destroy their desire to work and undermine their sense of self-worth.

Hoover saw no similar peril in extending government assistance to ailing banks and businesses. Critics pointed to the seeming hypocrisy of Hoover's policies. For example, in 1930, Hoover refused a request of \$25 million to help feed Arkansas farmers and their families but approved \$45 million to feed the same farmers' livestock. In 1932, shortly after rejecting an urgent request from the city of Chicago for aid to help pay its teachers and municipal workers, Hoover approved a \$90 million loan to rescue that city's Central Republic Bank.

The Bonus Army In spring 1932, a group of army veterans mounted a particularly emotional challenge to Hoover's policies. In 1924, Congress had authorized a \$1,000 bonus for First World War veterans in the form of compensation certificates that would mature in 1945. Now the veterans were demanding that the government pay the bonus immediately. A group of Portland, Oregon, veterans, calling themselves the Bonus Expeditionary Force, hopped onto empty boxcars of freight trains heading east, determined to stage a march on Washington. As this "army" moved eastward, its ranks multiplied, so that by the time it reached Washington its numbers had swelled to 20,000, including wives and children. The so-called **Bonus Army** set up camp in the Anacostia Flats, southeast of the Capitol, and petitioned Congress for early payment of the promised bonus. The House of Representatives agreed, but the Senate turned them down. Hoover refused to meet with the veterans. In July, federal troops led by Army Chief of Staff Douglas MacArthur and 3rd Cavalry Commander George Patton entered the veterans' Anacostia encampment, set the tents and shacks ablaze, and dispersed the protestors. In the process, more than 100 veterans were wounded and one infant died.

News that veterans and their families had been attacked in the nation's capital served only to harden anti-Hoover opinion. In the 1932 elections, the Republicans were voted out of office after having dominated national politics (excepting Woodrow Wilson's two terms) for 36 years. Hoover received only 39.6 percent of the popular vote and just 59 (of 531) electoral votes. He left the presidency in 1933 a bewildered man, reviled by Americans for his seeming indifference to suffering and his ineptitude in dealing with the economy's collapse.



MAP 25.1 Presidential Election, 1932

The trauma of the Great Depression can be gauged by the shifting fortunes of President Herbert Hoover. In 1928, he had won 444 electoral votes and carried all but eight states (see Map 24.2). In 1932, by contrast, he won only 59 electoral votes and carried only seven states. His Democratic opponent, Franklin D. Roosevelt, was the big winner.

A CULTURE IN CRISIS

The economic crisis of the early 1930s expressed itself not just in politics but also in culture, especially in the literature and cinema of the time. Many writers who, in the 1920s, had castigated ordinary Americans for their small-mindedness and crass materialism now traveled among them, seeking signs of social renewal. But writers found mostly economic misery and spiritual depression. Edmund Wilson, a literary critic, traveled the country in 1930 and 1931 and wrote numerous essays about how Americans had lost their way and knew not where to turn. When he reached San Diego, he got hold of the city's coroner reports on the numerous individuals who, in desperation, had taken their own lives. Wilson had believed that this lovely outpost of the American frontier sitting astride the great and beckoning Pacific would be a place where the American dream still thrived. But here, too, failure suffused life and snuffed out hope.

A sense of aimlessness and hopelessness characterized one of the major literary works of the early 1930s, the Studs Lonigan trilogy (1932–35) written by the Chicago-born writer James T. Farrell. In another decade, one easily imagines that Farrell might have cast his scrappy Irish-American protagonist, Studs, as an American hero whose pluck and guile enable him to achieve wealth, success, and influence. But Studs lacks focus and is too easily overcome by the harshness of his environment. He dies poor and alone, not yet 30. Meanwhile, the popular writer Nathaniel West was publishing *Miss Lonelyhearts* (1933) and *A Cool Million* (1934), novels similarly built around central characters succumbing to failure, drift, even insanity.

One can detect parallel themes of despair in the period's cinema, especially in such movies as *I Am a Fugitive from a Chain Gang* (1932), in which an industrious and honorable man, James Allen, returns from Europe a war hero, only to sink into vagabondage. Caught by the police when he becomes an innocent accessory to a crime, Allen is sentenced to 10 years on a Georgia chain gang. Unable to tolerate the hardship and injustice of his punishment, Allen escapes from jail. But he is condemned to being a man on the run, unable to prove his innocence, earn a decent living, or build enduring relationships. This powerful, bleak film won an Academy Award for Best Picture.

Less grim but still sobering were the gangster movies of the early 1930s, especially *Little Caesar* (1930) and *The Public Enemy* (1931), which told stories of hard-nosed, crooked, violent men who became wealthy and influential by living outside the law and bending the people around them to their will. Moviegoers were gripped by the intensity, suspense, and violence of gangster-police confrontations in these films, but they were also drawn to the gangsters, modern-day outlaws who demonstrated how tough it was to succeed in America and how it might be necessary to break the rules.

Lawlessness also surfaced in the wild comedy of Groucho, Chico, Harpo, and Zeppo Marx, vaudevillians who, in the 1920s and 1930s, made the transition to the silver screen. The Marx Brothers ridiculed figures of authority, broke every rule of etiquette, smacked around their antagonists (and each other), and deliberately and delightfully mangled the English language. Anarchy ruled their world. The Marx Brothers offered moviegoers a 90-minute escape from the harsh realities of their daily lives. Some Marx Brothers movies carried a more serious political message. *Duck Soup* (1933) is a withering political satire set in the fictional nation of Fredonia. Fredonia's leaders are pompous and small-minded, its legal system is a fraud, and its clueless citizens are easily misled. At the movie's end, Fredonians are called to arms through spectacularly ludicrous song and dance scenes, and then led off to fight a meaningless but deadly war. While hilarious to watch, *Duck Soup* also delivers the dispiriting message that people cannot hope to better themselves through politics, for politics has been emptied of all meaning and honesty. This cinematic sentiment paralleled the conviction held by many Americans in 1932 and early 1933 that their own politicians had failed them in a time of need. In such ways did the political pessimism of the early 1930s seep into the era's culture.

THE DEMOCRATIC ROOSEVELT

Between 1933 and 1935, the mood of the country shifted sharply, and politics would, once again, generate hope rather than despair. This change was largely attributable to the personality and policies of Hoover's successor, **Franklin D. Roosevelt**, and to the social movements that emerged during his presidency.

An Early Life of Privilege

Roosevelt was born in 1882 into a patrician family descended, on his father's side, from Dutch gentry who in the 17th century had built large estates on the fertile land along the Hudson River. By the 1880s, the Hyde Park manor where Roosevelt grew up had been in the family for more than 200 years. His mother's family—the Delanos—traced its ancestry back to the *Mayflower*. Roosevelt's education at Groton, Harvard College, and Columbia Law School was typical of the path followed by the sons of America's elite.

The Roosevelt family was wealthy, although his parents' net worth of more than \$1 million was relatively small in comparison to the wealth of industrialists and railroad tycoons, many of whom commanded fortunes of \$50 million to \$100 million or more. This widening gap in wealth concerned families like the Roosevelts, who worried that the new industrial elite would dislodge them from their social position. Moreover, they took offense at the newcomers' allegedly vulgar displays of wealth, lack of taste and etiquette, indifference to the natural environment, and hostility toward those less fortunate than themselves. Theodore Roosevelt, an older cousin of Franklin Roosevelt, had called on the men of his class to set a better example by devoting themselves to public service and the public good.

Though young Franklin wanted to follow in his famous cousin's footsteps, it took a long time for him to show Teddy's seriousness of purpose. Franklin distinguished himself neither at school nor at law. Prior to the 1920s, he could point to few significant political achievements, and he owed much of his political ascent in the Democratic Party to his famous name. He was charming, gregarious, and fun loving, always eager to sail, party, and enjoy the company of women other than his wife, Eleanor. Then in 1921, at the age of 39, Roosevelt was both stricken and transformed by a devastating illness, polio, which paralyzed him from the waist down for the rest of his life.

During the two years Roosevelt spent bedridden, he seemed to acquire a new determination and focus. He developed a compassion for those suffering misfortune that would later enable him to reach out to the millions caught in the Great Depression. Roosevelt's physical debilitation also transformed his relationship with Eleanor, with whom he had shared a testy and increasingly loveless marriage. Eleanor's dedication to nursing Franklin back to health forged a new bond between them. More conscious of his dependence on others, he now welcomed her as a partner in his career. Eleanor soon displayed a talent for political organization and public speaking that surprised those who knew her only as a shy, awkward woman. She was an indispensable player in the revival of Franklin's political fortunes, which began in 1928 with his election to the governorship of New York state. Eleanor would also become an active, eloquent First Lady, her husband's trusted ally, and an architect of American liberalism.

Roosevelt Liberalism

As governor of New York for four years (1929–33), Roosevelt had initiated various reform programs, and his success made him the front-runner for the 1932 Democratic presidential nomination. Even so, he had little assurance that he would be the party's choice. Since 1924, the Democrats had been divided between southern and midwestern agrarians on the one hand and northeastern ethnics on the other. The agrarians favored government regulation—both of the nation's economy and of the private affairs of its citizens. Their support of government intervention in the pursuit of social justice marked them as economic progressives, while their advocacy of Prohibition revealed a cultural conservatism as well as a nativistic strain. By contrast, urban ethnics opposed Prohibition and other forms of government interference in the private lives of its citizens. Urban ethnics were divided over whether the government should regulate the economy, with former New York governor Al Smith increasingly committed to a laissez-faire policy, and Senator Robert Wagner of New York and others supporting more federal control.



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Connecting with Ordinary Americans. *In 1933, FDR began broadcasting “Fireside Chats,” frank and accessible radio addresses about the problems confronting the nation and how Americans might solve them. Millions listened to these chats in their homes, gathered around the radio as though it were a hearth.*

Roosevelt understood the need to carve out a middle ground. As governor of New York, and then as a presidential candidate in 1932, he surrounded himself with men and women who embraced a new reform movement called liberalism. Frances Perkins, Harry Hopkins, Raymond Moley, Rexford Tugwell, Adolph Berle, Samuel Rosenman—all were interventionist in economic matters and libertarian on questions of personal behavior. They shared with the agrarians and Wagner’s supporters a desire to regulate capitalism, but they agreed with Al Smith that the government had no business telling people how to live their lives. Although it seemed unlikely at first, Roosevelt did manage to unite the party behind him at the 1932 Democratic Party convention. In his acceptance speech, he declared: “Ours must be the party of liberal thought, of planned action, of enlightened international outlook, and of the greatest good for the greatest number of citizens.” He promised “a new deal for the American people.”

THE FIRST NEW DEAL, 1933–1935

By the time Roosevelt assumed office in March 1933, the economy lay in shambles. From 1929 to 1932, industrial production had fallen by 50 percent, while new investment had declined from \$16 billion to less than \$1 billion. In those

same years, more than 100,000 businesses went bankrupt. In early 1933, with the nation's banking system on the verge of collapse, 34 states had ordered all the banks in their jurisdictions to close their doors. No one seemed to be able to bring the unemployment rate under control. Some Americans feared that the opportunity for reform had already passed.

Not Roosevelt. “This nation asks for action, and action now,” Roosevelt declared in his inaugural address. Roosevelt was true to his word. In his first Hundred Days, from early March through early June 1933, Roosevelt persuaded Congress to pass 15 major pieces of legislation to help bankers, farmers, industrialists, workers, homeowners, the unemployed, and the hungry. He also prevailed on Congress to repeal Prohibition. Not all of the new laws helped relieve distress and promote recovery, but in the short term that seemed to matter little. Roosevelt had brought excitement and hope to the nation. He was confident, decisive, and defiantly cheery. “The only thing we have to fear is fear itself,” he declared.

Roosevelt used the radio to reach out to ordinary Americans. On the second Sunday after his inauguration, he launched a series of radio addresses known as “fireside chats,” speaking in a plain, friendly, and direct voice to the forlorn and discouraged. In his first chat, he explained the banking crisis in simple terms but without condescension. “I want to take a few minutes to talk with the people of the United States about banking,” he began. An estimated 20 million Americans listened.

To hear the president speaking warmly and conversationally—as though he were actually there in the room—was riveting. An estimated 500,000 Americans wrote letters to Roosevelt within days of his inaugural address. Millions more would write to him and to **Eleanor Roosevelt** over the next few years. Many of the letters were simply addressed to “Mr. or Mrs. Roosevelt, Washington, D.C.” Democrats began to hang portraits of Franklin Roosevelt in their homes, often next to a picture of Jesus or the Madonna.

Roosevelt skillfully crafted his public image. Compliant news photographers agreed not to show him in a wheelchair or struggling with the leg braces and cane he used to take even small steps. His political rhetoric sometimes promised more than he was prepared to deliver in actual legislation. Yet the bond that he developed with average Americans was strong, becoming a political force in its own right.

Saving the Banks

Roosevelt's first order of business was to save the nation's financial system. By inauguration day, many of the nation's banks had shut their doors. Roosevelt immediately ordered all the nation's banks closed—a bold move he brazenly called a “bank holiday.” At his request, Congress rushed through the Emergency Banking Act, which made federal loans available to private bankers, and the Economy Act, which committed the government to balancing the budget. Both were fiscally conservative programs that Hoover had proposed.

After the financial crisis eased, Roosevelt turned to the structural reform of banking. A second Glass-Steagall Act (1933) separated commercial banking from investment banking. It also created the Federal Deposit Insurance Corporation (FDIC), which assured depositors that the government would protect up to \$5,000 of their savings. The Securities Act (1933) and the Securities Exchange Act (1934) imposed long-overdue regulation on the New York Stock Exchange, both by

LEGISLATION ENACTED DURING THE “HUNDRED DAYS,” MARCH 9–JUNE 16, 1933

Date	Legislation	Purpose
March 9	Emergency Banking Act	Provide federal loans to private bankers
March 20	Economy Act	Balance the federal budget
March 22	Beer-Wine Revenue Act	Repeal Prohibition
March 31	Unemployment Relief Act	Create the Civilian Conservation Corps
May 12	Agricultural Adjustment Act	Establish a national agricultural policy
May 12	Emergency Farm Mortgage Act	Provide refinancing of farm mortgages
May 12	Federal Emergency Relief Act	Establish a national relief system, including the Civil Works Administration
May 18	Tennessee Valley Authority Act	Promote economic development of the Tennessee Valley
May 27	Securities Act	Regulate the purchase and sale of new securities
June 5	Gold Repeal Joint Resolution	Cancel the gold clause in public and private contracts
June 13	Home Owners Loan Act	Provide refinancing of home mortgages
June 16	National Industrial Recovery Act	Set up a national system of industrial self-government and establish the Public Works Administration
June 16	Glass-Steagall Banking Act	Create Federal Deposit Insurance Corporation; separate commercial and investment banking
June 16	Farm Credit Act	Reorganize agricultural credit programs
June 16	Railroad Coordination Act	Appoint federal coordinator of transportation

Source: Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), pp. 20–21.

reining in buying on the margin and by establishing the Securities and Exchange Commission (SEC) to enforce federal law.

Economic Relief Roosevelt understood the need to temper financial prudence with compassion. Congress responded swiftly in 1933 to Roosevelt’s request to establish the Federal Emergency Relief Administration

(FERA), granting it \$500 million for relief to the poor. To head FERA, Roosevelt appointed a brash young reformer, Harry Hopkins, who disbursed \$2 million during his first two hours on the job. Roosevelt next won congressional approval for the Civilian Conservation Corps (CCC), which assembled more than 2 million single young men to plant trees, halt erosion, and otherwise improve the environment. The following winter, Roosevelt launched the Civil Works Administration (CWA), an ambitious work-relief program, also under Harry Hopkins's direction, which hired 4 million unemployed people at \$15 per week and put them to work on 400,000 small-scale government projects. For middle-class Americans threatened with the loss of their homes, Roosevelt won Congressional approval for the Homeowners' Loan Corporation (1933) to refinance mortgages. These direct subsidies to millions of jobless and home-owning Americans lent credibility to Roosevelt's claim that the New Deal would set the country on a new course.

Agricultural Reform

In 1933, Roosevelt expected economic recovery to come not from relief, but through agricultural and industrial cooperation. He regarded the Agricultural Adjustment Act, passed in May, and the National Industrial Recovery Act (NIRA), passed in June, as the most important legislation of his Hundred Days. Both were based on the idea that curtailing production would trigger economic recovery. By shrinking the supply of agricultural and manufactured goods, Roosevelt's economists reasoned, they could restore the balance of normal market forces. As demand for scarce goods exceeded supply, prices would rise and revenues would climb. Farmers and industrialists, earning a profit once again, would increase their investment in new technology and hire more workers, and prosperity and full employment would be the final result.

To curtail farm production, the **Agricultural Adjustment Administration (AAA)**, which was set up by the Agricultural Adjustment Act, began paying farmers to keep a portion of their land out of cultivation and to reduce the size of their herds. The program was controversial. Many farmers were skeptical of a government offer to pay more money for working less land and husbanding fewer livestock, but few refused to accept payments. As one young Kansas farmer reported:

There were mouthy individuals who seized every opportunity to run down the entire program ... condemning it as useless, crooked, revolutionary, or dictatorial; but ... when the first AAA payments were made available, shortly before Christmas, these same wordy critics made a beeline for the courthouse. They jostled and fell over each other in their mad scramble to be the first in line to receive allotment money.

The AAA had made no provision, however, for the tenant farmers and farm laborers who would be thrown out of work by the reduction in acreage. In the South, the victims were disproportionately black. A Georgia sharecropper wrote Harry Hopkins of his misery: "I have Bin farming all my life But the man I live with Has Turned me loose taking my mule [and] all my feed. ... I can't get a Job so Some one said Rite you." New Dealers within the Department of Agriculture, such as Rexford Tugwell and Jerome Frank, were sympathetic to the plight of sharecroppers, but they failed during the First New Deal to extend to them the government's helping hand.

Searching for a Better Life.

Scenes like this one were common in the 1930s as farm families in Oklahoma and Texas who had lost their land began heading to California. Here a family's entire belongings are packed onto a truck, and the mother tends to her baby on an isolated road. The woman's fur collar suggests that this family had once known better times.

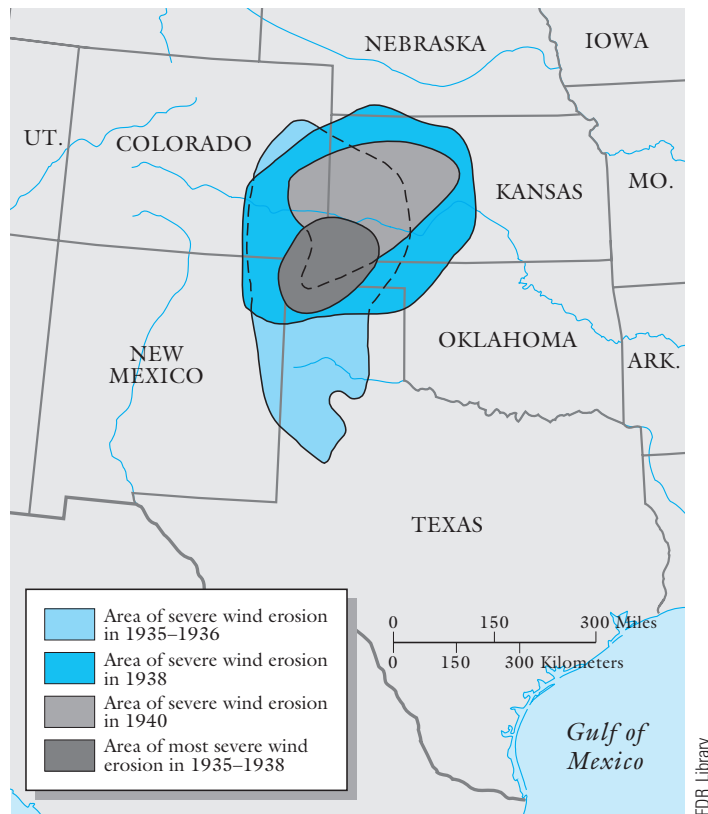


FDR Library

The programs of the AAA also proved inadequate to Great Plains farmers, whose economic problems had been compounded by ecological crisis. Just as the depression rolled in, the rain stopped falling on the plains, and the land, stripped of its native grasses by decades of excessive plowing, dried up and turned to dust. And then the dust began to blow, sometimes traveling 1,000 miles across open prairie. Dust became a fixed feature of daily life on the plains (which soon became known as the Dust Bowl), covering furniture, floors, and stoves, and penetrating people's hair and lungs. The worst dust storm occurred on April 14, 1935, when a great mass of dust, moving at speeds of 45 to 70 miles per hour, roared through Colorado, Kansas, and Oklahoma, blackening the sky, suffocating cattle, and dumping thousands of tons of topsoil and red clay on homes and streets.

The government responded to this calamity by establishing the Soil Conservation Service (SCS) in 1935. Recognizing that the soil problems of the Great Plains could not be solved simply by taking land out of production, SCS experts urged plains farmers to plant soil-conserving grasses and legumes in place of wheat. They taught farmers how to plow along contour lines and how to build terraces—techniques that had been proven effective in slowing the runoff of rainwater and improving its absorption into the soil. Plains farmers were open to these suggestions, especially when the government offered to subsidize those willing to implement them. Bolstered by the new assistance, plains agriculture began to recover.

Still, the government offered little assistance to the rural poor—the tenant farmers and sharecroppers. Nearly 1 million had left their homes by 1935, and another 2.5 million would leave after 1935. Most headed west, piling their belongings onto their jalopies, snaking along Route 66 until they reached California. They became known as Okies, because many, although not all, had come from Oklahoma.



MAP 25.2 Dust Bowl, 1935–1940

This map shows the areas in six states—Texas, New Mexico, Oklahoma, Colorado, Kansas, and a bit of Nebraska—claimed by the Dust Bowl between 1935 and 1940. The dark gray color shows the area where the winds caused the worst damage.

Their dispossession and forced migration disturbed many Americans, for whom the plight of these once-sturdy yeomen became a symbol of how much had gone wrong with the American dream.

In 1936, the Supreme Court ruled that AAA-mandated limits on farm production constituted an illegal restraint of trade. Congress responded by passing the Soil Conservation and Domestic Allotment Act, which justified the removal of land from cultivation for reasons of conservation rather than economics. This new act also called on landowners to share their government subsidies with sharecroppers and tenant farmers, although many landowners managed to evade this requirement.

The use of subsidies, begun by the AAA, did eventually bring stability and prosperity to agriculture, but at high cost. Agriculture became the most heavily subsidized sector of the U.S. economy, and the Department of Agriculture grew into one of the government's largest bureaucracies. The rural poor, black and white, never received a fair share of federal benefits. Beginning in the 1930s, and continuing in the 1940s and 1950s, they would be forced off the land and into the cities of the North and West.

Industrial Reform

American industry was so vast that Roosevelt's administration never contemplated paying individual manufacturers direct subsidies to reduce, or even halt, production. Instead,

the government decided to limit production through persuasion and association—techniques that Hoover had also favored. The first task of the **National Recovery Administration (NRA)**, authorized under the National Industrial Recovery Act, was to persuade industrialists and businessmen to agree to raise employee wages to a minimum of 30 to 40 cents per hour and to limit employee hours to a maximum of 30 to 40 hours per week. The limitation on hours was meant to reduce the quantity of goods that any factory or business could produce.

The NRA undertook a high-powered publicity campaign, distributing pamphlets and pins throughout the country, promoting its goals on the radio, and urging employers to place a “blue eagle”—the logo of the NRA—on storefronts, at factory entrances, and on company stationery. Blue eagles began sprouting everywhere, usually accompanied by the slogan “We Do Our Part.”

The NRA also brought together the largest producers in every sector of manufacturing and asked each group (or conference) to limit production and to develop a code of fair competition to govern prices, wages, and hours in their industry.

In summer and fall 1933, the NRA codes drawn up for steel, textiles, coal mining, rubber, garment manufacture, and other industries seemed to be working. The economy improved, and hard times seemed to be easing. But in winter and spring 1934, economic indicators plunged downward once again, and manufacturers began to evade the code provisions. By fall 1934, it was clear that the NRA had failed. When the Supreme Court declared the NRA codes unconstitutional in May 1935, the Roosevelt administration allowed the agency to die.

Rebuilding the Nation's Infrastructure

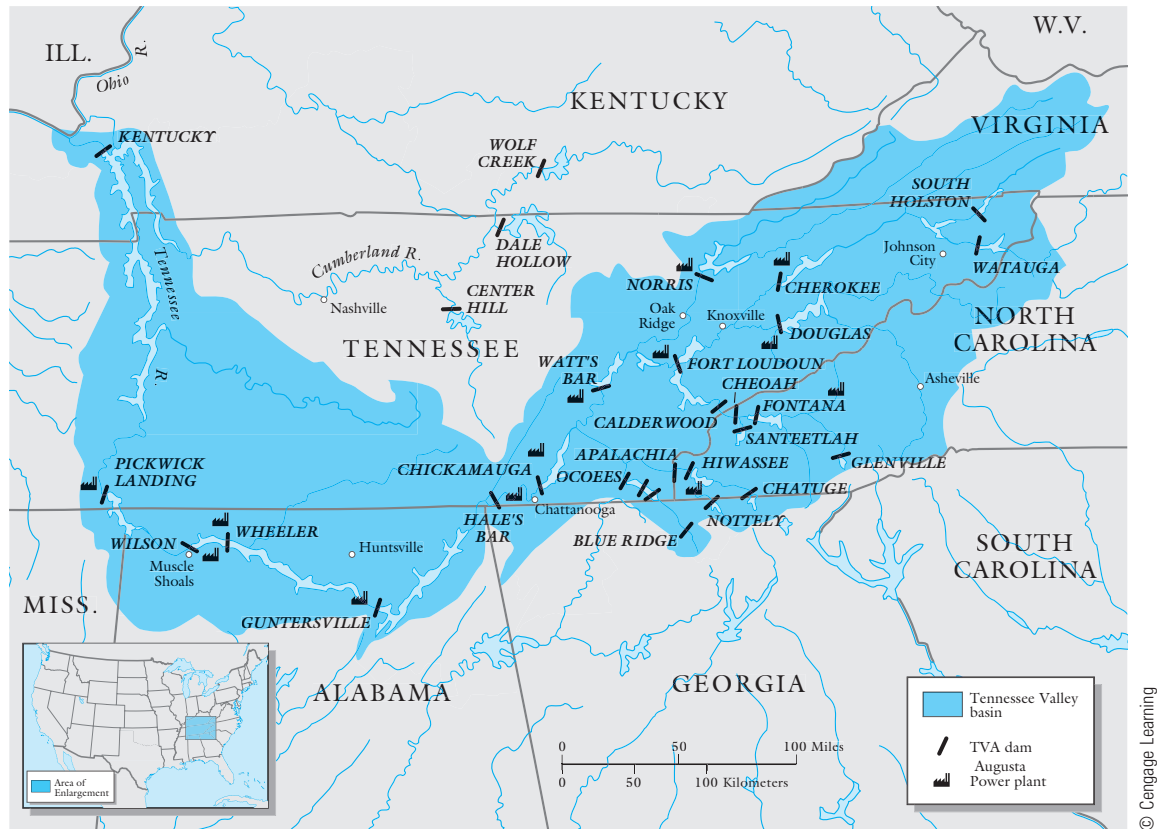
In addition to establishing the NRA, the National Industrial Recovery Act launched the Public Works Administration (PWA) to strengthen the nation's infrastructure of roads, bridges, sewage systems, hospitals, airports, and schools.

The labor needed for these construction projects would shrink relief rolls and reduce unemployment, but the projects could be justified in terms that conservatives approved: economic investment rather than short-term relief.

The PWA authorized the building of three major dams in the West—Boulder, Grand Coulee, and Bonneville—that opened up large stretches of Arizona, California, and Washington to industrial and agricultural development. It funded the construction of the Triborough Bridge in New York City and the 100-mile causeway linking Florida to Key West. It also appropriated money for the construction of thousands of new schools.

The TVA Alternative

One piece of legislation passed during Roosevelt's First New Deal specified a strategy for economic recovery significantly different from the one promoted by the NIRA. The Tennessee Valley Authority Act (1933) called for the government—rather than private corporations—to promote economic development throughout the Tennessee Valley, a vast river basin winding through parts of Kentucky, Tennessee, Mississippi, Alabama, Georgia, and North Carolina. The act created the **Tennessee Valley Authority (TVA)** to control flooding on the Tennessee River, harness its water power to generate electricity, develop local industry (such as fertilizer production),



MAP 25.3 Tennessee Valley Authority

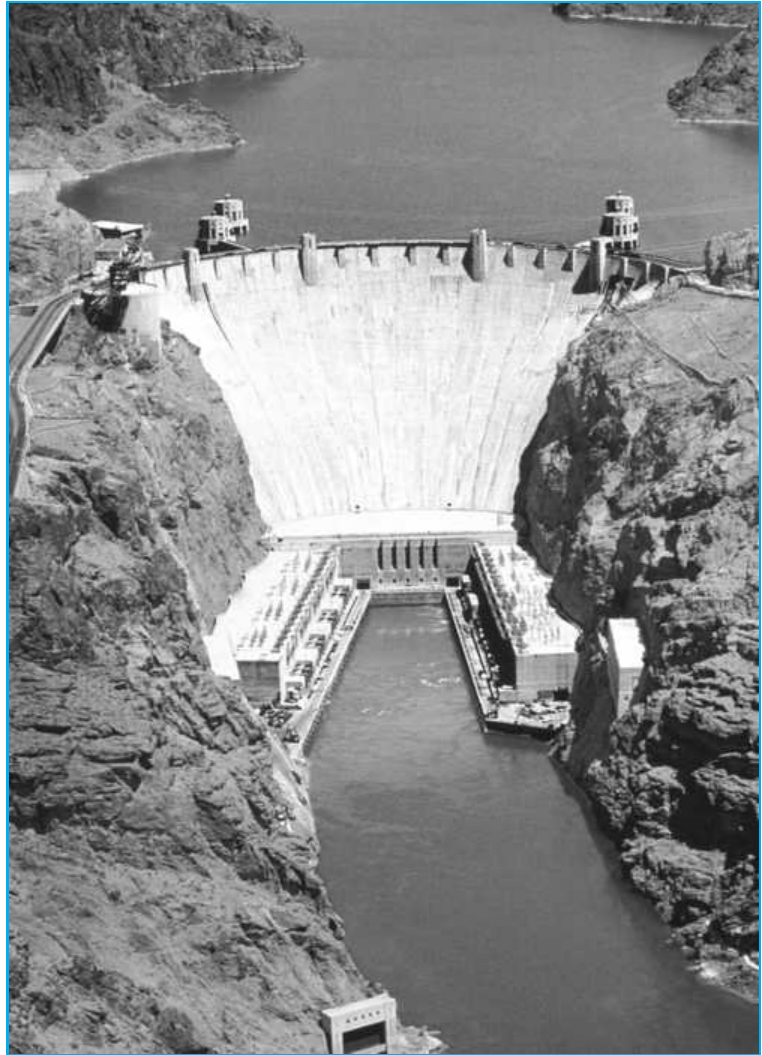
This map shows the vast scale of the TVA and pinpoints the locations of 29 dams and 13 power plants that emerged from this project.

improve river navigability, and ease the poverty and isolation of the area's inhabitants. In some respects, the TVA's mandate resembled that of the PWA, but the TVA enjoyed even greater authority. The extent of its control over economic development reflected the influence of Rexford Tugwell and other New Dealers who were committed to a government-planned and government-operated economy. Although they rarely said so, these reformers were drawn to socialism.

The accomplishments of the TVA were many. It built, completed, or improved more than 20 dams, including the huge Wheeler Dam near Muscle Shoals in Alabama. At several of the dam sites, the TVA built hydroelectric generators and soon became the nation's largest producer of electricity. Its low electric rates compelled private utility companies to reduce their rates as well. The TVA also constructed waterways to bypass non-navigable stretches of the river, reduced the danger of flooding, and taught farmers how to prevent soil erosion and use fertilizers.

Although the TVA was one of the New Deal's most celebrated successes, it generated little support for more ambitious experiments in national planning. For the government to have assumed control of established industries and banks would have been quite a different matter from bringing prosperity to an impoverished region. Like Roosevelt, few members of Congress or the public favored the radical growth of governmental power that such programs would have entailed. Thus, the

Improving the Nation's Infrastructure. *The federal government built several major dams in the West to boost agricultural and industrial development. This is a photograph of the mammoth Boulder Dam (later renamed the Hoover Dam) on the Colorado River.*



© Lester Lefkowitz/CORBIS

thought of replacing the NRA with a nationwide TVA, for instance, made little headway. The New Deal never embraced the idea of the federal government as a substitute for private enterprise.

The New Deal and Western Development

As the TVA showed, New Deal programs could make an enormous difference to a particular region's welfare. Other regional beneficiaries of the New Deal included the New York City area, which prospered from the close links of local politicians to the Roosevelt administration. The region that benefited most from the New Deal, however, was the West. Between 1933 and 1939, per-capita payments for public works projects, welfare, and federal loans in the Rocky Mountain and Pacific Coast states outstripped those of any other region.

Dam building was central to this western focus. Western real estate and agricultural interests wanted to dam the West's major rivers to provide water and electricity for urban and agricultural development, but the costs were prohibitive, even to the largest capitalists, until the New Deal offered to defray the expenses with federal dollars. Western interests found a government ally in the Bureau of

Reclamation, a hitherto small federal agency (in existence since 1902) that became, under the New Deal, a prime dispenser of funds for dam construction, reservoir creation, and the provision of water to western cities and farms. Drawing on PWA monies, the bureau oversaw the building of the Boulder Dam (later renamed the Hoover Dam), which provided drinking water for southern California, irrigation water for California's Imperial Valley, and electricity for Los Angeles and southern Arizona. It also authorized the Central Valley Project and the All-American Canal to provide irrigation, drinking water, and electricity to central and southern California farmers and towns. The greatest construction project of all was the Grand Coulee Dam on the Columbia River in Washington, which created a lake 150 miles long. Together with the Bonneville Dam (also on the Columbia), the Grand Coulee gave the Pacific Northwest the cheapest electricity in the country and created a new potential for economic and population growth. Not surprisingly, these two dams also made Washington state the largest per capita recipient of New Deal aid.

These developments attracted less attention in the 1930s than the TVA because their benefits did not fully materialize until after the Second World War. Also, dam building in the West was not seen as a radical experiment in government planning and management. Unlike the TVA, the Bureau of Reclamation hired private contractors to do the work. Moreover, the benefits of these dams were intended to flow first to large agricultural and real estate interests, not to the poor; they were intended to aid private enterprise, rather than bypass it. In political terms, dam building in the West was more conservative than it was in the Tennessee Valley. Even so, this activity made the federal government a key architect of the modern American West.

POLITICAL MOBILIZATION, POLITICAL UNREST, 1934–1935

Although Roosevelt and the New Dealers dismantled the NRA in 1935, they could not stop the political forces it had set in motion. Ordinary Americans now believed they could make a difference. If the New Dealers could not achieve economic recovery, then the people would find others who could.

Populist Critics of the New Deal

Some critics were disturbed by what they perceived as the conservative character of New Deal programs. Banking reforms, the AAA, and the NRA, they alleged, all seemed to favor large economic interests. Ordinary people had been ignored.

In the South and Midwest, millions listened regularly to the radio addresses of Louisiana Senator **Huey Long**, a former governor of that state and an accomplished orator. In attacks on New Deal programs, he alleged that “not a single thin dime of concentrated, bloated, pompous wealth, massed in the hands of a few people has been raked down to relieve the masses.” Long offered a simple alternative: “Break up the swollen fortunes of America and ... spread the wealth among all our people.” He called for a redistribution of wealth that would guarantee each American family a \$5,000 estate.

Long's rhetoric inspired hundreds of thousands of Americans to join the Share the Wealth clubs his supporters organized. Most came from middle-class ranks or from the ranks of skilled workers. By 1935, Roosevelt regarded Long as the man



MAP 25.4 Federal Water Projects in California Built or Funded by the New Deal

This map demonstrates how much California cities and agriculture benefited from water projects—dams, canals, aqueducts, pumping stations, and power plants—began under the New Deal. The projects extended from the Shasta Dam in the northern part of the state to the All-American Canal that traversed the Imperial Valley south of San Diego, and included the Colorado River Aqueduct that carried vital drinking water to Los Angeles.

most likely to unseat him in the presidential election of 1936. Before that campaign began, however, Long was assassinated.

Meanwhile, in the Midwest, **Father Charles Coughlin**, the “radio priest,” delivered a message similar to Long’s. Like Long, Coughlin appealed to anxious middle-class Americans and to once-privileged groups of workers who believed that security and respectability were slipping from their grasp. A former Roosevelt supporter, Coughlin had become a critic. The New Deal was run by bankers, he claimed. The NRA was a program to resuscitate corporate profits. Coughlin called for a strong government to compel capital, labor, agriculture, professionals, and

other interest groups to do its bidding. He founded the National Union of Social Justice (NUSJ) in 1934 as a precursor to a political party that would challenge the Democrats in 1936.

As Coughlin's disillusionment with the New Deal deepened, a strain of anti-Semitism became apparent in his radio talks, as in his accusation that Jewish bankers were masterminding a world conspiracy to dispossess the toiling masses. Although Coughlin was a compelling speaker, he failed to build the NUSJ into an effective political force. Its successor, the Union Party, attracted only a small percentage of voters in 1936. Embittered, Coughlin moved further to the political right. By 1939, his denunciations of democracy and Jews had become so extreme that some radio stations refused to carry his addresses. Still, millions of Americans continued to put their faith in the "radio priest."

Another popular figure was Francis E. Townsend, a California doctor who claimed that the way to end the Depression was to give every senior citizen \$200 a month. The Townsend Plan briefly garnered the support of an estimated 20 million Americans.

Labor Protests

The attacks by Long, Coughlin, and Townsend on New Deal programs deepened popular discontent and helped to legitimate other insurgent movements. The most important was the labor movement. Workers began joining unions in response to the National Industrial Recovery Act, and especially its clause granting them the right to join labor organizations of their own choosing and obligating employers to bargain with them in good faith. Union members' demands were modest at first: they wanted to be treated fairly by their foremen, and they wanted employers to observe the provisions of the NRA codes and to recognize their unions. But few employers were willing to grant workers any say in their working conditions. Many ignored the NRA's wage and hour guidelines altogether and even used their influence with NRA code authorities to get worker requests for wage increases and union recognition rejected.

Workers flooded Washington with letters of protest and then began to take matters into their own hands. In 1934 they staged 2,000 strikes in virtually every industry and region of the country. A few of these strikes escalated into armed confrontations between workers and police that shocked the nation. In Toledo, Ohio, in May, 10,000 workers surrounded the Electric Auto-Lite plant, declaring that they would block all exits and entrances until the company agreed to shut down operations and negotiate a union contract. Two strikers were killed in an exchange of gunfire. In Minneapolis, unionized truck drivers and warehousemen fought police, private security forces, and the National Guard in a series of street battles from May through July that left four dead and hundreds wounded. In San Francisco in July, skirmishes between longshoremen and employers killed two and wounded scores of strikers. This violence provoked a general strike in San Francisco that shut down the city's transportation, construction, and service industries for two weeks. In September, 400,000 textile workers at mills from Maine to Alabama walked off their jobs. Attempts by employers to bring in replacement workers triggered violent confrontations that caused several deaths, hundreds of injuries, and millions of dollars in property damages.

Anger at the Polls

In the fall of 1934, workers took their anger to the polls. In Rhode Island, they broke the Republican Party's 30-year domination of state politics. In the South Carolina gubernatorial race, working-class voters rejected a conservative Democrat, Coleman Blease, and chose instead Olin T. Johnston, a former mill worker and an ardent New Dealer. In the country as a whole, Democrats won 70 percent of the contested seats in the Senate and House. The Democrats increased their majority, from 310 to 319 (out of 432) in the House, and from 60 to 69 (out of 96) in the Senate. No sitting president's party had ever done so well in an off-year election.

The victory was not an unqualified one for Roosevelt and the First New Deal, however. The 74th Congress would include the largest contingent of radicals ever sent to Washington: Tom Amlie of Wisconsin, Ernest Lundeen of Minnesota, Maury Maverick of Texas, Vito Marcantonio of New York, and some 30 others. Their support for the New Deal depended on whether Roosevelt delivered more relief, more income security, and more political power to farmers, workers, the unemployed, and the poor.

Radical Third Parties

Radical critics of the New Deal also made an impressive showing in state politics in 1934 and 1936. In Wisconsin Philip La Follette, the son of Robert La Follette (see Chapter 21), was elected governor in 1934 and 1936 as the candidate of the radical Wisconsin Progressive Party. In Minnesota, discontented agrarians and urban workers organized the Minnesota Farmer-Labor (MFL) Party and elected their candidate to the governorship in 1930, 1932, 1934, and 1936. In Washington, yet another radical third party, the Commonwealth Builders, elected both senators and almost half the state legislators in 1932 and 1934. And in California, the socialist and novelist Upton Sinclair and his organization, End Poverty in California (EPIC), came close to winning the governorship.

A widespread movement to form local labor parties offered further evidence of voter volatility, as did the growing appeal of the **Communist Party**. The American Communist Party (CP) had emerged in the early 1920s with the support of radicals who wanted to adopt the Soviet Union's path to socialism (see Chapter 23). In the early 1930s, CP organizers spread out among the poorest and most vulnerable populations in America—homeless urban blacks in the North, black and white sharecroppers in the South, Chicano and Filipino agricultural workers in the West—and mobilized them into unions and unemployment leagues. CP members also played significant roles in strikes described earlier, and they were influential in the Minnesota Farmer-Labor Party and in Washington's Commonwealth Builders. Once they stopped preaching world revolution in 1935 and began calling instead for a "popular front" of democratic forces against fascism (a term used to describe the new kinds of dictatorships appearing in Hitler's Germany and Mussolini's Italy), their ranks grew even more. By 1938, approximately 80,000 Americans were thought to have been members of the Communist Party.

Although the Communist Party proclaimed its allegiance to democratic principles beginning in 1935, it nevertheless remained a dictatorial organization that took its orders from the Soviet Union. Many Americans feared the growing strength of the CP and began to call for its suppression. The CP, however, was never strong

enough to gain power for itself. Its chief role in 1930s politics was to channel popular discontent into unions and political parties that would, in turn, force New Dealers to respond to the demands of the nation's poor.

THE SECOND NEW DEAL, 1935–1937

The labor unrest of 1934 had taken Roosevelt by surprise. For a time, he kept his distance from the masses mobilizing in his name, but in spring 1935, with the 1936 presidential election looming, he decided to place himself at their head. He called for the “abolition of evil holding companies,” attacked the wealthy for their profligate ways, and called for new programs to aid the poor and downtrodden. Rather than becoming a socialist, as his critics charged, Roosevelt sought to reinvigorate his appeal among poorer Americans and turn them away from radical solutions.

Philosophical Underpinnings

To point the New Deal in a more populist direction, Roosevelt turned increasingly to a relatively new economic theory, **underconsumptionism**. Advocates of this theory held that a chronic weakness in consumer demand had caused the Great Depression. The path to recovery lay, therefore, not in restricting production, as the architects of the First New Deal had tried to do, but in boosting consumer expenditures through government support for strong labor unions (to force up wages), higher social welfare expenditures (to put more money in the hands of the poor), and ambitious public works projects (to create millions of new jobs).

Underconsumptionists did not worry that new welfare and public works programs might strain the federal budget. If the government found itself short of revenue, it could always borrow additional funds from private sources. These reformers, in fact, viewed government borrowing as a useful antidepression tool. Those who lent the government money would receive a return on their investment; those who received government assistance would have additional income to spend on consumer goods; and manufacturers would profit from increases in consumer spending. Government borrowing, in short, would stimulate the circulation of money through the economy, increase consumer demand, and end the depression. This fiscal policy, a reversal of the conventional wisdom that government should always balance its budget, would in the 1940s come to be known as Keynesianism, after John Maynard Keynes, the British economist who had been its advocate.

As the nation entered its sixth year of the depression, Roosevelt was willing to give these new ideas a try. Reform-minded members of the 1934 Congress were eager for a new round of legislation directed more to the needs of ordinary Americans than to the needs of big business.

Legislation

Congress passed much of that legislation in January to June 1935—a period that came to be known as the Second New Deal. Two of the acts were of historic importance: the **Social Security Act** and the National Labor Relations Act. The Social Security Act, passed in May, required the states to set up welfare funds from which money would be disbursed to the elderly poor, the unemployed, unmarried mothers with dependent children, and the

disabled. It also enrolled a majority of working Americans in a pension program that guaranteed them a steady income upon retirement. A federal system of employer and employee taxation was set up to fund the pensions. Despite limitations on coverage and inadequate pension levels, the Social Security Act of 1935 provided a foundation on which future presidents and congresses would erect the American welfare state.

Equally historic was the passage, in June, of the National Labor Relations Act (NLRA). This act delivered what the NRA had only promised: the right of every worker to join a union of his or her own choosing and the obligation of employers to bargain with that union in good faith. The **NLRA**, also called the **Wagner Act** after its Senate sponsor, Robert Wagner of New York, set up a National Labor Relations Board (NLRB) to supervise union elections and to investigate claims of unfair labor practices. The NLRB was to be staffed by federal appointees with power to impose fines on employers who violated the law. Union leaders hailed the act as their Magna Carta.

Congress also passed the Holding Company Act to break up the 13 utility companies that controlled 75 percent of the nation's electric power. It passed the Wealth Tax Act, which increased tax rates on the wealthy from 59 to 75 percent, and on corporations from 13.75 to 15 percent; and it passed the Banking Act, which strengthened the power of the Federal Reserve Board over its member banks. It created the Rural Electrification Administration (REA) to bring electric power to rural households. Finally, it passed the huge \$5 billion Emergency Relief Appropriation Act. Roosevelt funneled part of this sum to the PWA, the CCC, and the newly created National Youth Administration (NYA), which provided work and guidance to the nation's youth.

Roosevelt directed most of the new relief money, however, to the **Works Progress Administration (WPA)** under the direction of Harry Hopkins, now known as the New Deal's "minister of relief." The WPA built or improved thousands of schools, playgrounds, airports, and hospitals. WPA crews raked leaves, cleaned streets, and landscaped cities. In the process, the WPA provided jobs to approximately 30 percent of the nation's jobless.

By the time the decade ended, the WPA, in association with an expanded Reconstruction Finance Corporation, the PWA, and other agencies, had built 500,000 miles of roads, 100,000 bridges, 100,000 public buildings, and 600 airports. The New Deal had transformed America's urban and rural landscapes. The awe generated by these public works projects helped Roosevelt retain popular support at a time when the success of the New Deal's economic policies was uncertain. The WPA also funded a vast program of public art, supporting the work of thousands of painters, architects, writers, playwrights, actors, and intellectuals. Beyond extending relief to struggling artists, it fostered the creation of art that spoke to the concerns of ordinary Americans, adorned public buildings with colorful murals, and boosted public morale.

Victory in 1936: The New Demo- cratic Coalition

Roosevelt described his Second New Deal as a program to limit the power and privilege of the wealthy few and to increase the security and welfare of ordinary citizens. In his 1936 reelection campaign, he excoriated the corporations as "economic royalists" who had "concentrated into their own hands an almost complete control over other people's property, other people's money, other people's labor—other people's lives." He called on voters to strip the corporations of their power and "save a great and precious form of government for ourselves and the world." American voters responded

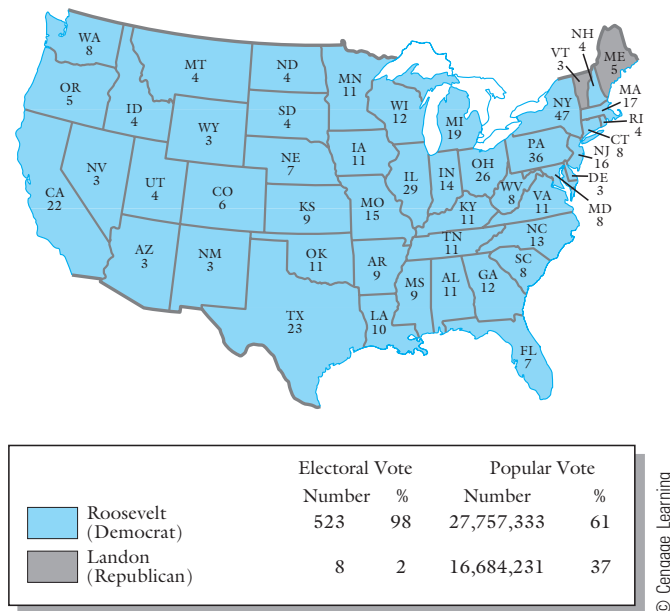
SELECTED WPA PROJECTS IN NEW YORK CITY, 1938

Construction and Renovation	Education, Health, and Art	Research and Records
East River Drive	Adult education: homemaking, trade and technical skills, and art and culture	Sewage treatment, community health, labor relations, and employment trends surveys
Henry Hudson Parkway	Children's education: remedial reading, lip reading, and field trips	Museum and library catalogs and exhibits
Bronx sewers	Prisoners' vocational training, recreation, and nutrition	Municipal office clerical support
Glendale and Queens public libraries	Dental clinics	Government forms standardization
King's County Hospital	Tuberculosis examination clinics	
Williamsburg housing project	Syphilis and gonorrhea treatment clinics	
School buildings, prisons, and firehouses	City hospital kitchen help, orderlies, laboratory technicians, nurses, doctors	
Coney Island and Brighton Beach boardwalks	Subsistence gardens	
Orchard Beach	Sewing rooms	
Swimming pools, playgrounds, parks, drinking fountains	Central Park sculpture shop	

Source: John David Millet, *The Works Progress Administration in New York City* (Chicago: Public Administration Service, 1938), pp. 95–126.

by handing Roosevelt the greatest victory in the history of American presidential politics. He received 61 percent of the popular vote; Alf Landon of Kansas, his Republican opponent, received only 37 percent. Only two states, Maine and Vermont, representing a mere eight electoral votes, went for Landon.

The 1936 election won the Democratic Party its reputation as the party of reform and the party of the “forgotten American.” Of the 6 million Americans who went to the polls for the first time, many of them European ethnics, 5 million voted for Roosevelt. Among the poorest Americans, Roosevelt received 80 percent of the vote. Black voters in the North left the Republican Party—the “Party of Lincoln”—calculating that their interests would be served better by the “Party of the Common Man.” Roosevelt also did well among white middle-class voters,



MAP 25.5 Presidential Election, 1936

In 1936, Franklin D. Roosevelt's reelection numbers were overwhelming: 98 percent of the electoral vote, and more than 60 percent of the popular vote. No previous election in American history had been so one-sided.

many of whom stood to benefit from the Social Security Act. These constituencies would constitute the "Roosevelt coalition" for most of the next 40 years, helping to solidify the Democratic Party as the new majority party in American politics.

Rhetoric versus Reality

Roosevelt's 1935–36 anti-corporate rhetoric was more radical than the laws he supported. The Wealth Tax Act took considerably less out of wealthy incomes and estates than was advertised, and the utility companies that the Holding Company Act was meant to break up remained largely intact. Moreover, Roosevelt promised more than he delivered to the nation's poor. Farm workers, for example, were not covered by the Social Security Act or by the National Labor Relations Act. Consequently, thousands of African American sharecroppers in the South, along with substantial numbers of Mexican American farm workers in the Southwest, missed out on protections and benefits brought by these laws. The sharecroppers were shut out because southern Democrats would not have voted for an act that was seen as improving the economic or social condition of southern blacks. For the same reason, the New Deal made little effort to restore voting rights to southern blacks or to protect their basic civil rights. White supremacy lived on in New Deal democracy.

Roosevelt's 1935–36 populist stance also obscured the support that some capitalists were giving the Second New Deal. In the West, Henry J. Kaiser headed a consortium of six companies that built the Hoover, Bonneville, and Grand Coulee dams; in Texas, building contractors Herman and George Brown were bankrolling a group of elected officials that included a young Democratic congressman named Lyndon Johnson. In the Midwest and the East, Roosevelt's corporate supporters included real estate

developers, mass merchandisers (such as Bambergers and Sears, Roebuck), clothing manufacturers, and the like. These firms, in turn, had financial connections with recently established investment banks such as Lehman Brothers and Goldman Sachs, competitors of the House of Morgan and its allies in the Republican banking establishment, and with consumer-oriented banks such as the Bank of America and the Bowery Savings Bank. They tolerated strong labor unions, welfare programs, and high levels of government spending in the belief that these developments would strengthen consumer spending, but they had no intention of surrendering their own wealth or power. The Democratic Party had become, in effect, the party of the masses and one section of big business. The conflicting interests of these two constituencies would create tensions within the Democratic Party throughout the years of its political domination.

Men, Women, and Reform

The years 1936 and 1937 were exciting ones for academics, policymakers, and bureaucrats who designed and administered the rapidly growing roster of New Deal programs and agencies. Fueled by idealism and dedication, they were confident they could make the New Deal work. They planned and won congressional approval for the Farm Security Administration (FSA), an agency designed to improve the economic lot of tenant farmers, sharecroppers, and farm laborers. They drafted and passed legislation that outlawed child labor, set minimum wages and maximum hours for adult workers, and committed the federal government to building low-cost housing. They investigated and tried to regulate concentrations of corporate power.

Although they worked on behalf of “the people,” the New Dealers constituted a new class of technocrats. The prospect of building a strong state committed to prosperity and justice fired their imaginations. They delighted in the intellectual challenge and the technical complexity of social policy.

Many of the male New Dealers had earned advanced degrees in law and economics at elite universities such as Harvard, Columbia, and Wisconsin. Not all had been raised among wealth and privilege, however. To his credit, Franklin Roosevelt was the first president since his cousin Theodore Roosevelt to welcome Jews and Catholics into his administration. Some became members of Roosevelt’s inner circle of advisers—men such as Thomas “Tommy the Cork” Corcoran, Jim Farley, Ben Cohen, and Samuel Rosenman. These men had struggled to make their way, first on the streets and then in school and at work. They brought to the New Deal intellectual aggressiveness, quick minds, and mental toughness.

The profile of New Deal women was different. Although a few, notably Eleanor Roosevelt and Secretary of Labor Frances Perkins (the first woman to be appointed to the U.S. cabinet), were more visible than women in previous administrations had been, many of the female New Dealers worked in relative obscurity, in agencies such as the Women’s Bureau or the Children’s Bureau (both in the Department of Labor). Women who worked on major legislation, as did Mary Van Kleeck on the Social Security Act, or who directed major programs, as did Jane Hoey, chief of the Social Security’s Bureau of Public Assistance, received less credit than men in comparable positions. Moreover, female New Dealers tended to be a generation older than their male colleagues and were more likely to be Protestant than Catholic or Jewish. Many of them had known each other since the days of progressive-era reform and woman suffrage (see Chapter 21).

The New Deal offered these female reformers little opportunity to advance the cause of women's equality. Demands for greater economic opportunity, sexual freedom, and full equality for women were put forward less often in the 1930s than they had been in the preceding two decades. One reason was that the women's movement had lost momentum after achieving the vote in 1920 (see Chapter 24). Another was that prominent New Deal women, rather than vigorously pursuing a campaign for equal rights, chose to concentrate instead on "protective legislation"—laws that safeguarded female workers. Those who insisted that women needed special protections could not easily argue that women were equal to men in all respects.

Feminism was also hemmed in on all sides by a male hostility that the depression had intensified. Many men had built their male identities on the value of hard work and the ability to provide economic security for their families. For them, the loss of work unleashed feelings of inadequacy. Male vulnerability increased as unemployment rates of men—most of whom labored in blue-collar industries—rose higher than those of women, many of whom worked in white-collar occupations less affected by job cutbacks. Many fathers and husbands resented wives and daughters who had taken over their breadwinning roles.

This male anxiety had political and social consequences. Several states passed laws outlawing the hiring of married women. New Deal relief agencies were reluctant to authorize aid for unemployed women. The labor movement made protection of the male wage earner one of its principal goals. The Social Security pension system left out waitresses, domestic servants, and other largely female occupations. Norman Cousins of the *Saturday Evening Post* suggested that the depression could

RATES OF UNEMPLOYMENT IN SELECTED MALE AND FEMALE OCCUPATIONS, 1930

Male Occupations	Percentage Male	Percentage Unemployed
Iron and steel	96%	13%
Forestry and fishing	99	10
Mining	99	18
Heavy manufacturing	86	13
Carpentry	100	19
Laborers (road and street)	100	13
Female Occupations	Percentage Female	Percentage Unemployed
Stenographers and typists	96%	5%
Laundresses	99	3
Trained nurses	98	4
Housekeepers	92	3
Telephone operators	95	3
Dressmakers	100	4

Source: U.S. Department of Commerce, Bureau of the Census, *Fifteenth Census of the United States, 1930, Population* (Washington, D.C.: Government Printing Office, 1931).

be ended simply by firing 10 million working women and giving their jobs to men. “Presto!” he declared. “No unemployment, no relief rolls. No Depression.”

Many artists introduced a strident masculinism into their painting and sculpture. Mighty *Superman*, the new comic-strip hero of 1938, reflected the spirit of the times. Superman was depicted as a working-class hero, who on several occasions saved workers from coal mine explosions and other disasters caused by the greed and negligence of villainous employers.

Superman’s greatest vulnerability, however, other than kryptonite, was his attraction to the *working* woman, Lois Lane. He could never resolve his dilemma by marrying Lois and tucking her away in a safe domestic sphere, because the continuation of the comic strip demanded that Superman be repeatedly exposed to kryptonite and female danger. But the producers of male and female images in other mass media, such as the movies, faced no such technical obstacles. Anxious men could take comfort from the conclusion of the movie *Woman of the Year*, in which Spencer Tracy persuades the ambitious Katharine Hepburn to exchange her successful newspaper career for the bliss of motherhood and homemaking. From a thousand different points, 1930s politics and culture made it clear that a woman’s proper place was in the home. Faced with such obstacles, it is not surprising that women activists failed to make feminism a major part of New Deal reform.

Labor in Politics and Culture

In 1935, John L. Lewis of the United Mine Workers, Sidney Hillman of the Amalgamated Clothing Workers, and the leaders of six other unions that had seceded from the American Federation of Labor (AFL) cobbled together a new labor organization. The Committee for Industrial Organization (**CIO**)—later renamed the Congress of Industrial Organizations—aspired to organize millions of unskilled and semiskilled workers whom the AFL had largely ignored. In 1936, Lewis and Hillman created a second organization, Labor’s Non-Partisan League (LNPL), to channel labor’s money, energy, and talent into Roosevelt’s reelection campaign. Roosevelt welcomed the league’s help, and labor would become a key constituency of the new Democratic coalition. The passage of the Wagner Act and the creation of the NLRB in 1935 enhanced the labor movement’s status and credibility. Membership in labor unions climbed steadily, and in short order union members began flexing their muscles.

In late 1936, the United Auto Workers (UAW) took on General Motors, widely regarded as the most powerful corporation in the world. Workers occupied key GM factories in Flint, Michigan, declaring that their **sit-down strike** would continue until GM agreed to recognize the UAW and negotiate a collective bargaining agreement. Frank Murphy, the pro-labor governor of Michigan, refused to use National Guard troops to evict the strikers, and Roosevelt declined to send federal troops. A 50-year-old practice of using soldiers to break strikes ended, and General Motors capitulated after a month of resistance. Soon, the U.S. Steel Corporation, which had defeated unionists in the bloody strike of 1919 (see Chapter 23), announced that it was ready to negotiate a contract with the newly formed CIO steelworkers union.

The labor movement’s public stature grew along with its size. Many writers and artists, funded through the WPA, depicted the labor movement as the voice of the people and the embodiment of the nation’s values. Murals sprang up in post offices and other public buildings featuring portraits of blue-collar Americans at work. Broadway’s most celebrated play in 1935 was Clifford Odets’s *Waiting for*

Woody Guthrie.

A bard from Okemah, Oklahoma, Guthrie was embraced by millions for his homespun melodies and lyrics and for his hopeful message that Americans could survive the depression with their dignity and sense of humor intact.



Library of Congress, Prints and Photographs Division

Lefty, a raw drama about taxi drivers who confront their bosses and organize an honest union. *Pins and Needles*, a 1937 musical about the hopes and dreams of garment workers, performed by actual members of the International Ladies Garment Workers Union, became the longest-running play in Broadway history (until *Oklahoma!* broke its record of 1,108 performances in 1943).

Similarly, many of the most popular novels and movies of the 1930s celebrated the decency, honesty, and patriotism of ordinary Americans. In *Mr. Deeds Goes to Town* (1936) and *Mr. Smith Goes to Washington* (1939), Frank Capra delighted movie audiences with fables of simple, small-town heroes vanquishing the evil forces of wealth and decadence. Likewise, in *The Grapes of Wrath*, the best-selling novel of 1939, John Steinbeck told an epic tale of an Oklahoma family's fortitude in surviving eviction from their land, migrating westward, and suffering exploitation in the "promised land" of California. In 1940, John Ford turned Steinbeck's novel into one of that year's highest grossing and most acclaimed movies. Moviegoers found special meaning in the declaration of one of the story's main characters, Ma Joad: "We'll go on forever ... cause we're the people."

The Okie migrants to California included a writer and musician named Woody Guthrie. Born in 1913 in Okemah, Oklahoma, Woody Guthrie grew up in nearby

Pampa, Texas. He wasn't born poor—his father was a small businessman and a local politician—but by the time he reached his twenties, Guthrie had known a great deal of hardship: his father's business failed, three family homes burned down, one sister died from burns, and then the drought and dust storms struck. In the 1930s, Guthrie joined the large migration of Okies to California. There, his musical gifts were discovered, chiefly because radio stations, in particular, were keen to put “singing cowboys” on the air. Guthrie had emerged from a country music tradition in Texas and Oklahoma and found an audience among the many people from those states who had gone to California.

Guthrie also developed a broader appeal as he cast himself as the bard of ordinary Americans everywhere. He loved America for the beauty of its landscape and its people, sentiments he expressed in one of his most popular songs, “This Land Is Your Land,” which he wrote in 1940 in response to Irving Berlin's “God Bless America” (a song Guthrie did not like because of the false sense of complacency he thought it induced). Guthrie did not possess a refined singing voice, but his “hill-billy” lyrics, melodies, and humor were inventive and often inspiring. He would become a powerful influence on subsequent generations of musicians, including such major figures as Bob Dylan and Bruce Springsteen.

Guthrie traveled extensively in the 1930s, from Los Angeles to New York and from Texas to Washington state. The more he learned about the hardships of individual Americans, the angrier and more politically active he became. He drew close to the labor movement and to the Communist Party, and increasingly, in his writings and songs, he criticized the industrialists, financiers, and their political agents who, he believed, had brought the depression on America. But Guthrie always associated his criticism with the hope that the working people of America, if united, could take back their land—which is the message he meant to convey when he sang “This Land Is Your Land”—and restore its greatness. The optimism of his message underscored how much the cultural mood had changed since the early 1930s. In his focus on ordinary working Americans, in his hope for the future, and in his fusion of dissent and patriotism, Guthrie was emblematic of a major stream of culture and politics in the late 1930s.

AMERICA'S MINORITIES AND THE NEW DEAL

Reformers in the 1930s generally believed that issues of capitalism's viability, economic recovery, and the inequality of wealth and power outweighed problems of racial and ethnic discrimination; only in the case of American Indians did New Dealers pass legislation specifically designed to improve a minority's social and economic position. Because they were disproportionately poor, most minority groups did profit from the populist and pro-labor character of New Deal reforms, but the gains were distributed unevenly. Eastern and Southern European ethnics benefited the most, and African Americans and Mexican Americans advanced the least.

Eastern and Southern European Ethnics

Eastern and Southern European immigrants and their children had begun mobilizing politically in the 1920s in response to religious and racial discrimination (see Chapter 24). Roosevelt understood their political importance well, for he

was a product of New York Democratic politics, where men such as Robert Wagner and Al Smith had begun to organize the ethnic vote even before 1920 (see Chapter 21). He made sure that a significant portion of New Deal monies for welfare, building and road construction, and unemployment relief reached the urban areas where most European ethnics lived. As a result, Jewish and Catholic Americans, especially those descended from Eastern and Southern European immigrants, voted for Roosevelt in overwhelming numbers. The New Deal did not eliminate anti-Semitism and anti-Catholicism from American society, but it did allow millions of European ethnics to believe, for the first time, that they would overcome the second-class status they had long endured.

Eastern and Southern European ethnics also benefited from their sizable presence in the mass-production industries of the Northeast, Midwest, and West Coast and in the new labor unions. Roosevelt understood and feared the power they wielded through their labor organizations.

African Americans

The New Deal did more to reproduce patterns of racial discrimination than to advance the cause of racial equality.

African Americans who belonged to CIO unions or who lived in northern cities benefited from New Deal programs, but most blacks lived in the rural South, where they were barred from voting, largely excluded from AAA programs, and denied federal protection in their efforts to form agricultural unions. The CCC ran separate camps for black and white youth. The TVA hired few blacks. Those enrolled in the CWA and other work-relief programs frequently received less pay than whites for doing the same jobs. Roosevelt consistently refused to support legislation to make lynching a federal crime.

This failure to push a strong civil rights agenda did not mean that New Dealers were oblivious to concerns about race. Eleanor Roosevelt spoke out frequently against racial injustice. In 1939, she resigned from the Daughters of the American Revolution when the organization refused to allow black opera singer **Marian Anderson** to perform in its concert hall. She then pressured the federal government into granting Anderson permission to sing from the steps of the Lincoln Memorial. On Easter Sunday, 75,000 people gathered to hear Anderson and to demonstrate their support for racial equality. The president did not attend.

Roosevelt did eliminate segregationist practices in the federal government that had been in place since Woodrow Wilson's presidency. He appointed Mary McLeod Bethune, Robert Weaver, William Hastie, and other African Americans to important second-level posts in his administration. Working closely with each other in what came to be known as the Black Cabinet, these officials fought hard to end discrimination in New Deal programs.

Roosevelt, however, refused to support the Black Cabinet if it meant alienating white southern senators who controlled key congressional committees. He believed that pushing for civil rights would cost him the support of the white South. Meanwhile, African Americans and their supporters were not yet strong enough as an electoral constituency or as a reform movement to compel Roosevelt to support a civil rights agenda.

Mexican Americans

The Mexican American experience in the Great Depression was particularly harsh. In 1931, Hoover's secretary of labor, William N. Doak, announced a plan for repatriating illegal aliens (returning them to their land of origin) and giving their jobs to American citizens. The federal campaign quickly focused on Mexican immigrants in California and the Southwest. The U.S. Immigration Service rounded up large numbers of Mexicans and Mexican Americans and demanded that each detainee prove his or her legal status. Those who failed to produce the necessary documentation were deported. Local and state governments pressured many more Mexicans into leaving. The combined efforts of federal, state, and local governments created a climate of fear in Mexican communities that prompted 500,000 to return to Mexico by 1935. This total equaled the number of Mexicans who had come to the United States in the 1920s. Los Angeles lost one-third of its Mexican population. Included in repatriate ranks were a significant number of legal immigrants who were unable to produce their immigration papers, the American-born children of illegals, and some Mexican Americans who had lived in the Southwest for generations.

The advent of the New Deal in 1933 eased but did not eliminate pressure on Chicano communities. New Deal agencies made money available for relief; Mexican Americans who worked in urban, blue-collar industries joined unions in large numbers. Most Chicanos, however, lived in rural areas and labored in agricultural jobs, and the New Deal offered them little help. The National Labor Relations Act did not protect their right to organize unions, and the Social Security Act excluded them from the new federal welfare system. Where Mexicans gained access to relief rolls, they often received payments lower than those given to "Anglos" (whites). New Dealers also did not do much to dissuade local officials from continuing their campaign to deport Mexican immigrants.

Life grew harder for immigrant Mexicans who stayed behind. The Mexican cultural renaissance that had emerged in 1920s Los Angeles (see Chapter 24) stalled. Mexicans in the city retreated into the separate community of East Los Angeles. To many, they became the "invisible minority."

American Indians

From the 1880s until the early 1930s, federal policy had contributed to the elimination of American Indians as a distinctive population. The Dawes Act of 1887 (see Chapter 18) had called for tribal lands to be broken up and allotted to individual owners in the hope that Indians would adopt the work habits and lifestyles of white farmers. But American Indians had proved stubbornly loyal to their languages, religions, and cultures. Few of them succeeded as farmers, and many lost land to white speculators. By 1933, nearly half the American Indians living on reservations whose land had been allotted were landless, and many who retained allotments held land that was largely desert or semidesert.

The shrinking land base in combination with a growing population deepened American Indian poverty. The assimilationist pressures on American Indians, meanwhile, reached a climax in the 1920s, when the Bureau of Indian Affairs (BIA) outlawed Indian religious ceremonies, forced children from tribal communities into federal boarding schools, banned polygamy, and imposed limits on the length of men's hair.



Buyenlarge/Archive Photos/Getty Images

Mexican Hardship. *The Great Depression made it difficult for Mexican agricultural workers in California to find adequate work. Many suffered additional injury when state and local authorities pressured them into returning to Mexico.*

Government officials working in the Hoover administration began to question this assimilationist policy, but its reversal had to await the New Deal and Roosevelt's appointment of **John Collier** as the commissioner of the BIA. Collier pressured the CCC, AAA, and other New Deal agencies to employ Indians on projects that improved reservation land and trained Indians in land conservation methods. He prevailed on Congress to pass the Pueblo Relief Act of 1933, which compensated Pueblos for land taken from them in the 1920s, and the Johnson-O'Malley Act of 1934, which provided funds to the states for Indian health care, welfare, and education. As part of his campaign to make the BIA more responsive to American Indian needs, Collier increased the number of Indian BIA employees from a few hundred in 1933 to 4,600 in 1940.

Collier also took steps to abolish federal boarding schools, encourage enrollment in local public schools, and establish community day schools. He insisted that American Indians be allowed to practice their traditional religions, and he created the Indian Arts and Crafts Board in 1935 to nurture traditional Indian artists and to help them market their work.

The centerpiece of Collier's reform strategy was the Indian Reorganization Act (IRA, also known as the Wheeler-Howard Act) of 1934, which revoked the allotment provisions of the Dawes Act. This landmark act recognized the rights of Native American tribes to chart their own political, cultural, and economic futures. It reflected Collier's commitment to "cultural pluralism," a doctrine that celebrated the diversity of peoples and cultures in American society and sought to protect that diversity against the pressures of assimilation (for the origins of cultural pluralism, see Chapter 20). Specifically, the IRA restored land to tribes, granted Indians the right to establish constitutions and bylaws for self-government, and provided support for new tribal corporations that would regulate the use of communal lands.

Collier encountered opposition everywhere: from Protestant missionaries and cultural conservatives who wanted to continue an assimilationist policy; from white farmers and businessmen who feared that the new legislation would restrict their access to Native American land; and even from a sizable number of Indian groups, some of which had embraced assimilation and others that viewed the IRA cynically, as one more attempt by the federal government to impose "the white man's will" on the Indian peoples. This opposition made the IRA a more modest bill than the one Collier had originally championed.

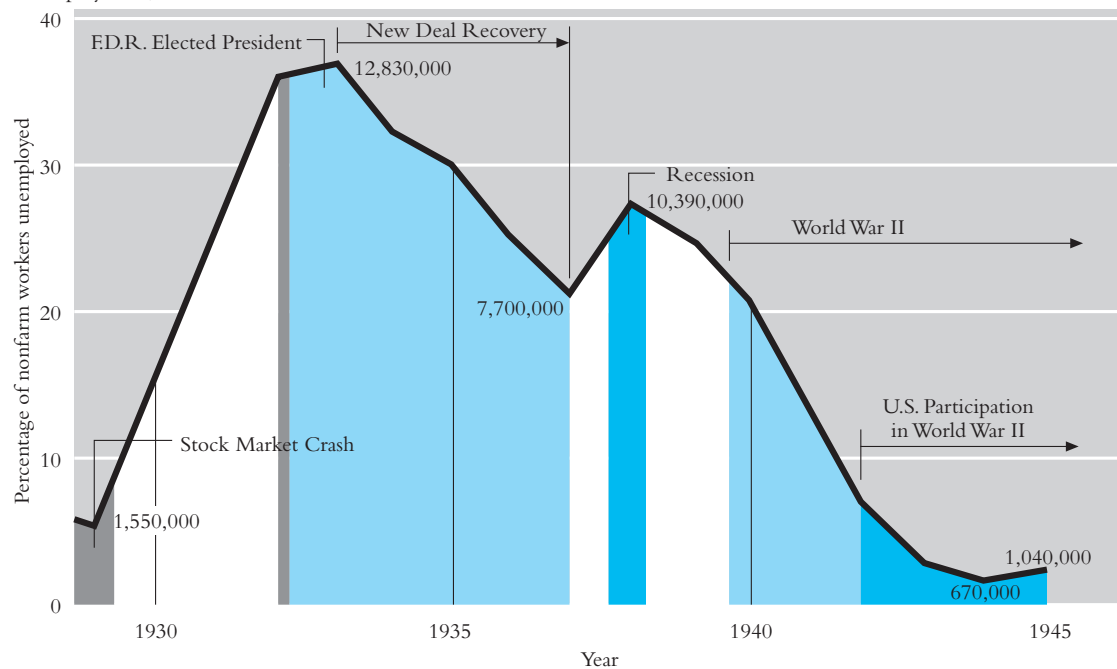
A vocal minority of Indians continued to oppose the act even after its passage. The Navajo, the nation's largest tribe, voted to reject its terms as did 76 other tribes. Still, 181 tribes, nearly 70 percent of the total, supported Collier's reform and began organizing new governments under the IRA. Although their quest for independence would suffer setbacks, these tribes gained significant measures of freedom and autonomy during the New Deal.

THE NEW DEAL ABROAD

When he first entered office, Roosevelt favored a nationalist approach to international relations. The United States, he believed, should pursue foreign policies to benefit its domestic affairs, without regard for the effects of those policies on world trade and international stability. Thus, in June 1933, Roosevelt pulled the United States out of the World Economic Conference in London, a meeting called by leading nations to strengthen the gold standard and thereby stabilize the value of their currencies. Roosevelt feared that the United States would be forced into an agreement designed to keep the gold content of the dollar high and U.S. commodity prices low, which would frustrate New Deal efforts to inflate the prices of agricultural and industrial goods.

Soon after his withdrawal from the London conference, however, Roosevelt put the United States on a more internationalist course. In November 1933, he became the first president to recognize the Soviet Union and to establish diplomatic ties with its Communist rulers. In December 1933, he inaugurated a **Good Neighbor Policy** toward Latin America by formally renouncing U.S. rights to intervene in the affairs of Latin American nations. To back up his pledge, Roosevelt ordered home the Marines stationed in Haiti and Nicaragua; scuttled the Platt Amendment

Unemployment, 1920–1945



Unemployment in the Nonfarm Labor Force, 1929–1945

Source: Data from *Historical Statistics of the United States, Colonial Times to 1970* (White Plains, NY: Kraus International, 1989), p. 126.

that had given the United States control over the Cuban government since 1901; and granted Panama more political autonomy and a greater administrative role in operating the Panama Canal (see Chapter 22).

None of this, however, meant that the United States had given up its influence over Latin America. When a 1934 revolution brought a radical government to power in Cuba, the U.S. ambassador there worked with conservative Cubans to replace the government with a regime more favorable to U.S. interests. The United States did refrain from sending troops to Cuba. It also kept its troops at home in 1936 when Mexico nationalized several U.S.- and British-owned petroleum companies. Instead, the United States demanded that Mexico compensate the oil companies for their lost property, which Mexico eventually did. In such ways, the United States exercised restraint while remaining the dominant force in hemispheric affairs.

The Roosevelt administration's internationalism also reflected its interest in stimulating trade. American businessmen wanted access to the Soviet Union's domestic market. Latin America was already a major market for the United States, but one in need of greater stability. To win the support of American traders and investors, Roosevelt stressed how the Good Neighbor Policy would improve the region's business climate.

Roosevelt further expressed his commitment to international trade through his support for the Reciprocal Trade Agreement, passed by Congress in 1934. This act allowed the United States to lower its tariffs by as much as 50 percent in exchange for similar reductions by other nations. By the end of 1935, the United States had negotiated reciprocal trade agreements with 14 countries. Roosevelt's emphasis on international trade—a move consonant with the Second New Deal's program of

increasing the circulation of goods and money through the economy—further solidified support for the New Deal in parts of the business community, especially among those firms, such as United Fruit and Coca-Cola, with large overseas investments.

Actually increasing the volume of international trade was more difficult than passing legislation to encourage it. In Germany and Italy, belligerent nationalists Adolf Hitler and Benito Mussolini told their people that the solution to their ills lay not in foreign trade but in military strength and conquest. Throughout the world, similar appeals to national pride proved more popular than calls for tariff reductions and increases in global trade. In the face of this historical current, the New Deal's internationalist economic policies made limited headway.

STALEMATE, 1937–1940

By 1937 and 1938, the New Deal had begun to lose momentum. One reason was an emerging split between working-class and middle-class Democrats. After the UAW's victory over General Motors in 1937, other workers began to imitate the successful tactics of the Flint, Michigan, militants. Sit-down strikes spread to many industries and regions, a development that worried many middle-class Americans.

The Court-Packing Fiasco

The president's proposal on February 5, 1937, to alter the makeup of the Supreme Court exacerbated middle-class fears. Roosevelt asked Congress to give him the power to appoint one new Supreme Court justice for every member of the court who was older than age 70 and who had served for at least 10 years. His stated reason was that the current justices were too old and feeble to handle the large volume of cases coming before them, but his real purpose was to prevent the conservative justices on the court—most had been appointed by Republican presidents—from dismantling his New Deal. His proposal, if accepted, would have given him the authority to appoint six additional justices, thereby securing a pro-New Deal majority.

The president seemed genuinely surprised by the indignation that greeted his “**court-packing**” proposal. Although working-class support for Roosevelt remained strong, many middle-class voters turned away from the New Deal. In 1937 and 1938, a conservative opposition took shape, uniting Republicans and conservative Democrats (many of them southerners) who believed that the changes unleashed by the New Deal had gone too far.

Ironically, Roosevelt's court-packing scheme may have been unnecessary. In March 1937, just one month after he proposed his plan, Supreme Court Justice Owen J. Roberts, a former opponent of New Deal programs, decided to support them. In April and May, the Court upheld the constitutionality of the Wagner Act and Social Security Act, both by a 5-to-4 margin. The principal reforms of the New Deal would endure. Roosevelt allowed his court-reform proposal to die in Congress that summer. Within three years, five of the aging justices had retired, giving Roosevelt the opportunity to fashion a court more to his liking. Nonetheless, Roosevelt's reputation had suffered.

The Recession of 1937–1938

Whatever hope Roosevelt may have had for a quick recovery from his attempt at court-packing was dashed by a sharp recession that struck the country in late 1937 and 1938. The

New Deal programs of 1935 had stimulated the economy, prompting Roosevelt to scale back relief programs. Meanwhile, new payroll taxes took \$2 billion from wage earners' salaries to finance the Social Security pension fund even though the government did not intend to begin paying benefits until 1941. Thus, the government substantially shrunk the volume of dollars it was putting into circulation. Starved for money, the economy and stock market crashed once again. Unemployment, which had fallen to 14 percent, shot back up to 20 percent. In the 1938 elections, voters vented their frustration by electing many conservative Democrats and Republicans who were opposed to the New Deal. These conservatives could not dismantle the New Deal reforms already in place, but they did block the passage of new programs.

CONCLUSION

Roosevelt first assumed the presidency in the same week that Adolf Hitler established a Nazi dictatorship in Germany. Some feared that Roosevelt, by accumulating more power into the hands of the federal government than had ever been held in peacetime, aspired to autocratic rule. Nothing of the sort happened. Roosevelt and the New Dealers not only strengthened democracy, they also inspired millions of Americans who had never before voted to go to the polls. Groups that had been marginalized—Eastern and Southern European ethnics, unskilled workers, American Indians—now believed that their political activism could make a difference.

Not everyone benefited to the same degree from the broadening of American democracy. Northern factory workers, farm owners, European American ethnics, and middle-class consumers (especially homeowners) were among the groups who benefited most. In contrast, the socialist and communist elements of the labor movement failed to achieve their radical aims. Unionization proceeded far more slowly among southern industrial workers, black and white. Sizable occupational groups, such as farm laborers and domestic servants, were denied Social Security benefits. Feminists made little headway. African Americans and Mexican Americans gained meager influence over public policy.

New Deal reforms might not have mattered to any group if the Second World War had not rescued the New Deal economic program. With government war orders flooding factories from 1941 on, the economy grew vigorously, unemployment vanished, and prosperity finally returned. The architects of the Second New Deal, who had argued that large government expenditures would stimulate consumer demand and trigger economic recovery, were vindicated.

The war also solidified the political reforms of the 1930s: an increased role for the government in regulating the economy and in ensuring the social welfare of those unable to help themselves; strong state support of unionization, agricultural subsidies, and progressive tax policies; and the use of government power and money to develop the West and Southwest. In contrast to progressivism, the reforms of the New Deal endured. Voters returned Roosevelt to office for unprecedented third and fourth terms, and these same voters remained wedded for the next 40 years to Roosevelt's central idea: that a powerful state would enhance the pursuit of liberty and equality.