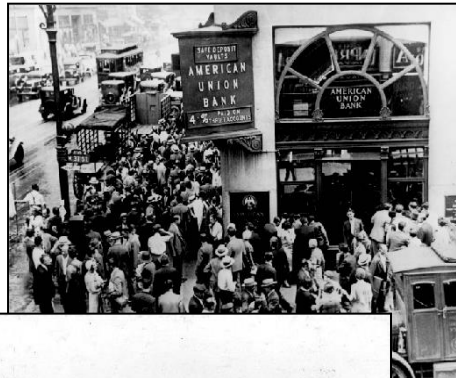
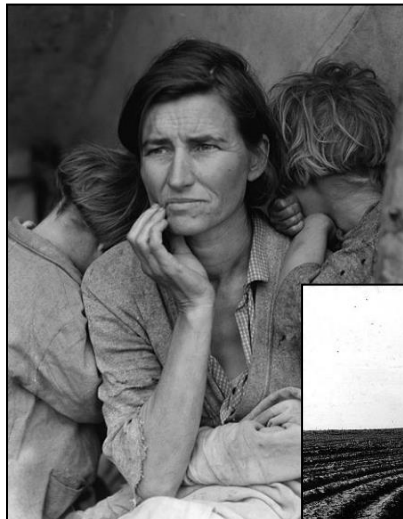


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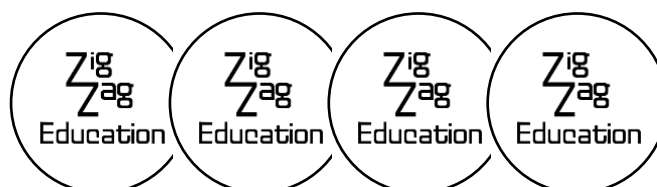
The Great Depression and the New Deal 1929–1941

RUSSELL GAME



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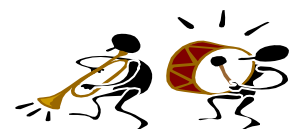
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Teacher's Introduction

This resource has been produced with the new AS Level modules in mind. It specifically matches the specifications for the AQA Examination Unit HIS1M: The USA 1890–1945. However, it also has relevance for any specification covering this period of American history.

The resource is aimed at GCE AS Level students, and includes a number of tasks to reinforce learning or to challenge students' perceptions. It can be used as a classroom resource, a basis for teacher-led lessons or as an independent learning tool for students to use at home or in free periods.

How to use each Chapter

Each chapter of this resource can be used together as a complete course or discreetly as a stand-alone episode dealing with certain key issues and questions about the USA 1929–1941.

There are several ways the tasks can be approached:

- Work through each section of the chapter, completing each task in turn
- Introduce each chapter by means of digital presentation, film or other method before handing out the chapter to the students and using the tasks as given
- Using the tasks as a basis for discussion and debate
- Using the tasks as reinforcement or support activities

All tasks are related to the information that directly precedes them; however, some will benefit from additional research or referral to other sections of the resource.

The tasks can be ignored in favour of other teacher-guided activities, and the resource used for background information, additional reading or revision.

Finally the resource and its tasks can be used for homework and / or research, and can also be used to set work for those times when a teacher is absent.

Domestic Policy

Why did the American Stock Market crash?

The Events of the Wall Street Crash

On Thursday 24th October 1929 an unexpectedly large amount of selling began on the New York Stock Exchange on Wall Street, which had the effect of forcing down the price of stocks and shares. Once prices began to fall, brokers began to feel that they should sell their stock before prices fell even more. This only had the effect of forcing prices down even further. By 11 o'clock in the morning a mad panic had set in. US Steel, which had opened that morning at a value of 205.5 cents, had fallen to 193.5 cents. General Electric fell from 315 cents to 283 cents. No-one seemed able to understand the events or the reasons for them.

Events were rapidly getting out of hand. Wall Street had a large board on one wall recording every transaction made. They called this the 'ticker', but as sales increased the 'ticker' could no longer cope with the scale of transactions. It began to fall behind, which meant traders no longer knew what was happening. At ten-minute intervals a separate bond ticker in the corner would punch out a list of selected prices that were up-to-date. Brokers would listen – and then realise that stock bought just moments earlier at an agreed price were now worth considerably less. This merely meant that they were now keener to sell the stocks before the price fell even further.



The trading floor of the New York Stock Exchange shortly after the crash, 1929

As more brokers rushed to sell the scene became ever more chaotic, and the police had to be called to restore order. News spread of the panic on Wall Street and people rushed to witness the events. A workman repairing a high building was believed to be a broker thinking about suicide, and this may have been the origin of the myth that bankrupted brokers were throwing themselves from skyscrapers. In fact very few brokers went bankrupt – it was, after all, the money of their clients that was being lost...



A growing crowd on Wall Street after the crash. The New York Stock Exchange is on the right, 1929.

Meanwhile a meeting took place at 23 Wall Street between six bankers. Each of them agreed to put up \$40 million in an attempt to shore up the market. At the same time the vice-president of the Stock Exchange was buying stock above current prices in 10,000 lots. Both bankers and vice-president were convinced that the situation could be reversed, and, indeed, the intervention of the bankers did restore confidence. At the end of trading the New York Times Index, based on the aggregate of 25 leading industrial stocks, was only 12 points down on the day.

For the next few days the market was calm. Most commentators expressed confidence that the Stock Market was healthy and expectation was high that there would be a rush to buy stocks. But Monday 28th October saw the opposite. Although the volume of trading was less than the previous Thursday, the fall of prices was far more severe with a drop on the Index of 49 points.

This time the bankers did not come to the rescue.

The next day confidence in the market collapsed entirely. This was Black Tuesday – the actual day of the Wall Street Crash. More than 16 million shares were sold and the Index fell a further 43 points. The Stock Exchange was closed on the Wednesday, but when it reopened on Thursday 31st October prices continued to fall. Within a few weeks claims were made that some \$30 billion had been lost in share values.

This was almost as much as the USA had spent on its involvement in the First World War.

Task

Create an article for an American newspaper or magazine describing the events in Wall Street during October 1929

The Effect of the Wall Street Crash

Even after the Stock Market collapse of October 1929 the values of stocks and shares remained higher than they had been at any time during 1928. It was the gains made in the earlier parts of 1929 that had been wiped out by the Crash, and prices remained reasonably stable after the Crash until 1932, when it finally became clear that economic recovery was not *'just around the corner'*. At that point share prices did plunge.

Popular belief is that the Wall Street Crash led to the Great Depression, which is by no means certain. Some have maintained that the depression was already on the way because of the over-production in the American economy. To them the Crash was more a symptom of the economic downturn than a cause.

Task

When did the Great Depression actually start? Explain your answer

The Causes of the Wall Street Crash

a. The Bull Market

It is more than likely that the Stock Exchange was going to collapse at some point under its own weight. The 1920s were characterised by a Bull Market, which tends to see an upward trend and large amounts of buying and selling. For instance the New York Times Index rose from 106 in May 1924 to 542 in September 1929. The United States had gone '*Wall Street Crazy*', and the victory of Herbert Hoover in the 1928 presidential election merely encouraged the trend. Optimism abounded and seemed unshakeable.

The Bull Market was certainly encouraged by the desire of many people to become rich quickly, but the biggest influence on the market was the decision in August 1927 to lower the interest rate at which member banks could borrow from the reserve banks. The measure had been taken in an effort to stimulate foreign trade; in reality it merely encouraged borrowing within the United States.

Few were concerned in 1927, when the financial community was confident about the strength of the American economy and those with surplus money were keen to do something profitable with it. Stock Exchange offered a good opportunity for these funds and stock-broking firms were keen to encourage people to invest in stocks and shares.

Optimism was so high that some 50,000 people bought shares '*on the margin*', which meant they bought their shares by putting down just a small proportion of the price, borrowing the remainder from a broker who, in turn, borrowed money from the banks. This system worked well whilst prices were rising – but few took time out to consider the consequences of a fall in prices, which would leave them liable for depreciated assets.

In the event people were tempted by articles such as the one which showed that if a reader saved \$15 per month and invested this in good common stock and, if they then allowed dividends to accumulate, by the end of 21 years they would have at least \$80,000. Success seemed to be guaranteed, and even the President seemed to endorse investment in the market.

In reality the American Stock Exchange in the 1920s was not characterised by unbroken increases in prices. There were several falls, for example in March 1929 – but the market had always recovered. Those financial experts who claimed that prices were dangerously high were made to look foolish – pessimists in a sea of optimists who were considered to be undermining the economic wellbeing of the nation.

In 1927 President Coolidge was warned that there were serious problems with the Stock Market. Coolidge did nothing because he did not believe it was the job of government to involve itself in the affairs of the Stock Market. Hoover later tried to shift the blame onto New York Governor Roosevelt, claiming that it had been his responsibility to regulate Wall Street, and he had failed to exercise his authority. Few were willing to listen – even fewer were willing to absolve Hoover from blame.

However, the simple fact was that most experts continue to stress that the American market was strong – few Americans had any reason to doubt their comments. Many of these experts had gained their knowledge from the way in which nineteenth century markets had operated. The expansion of credit had rendered these nineteenth century models outdated – but few then could predict the effect of the new developments.

b. The American Banking System

The laissez-faire policies of the Republican governments tended to favour big businesses, and the powers of the central banking system were limited. The Federal Reserve Board could authorise the sale of government securities on the market in the hope that purchasers might prefer these safer investments over those that paid higher dividends but which were also much riskier.

However, the reality of the event was that the Board tended to purchase government securities from the banks, which provided the banks with even more funds to lend to possibly risky ventures. Although the Board did take its decisions on the basis of sound economic thinking at a time when economic growth was slowing down, the actual effect was to stimulate borrowing and Stock Market speculation.

The Board could also raise interest rates in order to discourage further borrowing. However, in 1927 the interest rate had been reduced, which in turn encouraged borrowing. Concerned by the increased credit in circulation the Board did decide to increase the rate to 5% in December 1928, but there was little effect because by now brokers were able to lend money at twice the official interest rate. Non-banking concerns were also lending money to the brokers.

In August 1929 the interest rate was increased to 6%. This had absolutely no effect on the rampant speculation or the amount of borrowing. The only option that may have stemmed this was a dramatic increase in interest rates, but the Board was not interested in this. As bankers they tended to put the interests of bankers before those of the nation and they had no intention of hurting the banks (and their own interests) by making them pay more for funds

There was also the concern about foreign trade. The foreign market was already depressed, and high interest rates could have led to an increase in the cost of American goods, making them even more uncompetitive on the world market.

The final influence of the Federal Reserve Board was their moral leadership. This was undermined partly by its tendency to hold secretive meetings but also by the actions of others. For instance, on 26th March the New York Federal Bank announced that if money became tight as a result of higher rates, then it would release \$25 million into the brokers' loan market instead. The Federal Reserve Board was thus seen to be an irrelevance whose decisions could be circumvented if necessary.

For the Board to have achieved anything it needed far greater powers than it had. It did not ask for additional power however – and was unlikely to have been granted extra power in any case. The mood of the USA in the 1920s was against regulation in any aspect of economic life, and the bankers on the Board did not want the power to regulate against their own banking interests anyway.

Besides, the Bull Market was associated with American prosperity. To the average American the economy appeared healthy, and there was no call for regulation. Meanwhile the USA hoped to encourage the flow of gold to Europe through increased trade, which meant that low interest rates were needed. Raising the interest rates to curb borrowing would also have had an adverse effect on US trading policy.

c. The Loss of Confidence

Bull Markets are essentially sustained by confidence. In the United States that confidence collapsed dramatically in October 1929. Financial confidence is always fragile and susceptible to rumour. The collapse of the British financial empire had showed that finance based on debt was vulnerable, and rumours that big Stock Market players such as Joseph Kennedy were selling stock made people wonder if there was something about to happen.

Rumours also spread that the Federal Reserve Board was about to tighten credit facilities and in an atmosphere of uncertainty the lenders began to call in their credit. Banks started to demand repayment from the brokers, who in turn put financial pressure on their clients. The clients were forced to sell their stock in order to meet their liabilities, which accentuated the selling trend.

Few of those investing in the Stock Market had little concept of the financial realities, and several took no heed of the fact that Stock Market prices can fall as well as rise. The American Stock Market was actually supported by so little real money that it could have collapsed at any moment. The Crash was therefore only a matter of time.

Task

Which of the following statements are the most convincing in explaining the Wall Street Crash?

- A: *The American Stock Market was overheating and too many people were buying shares on the margin. This was bound to lead to problems if the value of shares on the Stock Market began to fall*
- B: *The lack of government regulation of the Stock Market explains why the Wall Street Crash occurred*
- C: *The growth of credit was a new aspect of the American economy, and it rendered previous models of trading behaviour redundant. However, nobody understood the new situation well enough to prevent disaster*
- D: *American banks irresponsibly encouraged increased borrowing, especially so that people could buy shares on the margin. This was bound to lead to problems if the value of shares on the Stock Market began to fall*
- E: *High interest rates and retaliation for high tariffs in the USA meant that American goods were uncompetitive on the world market. This did nothing to solve the problem of overproduction in the USA*
- F: *The main reason for the collapse of the US Stock Market was the growing doubt, uncertainty and rumour that led to a loss of confidence in the market*
- G: *The American Stock Market was supported by so little real money that its collapse was only a matter of time*

Did the Wall Street Crash cause the Great Depression?

The economic depression that hit the world in the 1930s began with the collapse of share prices on the New York Stock Exchange in October 1929. The share price collapse led to panic and despair. However, stock markets are inherently unstable. Throughout the 1920s there had been fluctuations in share prices even though the trend had been upward. The New York Stock Exchange also saw large falls in share prices in the 1980s and the 1990s – neither of them led to depression. Therefore the Wall Street Crash was not the cause of the Great Depression in 1929; it was more a result of underlying problems within the American economy.

One of the biggest of these problems was under-consumption. The low taxation policy of the 1920s allowed American businesses to profit, but the policy also led to huge inequalities. By the end of the decade the top 5% of the American population owned 33% of the nation's wealth. By contrast the bottom 40% owned only 12.5% of the wealth.

This meant that domestic demand for American goods did not – and could not – keep pace with production. For a while the problem was hidden by easy credit and hire purchase. But by 1929 consumers were not willing or able to take on more credit in order to sustain demand. The only remaining possibility to do this was the foreign market. However, the retaliatory policies of foreign countries in response to American tariffs priced American goods out of the range of many foreigners. There was therefore little demand for American products abroad.



President Herbert Hoover (*left*) claimed that the Great Depression was a result of international rather than purely American issues. The world economy of the 1920s came as a consequence of the First World War and the subsequent peace treaties. America's former allies owed millions of dollars as a result of the loans provided to them by their American ally, whilst the German economy was burdened by the demand for reparations.

These financial burdens caused economic instability. Apart from the British, every European state had placed tariffs on imported goods and they raised taxes. This stifled demand, especially for the higher-priced American goods. This meant that the USA could not expand its export markets as quickly as it could increase its production. Political instability in some parts of the world also destabilised international trade, notably in China (civil war) and in South America (The Chaco War).

Yet Hoover did not consider the effect of his own party's business policies during the 1920s. Although at the time the *laissez-faire* attitude of the Republican Party was considered a virtue, some have since criticised the Republicans because there had been too little regulation of business. The wartime restrictions ended as soon as Wilson left office, and the policy of low taxation exacerbated the inequalities of wealth in the USA.

Republican failure to aid the farmers helped prolong the depression in agriculture, whilst low capital gains tax encouraged share speculation, which ultimately resulted in the Wall Street Crash. Wall Street investigated few firms that placed their shares for sale because it wished to encourage business.

Neither did the government do anything to regulate US banks. Only one-third of banks in the USA came under the jurisdiction of the Federal Reserve Board, which only had power to deal with short-term loans in any case. The rest of the USA's banking system comprised hundreds of small banks based in individual states. The problem was that, for instance, a crop failure in one state could result in the collapse of the bank in that state, which in turn could lead to a run on other banks, resulting in a complete collapse of banking in the USA.

The collapse of share prices devastated the banks because they suddenly discovered they did not have enough to cover the amount they were bound to repay to their customers should they wish to withdraw their savings. Troubled banks were forced to sell their stocks in order to get cash – a tactic that merely depressed share prices even more. The banks also called in loans and refused to make new loans. This meant there was little in the way of investment.

In 1930 the New York City Bank closed its doors for the last time – and a banking panic set in. By 1933 more than 5,500 banks had failed with losses exceeding \$3 billion.

Some have even blamed the British for coming off the gold standard in September 1931. This view considers the ructions in the world's money markets and the effect on world trade. It also notes that more than 500 American banks failed in the month after Britain abandoned gold. However, it is unlikely that any decision made by the British would have affected the US economy and its fundamental weaknesses.

Ultimately the Great Depression occurred because the United States was producing more goods than could be bought. This oversupply meant that depression was almost inevitable because the market had to re-establish an equilibrium whereby demand matched supply.

Task

Which of the following are the most convincing as an explanation of the Great Depression?

- The Wall Street Crash
- Under-consumption and the lack of demand
- The unequal distribution of wealth in the USA
- American tariff policy
- The legacy of the First World War
- Republican laissez-faire policies
- The American banking system
- The British decision to abandon the Gold Standard

How did the Great Depression affect the United States?

The federal government of the United States did not keep centralised records of unemployment until the mid-1930s, but all parties concede that unemployment in the USA rocketed during the early 1930s. Official figures that do exist suggest that unemployment rose from 3.2% in 1929 to 25.2% by 1933. This represented more than 12 million Americans; however, these figures are disputed and some estimates put the total amount of unemployment higher at 17 million.

However, unemployment was not evenly spread throughout the United States. New York State alone registered one million unemployed, whilst the city of Toledo in Ohio had a massive 80% of its workforce unemployed. Women and African-Americans suffered particularly badly. For African-Americans the unemployment rate was up to six times greater than it was for white Americans, largely because the poorly paid jobs traditionally offered to African-Americans were now being given to whites.

Working-class white women also suffered. Those in menial work were more likely to lose their jobs before men, because men were still considered to be the main breadwinners. Women in domestic service were dismissed because their employers could no longer afford to keep them. Married women, whose wages were often vital to keep a family solvent, were accused of causing male unemployment and in many cases married women were dismissed from their jobs.

Some areas in the USA were able to resist the rise of unemployment, or at least stave it off for a while. For instance there was an oil boom in Texas, which for a while prevented the onset of depression, though in the end this boom led to a glut of oil on the market and a collapse in oil prices. Some other industries, such as cigarette manufacture, were immune to the Depression for quite some time.

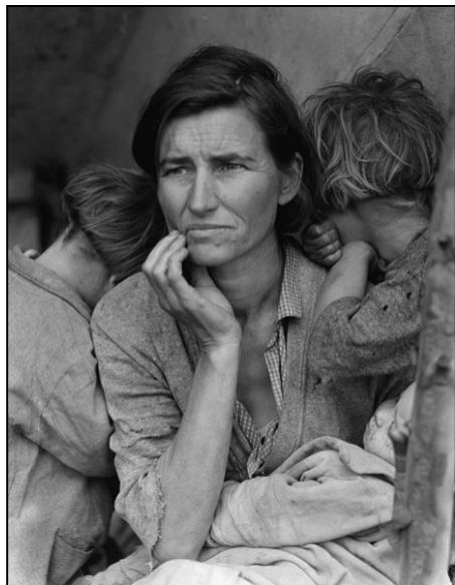
As unemployment rose the growth rate of the American economy went into decline – from 6.7% growth in 1929 to –14.7% in 1932. In general, price levels fell by about a quarter and farm prices fell by half. Credit all but disappeared and the Stock Market went into serious decline. Banks soon began to fail, mostly small banks that had overextended their lending in the times of boom and now could not meet the demands of their depositors. Many of the depositors were now short of money and found that they needed it in order to survive. However, if enough depositors wanted their money at the same time the result was predictable – the bank collapsed with the loss of savings for all depositors who did not withdraw their funds in time. This did nothing to inspire confidence in other banks, and often led to a run on these banks – which only led to further closures.



A run on the New York American Union Bank early in the Great Depression

The United States was poorly-equipped to deal with the mass unemployment of the Great Depression. The work ethic was fiercely ingrained in the American psyche, and prior to the Depression people considered that unemployment amongst the able-bodied was the fault of the individual. No federal system of unemployment benefit had therefore been established, and the psychological effects on the unemployed were great. Some people even pretended they were still in work just to keep up appearances – or perhaps to deny the reality of the situation.

The social strains soon appeared. Marriage rates declined, and with this came a decline in the birth rate. At the same time the number of suicides increased. Old people struggled during the Depression and many lived below the poverty line. The remainder had to keep on working, live off their savings or rely on their children, all of which became much harder during the Depression.



Dorothea Lange's iconic photograph *Migrant Mother* showing destitute pea pickers in California, focussing on Florence Owens Thompson (32), a mother of seven children, 1936.

Many had to sell their possessions and eventually they declined into destitution. Many parts of the USA discouraged people from seeking relief. Ten states disenfranchised applicants and some churches banned those on relief from attending services. Single people and childless couples were very unlikely to receive any sort of relief.

Many of the unemployed became '*hoboes*'. These were homeless wanderers who sought after any sort of work anywhere. By 1932 there were some two million of these living on the edge of towns and cities in shanty towns called '*Hoovervilles*' after the sitting President. Hoboes were given a hard time, often being thrown off trains or prevented from crossing state borders.

Those providing relief were usually charities, who soon found out that their resources were being stretched. During the Depression charities found that donations to their causes declined whilst the growing number of unemployed people meant their existing funds were under pressure. States found that they faced reduced tax revenues as unemployment rose, and thus many states cut their services. For instance in Arkansas schools were closed, whilst in Chicago teachers went unpaid during the winter of 1932–1933.

In 1932 charities were only able to provide 6% of the necessary funds for unemployment relief, and state and local authorities were not in a position to pick up the shortfall. In fact many of them cut their relief appropriations, leaving thousands of people to face starvation. By September 1932, according to *Fortune Magazine*, some 28% of the American population was receiving no income at all.

The worst effects of the Depression were felt in the countryside, and many farms were forced out of business because the farmers could not pay off their debts. Ironically, whilst people in American cities were starving, food prices had fallen to such a low that crops could not be harvested profitably. Wheat was left rotting in Montana fields whilst sheep in Oregon were slaughtered and then left to the buzzards. Meanwhile people in Chicago and New York scoured the rubbish tips in search of food scraps.

Task

Explain how the Depression affected the following:

- Unemployment across the USA as a whole
- Female workers
- African-American workers
- The Stock Market
- The banking system
- Marriage and birth rates
- The system of unemployment relief
- Homelessness
- Charity organisations
- State tax revenues
- Agriculture and the food supply

Does Hoover deserve blame for his reaction to the Depression?

The problem facing Hoover (*right*) was simple – the Depression marked an economic crisis of a hitherto unprecedented level. Depressions were not new in the USA – there had been one in the 1890s and another took place in the early 1920s. Americans were used to economic depressions and saw them as part and parcel of normal economic life. When the Great Depression broke out in the 1930s, Hoover could not be blamed for failing to appreciate in advance the length and depth of the crisis.



Hoover did act however, even though he was a Republican and believed in laissez-faire government. Before the collapse of the New York Stock Market he called a special session of Congress in April 1929 to help American farmers. The Agricultural Marketing Act set up a Federal Farm Board to create farming cooperatives. In 1930 the President established the Grain Stabilisation Corporation which was set up to buy surplus wheat from farm cooperatives as a means of stabilising grain prices. Unfortunately these efforts failed because of the collapse in world grain prices.

Hoover understood finance and economics, and was aware of the problems facing the world because of the legacy of debt and reparations following the First World War. He was aware that the Depression was likely to spread from the USA to other parts of the world and in an effort to prevent this he announced in June 1931 that the United States would delay collecting war debts for 18 months. However, this was too little and too late – Europe was soon affected by severe economic depression.

The President began his term of office opposing any type of direct federal aid. He was convinced that it was not the role of government to interfere. However, once he realised that leaving relief to individuals and charities was not working, Hoover did change his policy. The Reconstruction Finance Corporation, set up in January 1932, was given the power to lend up to \$2 billion to rescue failing banks and insurance companies. This was considered such a useful organisation that it was continued into the next presidency.

In July 1932 the Emergency Relief and Construction Act gave direct federal assistance to the unemployed. To receive aid the state governments merely had to declare that they had run out of money to help their unemployed. The concept then involved the federal government lending up to \$1.5 billion to the states to fund public works projects.

Finally the Federal Home Loans Act, also July 1932, allowed for the creation of federal home loan banks which could provide up to 50% assistance to those people struggling to pay off their mortgages. However, these measures represent as much as the President was willing to do to involve the federal government.



He only introduced them after voluntary and state action had been shown to have failed, and often only in response to pressure from Congressmen such as Robert Wagner of New York.

Many considered his measures to be simply too little and too late. His name was ridiculed – people referred to the shanty towns of the homeless as '*Hoovervilles*' (*left*), and newspapers used to cover a homeless person were called '*Hoover Blankets*'. He even came in for criticism in the musical *Annie*, which was set in 1932 but written much later.

Hoover was convinced when he came to office that the main role of federal government was to coordinate private, local and state issues rather than to take direct action. The US Constitution provided stipulation that welfare relief was a matter for the state rather than the federal government, and Hoover accepted this.

However, by 1930 only eight states had any type of unemployment compensation and the poor were driven to rely on charity.

Hoover saw nothing wrong with this. He believed in rugged individualism and the American tradition of independent action. He argued that relief was – and should be – a local responsibility, and that federal intervention would destroy the concept of self-government. He did try to persuade businesses to help out, but this had only a limited success because most businesses faced enough problems of their own.

Although the President was aware of the international situation this tended to blind him to the problems within the USA and provided him with a justification not to involve the federal government. In any case, though he was conscious of the problems facing world trade, he was President when the Smoot-Hawley tariff was passed in June 1930, raising import duties by 30% on average. This was higher than the 1922 Tariff and did nothing whatsoever to improve world trade.

Perhaps more than anything Hoover's reputation was tarnished by the Bonus Army march in May and June 1932. First World War veterans had been promised a bonus that was due to be paid in 1945, but because of the Depression, they marched on Washington DC demanding payment immediately. The Senate rejected this demand – and the administration brought in the regular army to remove the 21,000 veterans and their families that were living in a shanty town. The army sent in tanks and cavalry, using tear gas against the veterans and eventually destroying the shanty town.

In many ways Hoover has been treated unkindly by history. His achievements, personality and efforts to solve the crisis have been underplayed in comparison with the image of the uncaring President who did nothing to help American citizens. It is also true that Hoover was faced with a situation that could not have been predicted and had never been experienced beforehand. However, it is a mark of great leaders that they can face the unexpected and overcome them. Hoover failed to achieve this and his reputation is thus tarnished. Given the significance of the American President in US politics and the image that has followed Hoover since the Depression, it is hard to see how his reputation will ever recover.

Task

The Problem

1. What was the main problem facing President Hoover in the early 1930s?

Action taken by Hoover

2. What was the Agricultural Marketing Act set up to achieve?
3. What was the Grain Stabilisation Corporation set up to achieve?
4. Why did Hoover delay the collection of war debts from America's former allies?
5. Why did Hoover change his laissez-faire attitude?
6. What was the purpose of the Reconstruction Finance Corporation?
7. What was the purpose of the Emergency Relief and Construction Act?
8. What was the purpose of the Federal Home Loans Act?

Criticisms of Hoover

9. What were 'Hoovervilles' and 'Hoover blankets'?
10. Why did these terms become popular?
11. Why had Hoover failed to establish a federal system of welfare relief?
12. Why did the Smoot-Hawley tariff seem to contradict Hoover's stance on the international situation?
13. How did the events surrounding the Bonus Army affect the President?

Conclusion

14. Does Hoover deserve his bad reputation?

Why did the Great Depression last so long?

Several theories have been put forward to explain why the Great Depression lasted so long in the United States:

The Nationwide Depression

Most economic depressions are unevenly distributed, affecting some industries and areas less than others, if at all. However, the Great Depression left no industry or area unscathed, which prolonged it. There were two major effects. One was the absence of alternative job opportunities. Every industrialised country found that its original staple industries – coal, steel, textiles – lost their competitive edge in the face of rivals whose more recent industrialisation meant their methods of production were more modern and thus more efficient.

However, under normal circumstances, as the old industries declined, workers could normally expect to find work in newer industries, such as car manufacturing or electrical goods. But, because of overproduction and lack of demand, the newer industries were also badly hit.

Lack of Government Action

The American government was aware that too many goods were being produced with too few consumers able to buy them. Some have argued that if the free market could not find equilibrium between consumption and income then the government should intervene to do so. This would mean greater government intervention in the economy, but, of course, the tradition of the Republican governments was for laissez-faire and balanced budgets. Demand and supply therefore continued out of balance.

Foreign Economic Crises

Herbert Hoover always blamed the performance of foreign economies for the Great Depression. He believed that it was the weakness of foreign economies that stifled trade; thus he attempted to strengthen the economies of foreign countries. The problem with this analysis remains the role of the USA as a world economic leader in the 1920s. American tariffs had been one of the main reasons for the restricted world trade, made worse after 1930 with the Hawley-Smoot tariff. The USA has also been criticised for not devaluing the dollar whilst other currencies were losing value. This meant that American goods were even more expensive on the world markets than they would otherwise have been.

American Business Practices

The American economy had expanded rapidly following the civil war and during the settlement of the American West. Government laissez-faire attitudes meant that whole industries could come under the control of individuals or small groups who could then maximise profits by controlling wages, prices and output. The reality of American business was not free competition and trade but domination by trusts and cartels.

This controlled market had survived because of the growing population and westward expansion of the USA. Once that growth had ended, then a clash between the forces of the free market with those of a controlled economy was only a matter of time. The end of expansionism led to excess productive capacity and over-production. The unequal distribution of wealth and the controlled level of wages kept domestic demand to lower levels than it might have been, and the economy would necessarily stagnate until new forms of demand could be found.

Monetarism

Monetarists maintain that a decline in the stock of money is the vanguard of an oncoming depression. A failure to increase the stock of money will prolong a depression because people do not therefore have enough, thus demand will not increase. During the years 1929–1933 the amount of money in circulation fell by some 33%. Monetarists therefore have their answer as to why the Great Depression lasted so long – the tight monetary policy of the Federal Reserve Board had stifled recovery.

Task

Which of the following reasons for the long duration of the Great Depression do you find the most convincing?

- The fact that no industry was left untouched
- The lack of US government intervention
- The weakness of foreign economies
- The domination of trusts and cartels
- The low level of domestic demand
- The lack of money in circulation

Why did Franklin Roosevelt win the 1932 election?

The 1932 elections ended Republican control of federal government as well as control of state governorships and legislatures. In this wave of support for the Democrats, Franklin Delano Roosevelt (*right*) defeated Herbert Hoover in a landslide to become the first Democrat President since Woodrow Wilson.



Roosevelt had fought back from polio, which he contracted in 1921, though he had lost the use of his legs. His political comeback occurred in 1928 when he won the state governorship of New York and during the early years of the Depression he gained a reputation for acting decisively to help the poor and the unemployed.

Already popular, when he was selected to be the Democratic candidate for President in 1932, he called for bold government experimentation to solve the economic crisis. He promised the American electorate a New Deal. This was a popular clarion call, especially when compared to the perception that Hoover's administration was incapable of dealing with the Depression.

For all of Roosevelt's popularity, however, it is probably more accurate to state that Hoover and the Republicans lost the election. They had been slow to act whilst in government and the popular perception of Hoover was entirely negative.

In many ways the 1932 election was a foregone conclusion apart from the scale of the victory. In the event FDR won after achieving 57% of the popular vote. The Americans had voted for change. This was now on offer.



A rare photograph of Roosevelt in a wheelchair. He was careful to avoid being seen in public using one.



Roosevelt's inauguration as President, March 1933

Task

How might Franklin Roosevelt answer statements that the main reason for his victory in 1932 was the unpopularity of Herbert Hoover?

Who made the New Deal?

It was common practice in the 1930s that a newly elected President had to wait four months before taking office. In this time Hoover remained in charge of the USA. Even though this time was known as the '*lame duck months*', Hoover did make some final efforts to beat the economic crisis, but none of his policies worked.

Once FDR took over he brought in his own team to begin his New Deal. He took advice from an unofficial team of lawyers, academics and journalists. This was the so-called '*Brain Trust*', but though it was a new idea and it attracted great interest, it never had great influence.



More significant was the role played by the cabinet appointed by FDR, notably Secretary of Labour Frances Perkins (*right*) and Interior Secretary Harold Ickes (*left*). Meanwhile many Democrat Congressmen had ideas to solve the problems, and these could influence the thinking of the President. Roosevelt was lucky in that the Democrats controlled both houses in Congress, and FDR could count on their support even if they tended to be on the right wing of the Democratic Party.



Roosevelt himself was not a great legislator, though he did lead and shape the recovery package. He kept or adapted measures from the Hoover period which he considered to be useful, and he made sure that the men and women he appointed had the correct skills for the jobs he appointed them to.

Roosevelt was also a good listener and responded to new ideas. He was always willing to try out an idea because he felt it was better than doing nothing. He was an able politician and projected an aura of optimism and self-confidence. He maintained good relationships with journalists and bothered to explain his ideas to the American people by means of his radio '*fireside chats*'.

Therefore, for all the contributions made by others, which should be recognised and acknowledged, the New Deal was made by the direction and leadership of Franklin Roosevelt.



Roosevelt shortly after finishing one of his '*fireside chats*'

Task

1. Who were the main individuals and groups influencing Franklin Roosevelt?
2. Why should it be said that, in the final analysis, the New Deal was made by Franklin Roosevelt?

How successful was the New Deal?

Franklin Roosevelt was inaugurated on 4th March 1933, a day when most banks in the USA were closed and one out of four American workers was out of work. In his first speech he called for a New Deal and for sweeping powers to meet the challenge of the economic crisis. He emphasised to the people that the only thing they needed to fear was fear itself. To many Americans the new President promised new hope.

Calling a special session of Congress, Roosevelt began the One Hundred Days. This was a frenetic period of legislation which saw the end of Prohibition, reformed the banking and financial system and began a new programme of '*relief, recovery and reform*'. The intention was to get out of the current crisis – and to make sure it never happened again.

The Main Items of Legislation

Banking and Finance:

The epidemic of bank failures worsened in the winter of 1932–1933, prompting further panic and runs on American banks. When FDR became President some 75% of US banks were shut, and 38 states had proclaimed indefinite bank holidays. The entire banking system seemed in danger of total collapse.

Roosevelt moved quickly, announcing a nationwide bank holiday and calling a special session of Congress. The Emergency Banking Relief Act was basically the product of the previous administration, and it tended to reinforce rather than reform the existing system. It placed all banks under federal control and arranged for solvent banks to re-open.

In his first '*fireside chat*' of 12th March he told the Americans that it was safe to bank their savings. They chose to believe him and deposits flowed back into the system. The crisis was over and Roosevelt had gained his first success. By speedy, dramatic action he had restored confidence and, according to Raymond Moley, one of the '*Brain Trust*' advisers, "*saved capitalism in eight days*".

The next stage involved the Glass-Steagall Act, which prevented '*high-street*' banks taking part in investment banking, which had been one of the main causes of the collapse following the Wall Street Crash. There was also the creation of the Federal Deposit Insurance Corporation (FDIC) which guaranteed all bank deposits up to \$5,000.

These two measures stabilised American banking and, though the division between federal and state banks remained in place, the number of bank failures between 1933 and 1941 were fewer than in any previous American administration.

Other measures taken in the area of banking and finance included efforts to alleviate the financial problems facing farmers. The Farm Credit Administration (FCA) helped farmers to meet their mortgage obligations by offering lower interest rates. Householders were given similar assistance through the Home Owners' Loan Act.

On 19th April 1933 the United States left the Gold Standard, which had been the basis for international trade for more than 100 years. The USA was not the first to take this decision, as the British had abandoned gold in 1932, but it did allow the value of the dollar to be kept stable.

President Hoover had always argued that the world's economic problems were not unique to the United States, and had hoped that the world's major industrial countries would come together to work out a solution to the depression. As a result a conference was held in London on 6th July 1933. However,

Roosevelt rejected Hoover's premise, believing that the solution to America's problems were domestic rather than international. In effect he ruined the conference by devaluing the dollar at a time when the other countries were looking for currency stability.

The Gold Reserve Act of January 1934 accepted the devalued dollar, which would make exports cheaper. Roosevelt hoped that the currency re-evaluation would raise prices in the USA and thus aid economic recovery. He also hoped to do this by raising the amount of silver in the coinage. However, these changes in the currency and the coinage had little effect.

In the final analysis Roosevelt's attempts to reform the American banking and financial systems were conservative rather than radical, and he worked to preserve the systems and improve them rather than transforming them.

Unemployment:

To Roosevelt his greatest challenge was to get the USA *'back to work'*. By creating a number of so-called *'alphabet agencies'* Roosevelt tried a number of ideas to reduce unemployment. The first of these came in March 1933 with the Civilian Conservation Corps (CCC). This set out to give work to young men between the ages of 18 and 25 years old. Directed by the US Army, three million men were given employment in public works – developing the system of national parks, building roads or undertaking conservation projects.

Men on these projects were paid \$30 a month, of which they sent \$25 dollars back to their families. The CCC was initially set up to last for two years, but in the event lasted until 1942. It helped reduce unemployment and even improved levels of literacy, but once a young man left the CCC there was no guarantee of employment elsewhere.

In May 1933 the Federal Emergency Relief Administration (FERA) was placed under Harry Hopkins. It was created to provide relief for the unemployed, which would be given through the individual states. FERA organised a number of relief programmes in areas such as construction and literacy schemes.

However, this initiative worked better in some states than in others. Hopkins spent a lot of time trying to persuade reluctant state governors to implement relief programmes. The worst of the states were Georgia and Oregon whose governors prided themselves on providing no direct aid to the poor at all. Hopkins was forced to threaten to cut off federal funding to the states; in six cases he had to take control of relief funding because of the amount of local resistance.

FERA was not by itself going to provide enough relief for people as winter approached in 1933. Direct federal involvement was now implemented through the Civil Works Administration (CWA) and by Christmas three million Americans were employed on CWA projects, a figure that increased to 4.2 million by the middle of January 1934.

Most of the jobs created were manual jobs, but Roosevelt soon grew concerned that the CWA was costing too much – around \$200 million a month compared to \$60 million a month for FERA. As a result CWA was ended on 31st March 1934.

Previously, in June 1933, the Public Works Administration (PWA) was created under the Secretary for the Interior, Ickes. He had a different view on job creation than Hopkins. Hopkins wanted to give hope back to the unemployed by providing them with a job – any job. As a result people accused him of creating *'boondoggle'* jobs – ones that had no point other than providing a job for someone.

Ickes wanted to use the budget for his agency much more wisely and looked only for worthwhile projects. In the end PWA was responsible for the construction of some 13,000 schools and 50,000 miles of road. However it failed to offer enough support to reduce unemployment by much and by comparison to the CWA.

Business and Industry:

The best known of the alphabet agencies was the National Recovery Administration (NRA). The NRA was given \$3.3 billion to spend on public works projects over two years and was a huge step away from the concept of laissez-faire because it aimed to create codes of practice for industry. These codes were intended to ensure fair competition, to lay down fair wage rates and fair working hours. It banned all children under 16 from working and gave employees the right of collective bargaining for wages. This last decision represented a major victory for American trade unions, which had been campaigning for this right for many years.



Between 1933 and 1935 the NRA drew up 557 different codes of practice for different industries. However, many of them proved unworkable, often because they were introduced too quickly without being properly thought through. They also excluded agricultural workers, who had their own agency, and domestic servants – both areas with large numbers of African-Americans.

The NRA did nothing to deal with the trusts that controlled whole industries, which therefore continued such abuses as price-fixing. In the end the Supreme Court declared the NRA to be unconstitutional and it was ended in 1935, by which time it had helped with the economic recovery of the USA.

Agriculture:

The Agricultural Adjustment Administration (AAA) was established in May 1933 and laid the basis for modern farming policies. Throughout the 1920s the biggest problem facing agriculture was over-production, which, in turn, had led to low farm prices. The AAA gave the Secretary for Agriculture the power to deal with such issues, and it began by reducing production and thus stabilising prices.

The AAA was based on the concept that farmers would agree either to reduce the amount of land they cultivated or to reduce the amount they produced on the same amount of land. The plan affected several different types of farm produce, including wheat, pigs and milk. Thousands of piglets were slaughtered, gallons of milk were poured away and acres of cropland were ploughed up. The reduction in crop yields was also helped by the drought that hit the USA in 1933.

This plan made a difference and farm prices began to rise. However, the AAA also assigned to the federal government the main role in agricultural policy and was eventually declared unconstitutional by the Supreme Court, which declared that such a role was properly that of individual state governments.

Finally the Tennessee Valley Authority (TVA) was introduced in May 1933 and provided a model for regional planning. The idea was to control flooding along the Tennessee Valley, regenerate farming in the area and provide cheap renewable electricity.

Conclusions

Roosevelt believed that the New Deal looked after the *'little man'* – those that had previously been forgotten and who had suffered as a result of the Great Depression. Although the idea of the New Deal was not specific, Roosevelt considered these people to be American citizens and vital to the American ideal of democracy whereby politics should operate for the betterment of life for ordinary people.

It is possible to criticise the New Deal as a programme of measures that developed in response to a series of crises. There certainly seems to have been no overall plan. Some of the New Deal agencies overlapped in their fields of operation whilst others had contradictory aims. However, this is explained by Roosevelt's determination to undertake bold experimentation. If one plan failed, or at least was not seen to be working well, he would try something else. His aim was to enable American economic recovery and get Americans back to work. The means was not something he worried about.

By the mid-term elections in 1934 millions of Americans had been affected by the New Deal and perhaps the final word on the success of the New Deal should be left to the electorate, which returned the Democrats to Congress with an increased majority. It was a ringing endorsement of what the American people felt about the success of the New Deal.

Task

Fill in the details for the following table:

Area	Year	Action	Acronym	Aim	Success
Banking		Bank Holidays			
			EBRA		
		Glass-Steagall Act			
			FDIC		
			FCA		
			HOLA		
		Gold Standard			
		Gold Reserve Act			
Unemployment			CCC		
			FERA		
			CWA		
			PWA		
Business			NRA		
Agriculture			AAA		
			TVA		

Write a paragraph explaining how successful the New Deal was in solving the problems facing the USA.

What was the Dust Bowl?

The Dust Bowl was the result of a climatic disaster in 1934. During the First World War American farmers, in order to cater for the demand for grain from European countries at war, grew wheat on land normally used for livestock grazing. The intensive nature of the wheat farming then proceeded to destroy much of the vegetation cover.



Dust storm approaches Stratford, Texas 1935

In the years 1934 and 1935 the summers were especially hot, and temperatures in Oklahoma for example rose to 100^o Fahrenheit for 36 consecutive days. This turned the topsoil into dry dust. And then the winds came. These picked up the dust, dropping it all over the immediate area but also as far east as Washington DC. There were even reports of dust fallout on ships 300 miles out into the Atlantic Ocean.

Once the wind stopped and the dust had settled the damage could be assessed. The land was dead. Deep cracks ran through the earth and surrounding hills had been badly eroded. There were no signs of animals or birds. Thousands of farming families faced ruin. Many packed all their belongings into their cars and trucks and began a migration to the charity camps of California, hoping like the original settlers for a new and better life.

In California they were labelled 'Okies' and 'Arkies', regardless of whether they had come from Oklahoma, Arkansas or not. Between 1935 and 1940 some 350,000 of them arrived in California, where they were distinctly made to feel unwelcome. They were seen as a threat to Californian farmers, who were themselves struggling to survive.



Buried farm machinery, Dallas, South Dakota 1936

Help for the migrants was limited to the existing alphabet agencies of the New Deal. There was not much. Many were forced to eke out a living in filthy roadside camps with no facilities and high rates of infant mortality.

Ironically, when the rains eventually came, they would not stop. Floods across 12 states in January 1937 rendered 150,000 people homeless and killed nearly 4,000 people.



Tenantless Farm,
Texas 1938

Task

1. How did the Dust Bowl happen?
2. What happened to some of the Mid-Western farming families?

Why was there opposition to the New Deal?

Even though the Democrats increased their majority in Congress in 1934 there was growing criticism of the New Deal from both the right and left wings of American politics. Conservatives in the USA had watched the growing interventionism of the New Deal with growing distaste. They hated the move away from individualism and laissez-faire and criticised the 'sovietisation' of America. They also commented on the huge cost of the relief measures and the budget deficits that arose as a result.

The most powerful of the right-wing opposition was the Supreme Court. Most of the judges in the court had been appointed by previous Republican administrations, and they had the power to adjudge that many of the New Deal agencies were unconstitutional on the basis that they placed too much power in the hands of the federal government over the individual states.

Meanwhile, whilst right-wing opposition criticised the New Deal for going too far, left-wing criticism maintained that it had not gone nearly far enough. In mid-1934 there were still eleven million people out of work and critics claimed that the New Deal had mainly benefited industry and business rather than the unemployed.



Some, like Floyd Olson, Governor of Minnesota, called for state ownership of mines, transport and public facilities, whilst Dr Francis Townsend (*left*), a retired medical practitioner from California, pressed for everyone over 60 years old to be given a state pension of \$200 per month so long as they spent the money within the month. Though this plan would have been tricky to introduce into the American economy of the time, it did – for obvious reasons – gain support among the elderly.

The most powerful left-wing opponent of Roosevelt was Huey Long, former Governor of Louisiana. He had stirred up the hatred of poor (white) Americans against the business interests which had dominated the state. He introduced a number of reforms to Louisiana – building roads, improving education and introducing a fairer system of taxation. In the process he had established a near dictatorship in the state and he disregarded the law whenever it suited him.

In 1931 Long entered the Senate and became a fierce critic of the New Deal. In 1934 he came up with an alternative, which he called '*Share Our Wealth*'. In this he proposed a guaranteed minimum wage by taxing the rich and limiting personal fortunes. By 1935 he claimed that eight million people had joined his clubs and he planned to run for President against FDR in 1936. In the event he was assassinated before this could happen.

Task

Why did the following people or organisations oppose the New Deal?

- Right-wing conservative Americans
- The Supreme Court
- Left-wing radical Americans
- Floyd Olson
- Dr. Francis Townsend
- Huey Long

Why was there a Second New Deal?

There were perhaps a number of different reasons to explain why Roosevelt felt the need to introduce a second New Deal in 1935. One was probably in response to the criticisms made from the left-wing. Roosevelt had no wish to see American voters move away from mainstream American politics by voting for the new clubs organised by people like Huey Long and Frances Townsend. By introducing a new series of reforms he was perhaps trying to steal the thunder of the left-wing.

Secondly, the mid-term elections in 1934 had returned a more radical House of Representatives. The new Congressmen were expecting legislation and were prepared to support it. Roosevelt realised the nature of the new Congress and wanted to capitalise upon it. He certainly would not have wanted to surrender the reforming initiative to Congressmen.

At the same time Roosevelt had grown increasingly frustrated by the Supreme Court and its decisions that some alphabet agencies were unconstitutional. He considered the Court to be obdurate and this in turn made him amenable to more radical ideas. In any case he needed to introduce new measures to replace those declared unconstitutional.

The President had also become frustrated with the rich and with the forces of big business. Both of these sections of American society were opposing his measures more and more. When the US Chamber of Commerce launched an attack on his policies in May 1935, Roosevelt lost his patience. He felt he had been elected to save American business and he felt let down by the lack of support from it. Meanwhile, it had been pointed out to the President how important was the role of small businesses in the economy, yet the New Deal so far had done little for them.

Task

Explain how the following contributed to Roosevelt's decision to make a second New Deal

- Left-wing criticism
- The results of the 1934 mid-term elections
- The decisions of the Supreme Court
- Opposition from the rich and from big business

How successful was the Second New Deal?

The second New Deal went much further than the original New Deal in providing radical reform with a number of new measures.

The Works Progress Administration (WPA)

The WPA was intended to help the unemployed and became the most significant relief agency of the New Deal, especially in its help for white-collar professionals, women, young Americans and African-Americans. It provided public works projects, such as airport landing fields, schools and hospitals.

The creation of the National Youth Administration (NYA) further encouraged education, whilst providing part-time jobs for students, and it included a Division for Negro Affairs to make sure that African-Americans had a fair chance from WPA and NYA initiatives.



Criticism of the new agencies came from conservatives, who claimed that the projects undertaken were of dubious value. Others insisted that the WPA was a front for left-wing politics. On the other hand trade unionists and other left-wing commentators argued that workers were exploited by the WPA because, although wages were higher than any benefit, they were less than the going rate in industry.

In fact the WPA only employed people for one year and it did not try to compete with private business. It would not employ anyone who could have received a job elsewhere and many of its projects, such as the surveying of historic sites, were unlikely to have been undertaken by the private sector.

The Wagner National Labour Relations Act, July 1935

During the 1930s trade union membership in the USA trebled, and trade unionists were among the most enthusiastic supporters of the New Deal, which gave the right to unions of collective bargaining under the National Industrial Recovery Act. Meanwhile, NRA codes helped to increase wages and to improve working conditions.

The loss of the NRA, declared unconstitutional by the Supreme Court in May 1935, was a blow, but the Democrats in Congress now pushed through the Wagner Act, which confirmed the right of collective bargaining and allowed workers to join unions of their own choice through a secret ballot. To make sure that both unions and employers acted correctly, a National Labour Relations Board was established.

This was the first legislation that effectively gave the trade unions rights in law and it committed federal government to a role in labour relations. However, Roosevelt remained reluctant to intervene in labour relations issues.

The Wagner Act certainly did not end labour disputes, but it did survive a legal challenge that went to the Supreme Court. On the other hand trade unions still faced political attack, notably from the House Committee on Un-American Activities (HUAC), which criticised the act as pro-Communist.

In 1943 the Smith-Connally War Labour Disputes Act gave the President the power to seize all factories where strikes were taking place and made it an offence to encourage strikes. However this legislation occurred during the Second World War when the first priority had become the need to harness the nation's economy towards the war effort.

The Social Security Act, August 1935

The intention of this act was to provide long-term assistance to those who needed it. It introduced old age pensions to the USA as well as unemployment benefit. In this Roosevelt had moved to meet the demands of Francis Townsend, but the act fell short of his hopes. Pensions were to be paid out at a rate of \$10-\$85 per month, dependent on the amount of contribution, whilst unemployment benefit would be paid to a maximum of \$18 per week for 16 weeks only.

Social security was to be funded by contributions from both employers and employees. The federal government was to provide the pension scheme whilst the states administered unemployment benefit. Roosevelt had included this stipulation in order to avoid any Supreme Court declaration that the act was unconstitutional on the grounds that it did not provide a role for the states.

One of the biggest drawbacks of the act was the occupations excluded from its provisions. In most cases these occupations included those people most in need of help – farm labourers, domestic servants and workers in small-scale businesses. This decision was made because the government felt employers would not be able to afford the contributions, and because it would cost the Treasury too much to collect them. Health insurance was not included because the American Medical Association would not agree to any measure that limited its rights to charge fees.

Yet, for all its flaws, the Social Security Act was a major break with American tradition because never before had there been a direct system of national benefits. It was not a form of relief because FDR refused to allow general taxation to subsidise the system – it had to be self financing and recipients had to have paid into the system before they could get something back. Pensions were not paid as a flat rate but in accordance with how much people had put in during their working lives, whilst unemployment benefit was low and limited in duration.

Several conservatives objected to the measure arguing that it made people dependent on the state and took away personal initiative. They also argued that it took power away from the individual states and put power into central government hands. Yet Roosevelt is said to have taken more satisfaction from this measure than any other part of the New Deal because he and his supporters believed it sent out a strong message that government cared about people.

The Revenue Act, August 1935

In matters of taxation and revenue Roosevelt was quite conservative. He had found it troublesome to accept the concept of deficit budgets in order to get the economy moving, even if such Keynesian activities did work.

Nevertheless the New Deal did require some financing, and this meant raising taxation, which was the purpose of the Revenue Act. The provisions of this act increased the top levels of income tax from 63% to 79% and increased estate taxes as well. An undistributed profits tax was also introduced to try and force large corporations back into the Stock Market and thus raise money for investment.

These provisions hit the wealthy and big businesses and were very unpopular with these sections of the American population. This was deliberate, and not only to finance the New Deal. Roosevelt wanted to silence the left-wing critics like Huey Long, who demanded a major redistribution of wealth.

In the event the new taxes raised little in the way of revenue because only about 1% of the population earned enough to pay the top levels of income tax and the estate tax provision was easily exploited and evaded.

Other Reforms

These included: aid for farmers by resettling them away from the Dust Bowl areas in Oklahoma, Texas and Kansas and resettling them on more suitable farmland. There were low interest loans to rural cooperatives so they could provide electricity. The Banking Act of 1935 created a new Federal Reserve Board and legislation was also enacted to reduce the powers of holding companies.

Conclusions

The second New Deal saw an increase in government at all levels and there was much that was new. The American banking system was centralised and some of the worst capitalist excesses were dealt with, such as the power of holding companies. Small businesses were given help, trade unions were given a legal voice and a national social security system was introduced for the first time in the USA. There was also further development of existing policies, such as the creation of the WPA to aid relief and recovery.

Some have criticised the second New Deal because it saw an increase in government. They attacked some of the 'socialist' ideas and claimed the legislation was 'un-American'. Others continued to maintain that the second New Deal did not do enough.

However, if the success of a political programme can be judged by electoral success, then the second New Deal does not need to go beyond the 1936 elections for assessment. Roosevelt was returned for a second term of office with over 11 million more votes than his Republican rival, winning all but two states in the Electoral College. In Congress the Democrats won a landslide – 331–89 in the House of Representatives and 76–16 in the Senate.

Roosevelt was seen to be addressing issues and taking note. He was taking decisions and he was doing something. Most particularly he involved himself through his legislation in everyday issues that were important to ordinary Americans whose concerns would previously have been ignored.

Task

1. What was the intention of the WPA and the NYA?
2. Why were the WPA and NYA criticised by some?
3. How successful were they?
4. What was the intention of the Wagner Act?
5. Why was the Wagner Act criticised by some?
6. How successful was it?
7. What was the intention of the Social Security Act?
8. Why was the Social Security Act criticised by some?
9. How successful was it?
10. What was the intention of the Revenue Act?
11. Why was the Revenue Act criticised by some?
12. How successful was it?
13. How successful was the second New Deal?

(Consider the following: the banking system, small businesses, the trade unions, the social security system, the increasing role of government, HUAC and left-wing criticism.)

How serious was the opposition to the New Deal?

To many left-wing Americans the New Deal did little to address the real issues. Socialists and Communists criticised it because it did nothing to change the capitalist economic system, which they believed was ultimately responsible for the Wall Street Crash. This was always what Roosevelt had tried to do – he never intended to alter the capitalist system, merely to make it work better.

However, to right-wing Americans Roosevelt was a dangerous radical who had abandoned laissez-faire economics and had used the power of the federal government for purposes never intended by the Founding Fathers. They claimed he acted on his own agenda, reducing the power of the individual and the states.

But how much was FDR and his administration actually affected by the criticism? Did left-wing criticism push him towards a more radical direction than he would otherwise have chosen to travel? Did right-wing criticism force the President to compromise on many of his reforms?

The Supreme Court

The American Supreme Court is the '*watchdog*' of the US Constitution. It is the highest court of appeal for all cases of state and federal law, and it has the power to declare unconstitutional any act of state government or federal government. Supreme Court judges are nominated by the President, with advice from the Senate, and once nominated and approved they are in office until they resign or are impeached.



So far in American history no Supreme Court judge has ever been impeached.

When Roosevelt took office he inherited a Supreme Court with judges appointed by previous Republican judges, and they dominated the Supreme Court. Inherently a conservative body, under Chief Justice Charles Evans Hughes the Court was a major obstacle for FDR and the New Deal.

In 1935 the Supreme Court virtually wrecked the first New Deal. In the '*sick chicken case*' (A.L.A. Schechter Poultry Corporation vs. United States) a New York firm was accused of selling diseased chickens and breaking one of the codes of the NRA. The Supreme Court found that the federal government had exceeded its powers by interfering in trade between states, which was a matter properly left to the individual states. In effect the NRA had been found to be unconstitutional.

Then, in January 1936, the Supreme Court found the AAA unconstitutional on similar grounds. In all the Supreme Court declared eleven New Deal laws unconstitutional. Given that before the New Deal the Supreme Court had only vetoed 60 federal acts since the start of the United States in 1776, this gives some indication of the strength of opposition in the Supreme Court.

In many ways the problems facing the New Deal came about because legislation was enacted speedily in the so-called first '*Hundred Days*', often not having been properly thought out. However, Roosevelt could not be thwarted so easily. Many of the provisions of the NRA and the AAA were later incorporated into the second New Deal.

The opposition of the Supreme Court could therefore be frustrated, but Roosevelt was determined to prevent any further threats to his programme from the Court. After his landslide victory in the 1936 presidential election FDR launched a fierce attack on the Supreme Court – which proved a major political mistake and cost him support in Congress.

In 1937 the President submitted a bill to Congress which, if passed, would force all justices over the age of 70 to retire. The law would apply to all federal judges, but it was clearly directed at the Supreme Court. If it became law there would be six out of nine Supreme Court justices who would have to retire. The bill would also give the President the power to appoint six new judges, and would thus allow Roosevelt to '*pack*' the Court with 12 judges nominated by him.

This bill led to opposition on the basis that the President had already significantly increased his power as a result of the New Deal, and this new bill would make him even more powerful. As a result it was rejected in the Senate by 70 votes to 20.

However, Roosevelt had also been somewhat undermined by a change of attitude in the Supreme Court, which had upheld a minimum wage act passed by the state of Washington on 29th March 1937. The '*switch*' took much of the steam out of Roosevelt's case, especially when – to the surprise of many – the Supreme Court also upheld the Wagner Act on 12th April. Finally the most conservative of the justices, Willis van Devanter, announced his retirement in 1937, allowing FDR to nominate his own justice.

The result of these changes within the Supreme Court meant that the second New Deal faced far fewer legal and constitutional problems than the first. However, Roosevelt had damaged his reputation in Congress and never again commanded as much support for his domestic programme. His third New Deal was not very notable for reforms other than a new Agricultural Adjustment Act and a Fair Labour Standards Act.

Other Right-Wing Opponents

The Republican Party was always an opponent of the New Deal, but it was largely ineffective because of its failure at the polls. In certain states opposition in state legislatures was more serious and local state governors could slow down the pace of change or even frustrate it.

Much of the New Deal was opposed by big business, which fought individual reform packages by putting pressure on Congress. It was big business that had initiated the '*sick chicken case*' because the Schechter Corporation received financial support from the owners of US Steel to bring the case to court.

Perhaps the most notable right-wing opposition came from the Liberty League. This organisation gathered support from various groups and individuals who opposed FDR and based its opposition on the need to "*defend and uphold the Constitution*". However, the Liberty League was not representative of all American big business and the New Deal did gather some support from several big industries, such as Warner Brothers and Standard Oil. Indeed, many businessmen were advisers to the President on aspects of the New Deal, especially for the first New Deal.

Left-Wing Opponents

The most extreme opponents of the New Deal were the socialists and the communists. These groups disliked the New Deal because they were looking to overthrow the capitalist system rather than reform it, whereas the New Deal was meant to make capitalism work better. However, neither of these groups was significant within US politics – in the 1932 presidential election the socialist Norman Thomas polled 883,990 votes in comparison with Roosevelt's 22.8 million. In 1936 the Communist candidate received a mere 79,000 votes.

The Louisiana Democrat Huey Long with his Share Our Wealth campaign was more serious. He was a vociferous opponent of FDR within the Democrat Party with his proposals to guarantee a homestead allowance to every American family and a minimum annual wage. He proposed to pay for this by increasing taxation so that no individual could earn over \$1.8 million a year. His plans were popular and

by 1935 there were 27,000 'chapters' of his campaign across the USA. By the summer of 1935 he was considered a serious contender for the presidency, but in November 1936 he was shot dead by a dissatisfied supporter. It was nevertheless Long's campaign that helped push Roosevelt further to the left in the second New Deal.



The priest, Father Charles E. Coughlin (*left*), was also an opponent of the New Deal. By 1930 he had a radio programme with more than 35 million regular listeners. He blamed both American and British bankers for the Depression and initially supported the New Deal. By 1934, however, he had founded the National Union of Social Justice, which was promoted as an alternative to the New Deal. Coughlin claimed that FDR had become influenced by the banking community and could no longer be trusted, and his union advocated monetary reform, using silver and encouraging inflation, which certainly enhanced his support from those who were in debt. However, Coughlin's influence suffered as he became more anti-Semitic, blaming Jews for their influence in the Roosevelt administration and for their control of Wall Street. He then started to admire the European Fascists, making him easy prey to government political attack. His influence in the later 1930s declined steadily.

Francis Townsend was a retired doctor from California who proposed a plan for old age pensions in 1933, and by 1935 he had gathered support from more than half a million old age pensioners in his Townsend clubs across the USA. Once again, this left-wing pressure seems to have had an influence in making the second New Deal more radical.

However, opposition from the left was limited. After the assassination of Long in September 1935 the supporters of Long, Coughlin and Townsend got together to support their own political candidate for the presidency in 1936. He polled 892,000 votes. Roosevelt received 27.7 million. It brings to mind Roosevelt's comment about the opposition he faced to his New Deal: *"Everyone is against it except the voters!"*

Task

Create a presentation or information pamphlet about the opposition to the New Deal.

You should include sections on the following:

- The Supreme Court
- The Republican Party
- Big Business
- The Liberty League
- Socialists and Communists
- Huey Long
- Charles Coughlin
- Francis Townsend

For each one, state:

- How and why they opposed the New Deal
- How Roosevelt dealt with their opposition, if at all
- How much influence they had on Roosevelt and the New Deal.

Why was there a Recession in 1937–1938?

In June 1937 figures for American output surpassed 1929 levels. Roosevelt had financed much of the New Deal by deficit budgeting, but this was increasing debt, so the President decided to balance the budget by cutting government spending. This immediately sent the US economy into a reverse that was steeper than it had been in 1929. Over ten months industrial production fell by 33% and national income by 10%. Unemployment rose once more to 11.5 million (20% of the workforce).

Roosevelt seemed to have adopted a policy of laissez-faire towards the economy, until it became clear that the recession would damage the chances of the Democrats in the 1938 mid-term elections. At that point Roosevelt increased government spending even at the expense of growing indebtedness. He advanced \$3.75 billion for relief and public works, and the economy began once more to grow.

Task

Why was there a recession in 1937 and how did Roosevelt deal with it?

Was the New Deal really that new?

Some have argued that the New Deal was a dramatic new departure in American history. They maintain that FDR had founded the modern American welfare state based on the idea that the federal government had a responsibility to guarantee a minimum standard of living. It also meant that government had to intervene in social and economic affairs.

The assertion of the power of federal government reduced the autonomy of the individual states, and Americans now looked towards the Washington government for solutions to their problems rather than to their own state capitals. Meanwhile Roosevelt had significantly changed the role of the President, expanding the lawmaking function of the presidency. He also learned how to use the mass media by managing press conferences and communicating directly with people by means of the radio. His legacy was to place the US President at the centre of American political life, and later Presidents have had to live up to this.

On the other hand the aims of the New Deal were not revolutionary. Roosevelt wanted to save capitalism rather than destroy it and with few exceptions, such as the TVA, the New Deal never challenged the basic principles of capitalism. At the same time, no significant state-owned enterprise emerged in the USA.

The results of the New Deal were certainly anything but revolutionary. There was no redistribution of wealth and the income profile of the USA in 1940 was very similar to that of 1930. Finally Roosevelt, even though he undertook deficit financing, was never easy with the concept. His natural inclination was to balance the budget – an inclination that had led to the recession in 1937.

Task

1. In what ways could the New Deal be considered new? Explain your answer.
2. Why was the New Deal not particularly revolutionary?

Did the New Deal bring about fundamental change to the USA?

For right-wing Americans Roosevelt had transformed the United States by introducing too much reform and too much government regulation of the US economy. They argued that the alphabet agencies had unclear goals, and some of them were actually in competition with each other.

The economic statistics suggest that the New Deal also failed in one of its main aims – getting Americans back to work. In 1938 there was still 19% of the American workforce out of employment, compared to 23.6% in 1932. There was still 14.6% out of work in 1940.

Compared to many other western economies, the economy of the USA took longer to emerge from depression than any other. However, according to left-wing critics this was because FDR and the New Deal did not go far enough as he did not nationalise the banks and did little to provide affordable housing. Even where social reforms were made, such as the Social Security Act in 1935, they fell far short of equivalent measures taken in places like Britain or Australia.

In fact, to left-wing critics, the biggest failing of Franklin Roosevelt was his preservation of the capitalist system. Far from bringing fundamental change to the American economy, Roosevelt prevented change from taking place.

However, it is fairer to FDR to compare his administration with the previous Republican ones rather than with governments in other countries. The Roosevelt administration made considerable advances in reforming industry, agriculture and banking, and he did help put many Americans back to work. The New Deal prevented a complete banking and economic collapse in the USA and – perhaps more importantly – restored the morale of the Americans and provided them with some hope.

As far as the President was concerned he did bring about fundamental change – mostly in the way Americans thought about people in distress and the role of the government in dealing with such distress. It is certainly true that the New Deal left its mark. By the start of the Second World War in 1941 the role of the federal government had expanded out of all recognition, particularly the role of the President.

The creation of the Executive Office of the Presidency in 1939 outlined this change, and what the New Deal had started, the war years completed. The Imperial Presidency was in place by 1945 and the federal government was to play a significant role in the lives of every American citizen.

The New Deal did not however do much to change the plight of women or African-Americans. This plight needed the upheaval of the Second World War to change. This remains the real trouble in assessing the impact of the New Deal – because it was followed by a period of considerable social and economic change, the changes brought about by the New Deal on its own can be somewhat obscured.

Task

Read the following statements and decide whether they are accurate or not. Don't forget to use evidence to explain your viewpoint

1. The New Deal brought an end to unemployment in the United States
2. By the end of the New Deal the American welfare system was the equal of any European one
3. Roosevelt's New Deal brought about fundamental change to the United States
4. The New Deal increased the role of the federal government in the USA
5. The New Deal improved life for both women and African-Americans

Why did Franklin Roosevelt end Prohibition?



By 1933 it had become clear to all that the government could not effectively enforce the Prohibition law. It was also clear that the desire of the Americans to partake of alcoholic liquor had also led to an increase in organised crime.

However, the Great Depression was the main factor that led to the 21st Amendment of the US Constitution, which repealed the 18th Amendment. The return of the brewing industry held out the promise of new jobs as well as the creation of some wealth for the nation rather than for American gangsters. Many also argued that the sale of alcohol would boost government revenue by allowing taxation on drink once more.

Meanwhile the Great Depression saw a significant movement to the cities from more rural areas. Generally supporters of Prohibition came from the rural areas of the United States whilst those advocating an end to Prohibition lived in the cities. The population movement from the countryside reduced the 'dry' vote in rural areas, but was not enough to overwhelm the 'wets' in the cities.

Finally, by the time of the 1932 presidential election there was a pressure group for repeal – the Association Against the Prohibition Amendment. Like the Anti-Saloon League, the AAPA used its influence to ensure that Congress would vote for repeal, and Franklin Roosevelt promised repeal as part of his manifesto.

Although the 21st Amendment was proposed in 1933 there was still strong opposition. In order to make sure that the Amendment would be ratified by the states as well as to counter any opposition in rural areas, Congress asked for the election of special conventions to vote solely on the ratification of the 21st Amendment. Only in this way could Congress guarantee ratification.

In 1933 the Amendment repealing Prohibition was passed by 73% of the specially convened delegates. Even so the individual states retained the power to introduce their own controls on the production and sale of alcoholic drinks.

Task

Which of the following are convincing reasons for the decision to end Prohibition?

- The growing disgust at the rise of gangsterism in the USA
- The promise of new jobs in the brewing industries
- The promise of increased government revenue from taxation on alcoholic drink
- The movement of people from the countryside to the cities
- The role of the Association Against the Prohibition Amendment
- The vote of the special conventions

How was organised crime defeated in the 1930s?

Prohibition had ultimately taken the manufacture and provision of alcoholic drink from legitimate businessmen and placed it into the hands of organised criminal groups. The gangster had become an accepted part of American society. It was now time to redress the situation and re-establish the pre-eminence of the forces of law and order.



The most famous gangster of the period was probably Al Capone (*left*), who operated illegal gambling dens and ran prostitutes as well as owning bars and selling bootleg liquor. He came out on top of the Chicago gangland wars, and he was not averse to killing off his rivals, such as 'Ragtime Joe' Howard.

The most famous of the gangland murders was the St. Valentine's Day Massacre in 1929. Some of Capone's men, dressed in police uniforms, went to a garage owned by one of his rivals, lined them up facing a wall and sprayed them with machine gun fire.



By this time Capone was earning something in the nature of \$6 million per week, much of which he used to bribe politicians, police authorities and judges. But in the end he was caught by the taxman. Inland Revenue agent Michael Malone got invited to the Capone gang's poker table by passing himself off as a Philadelphia burglar, whilst Revenue agent Frank Wilson identified a Capone cashier by tracing him to a Florida dog track and inducing him to testify about Capone's illegal earnings. Finally Prohibition agent Elliot Ness used a team of nine men, called the '*Untouchables*', to batter down the steel doors of Capone's secret beer breweries and amass evidence against the gangland boss.

All these forces of the law drew closer to Capone, who responded by trying to eliminate his opponents. However, the issue on which Capone was caught was the Supreme Court ruling of 1927 that income earned from illegal transactions was taxable. By 1931 the forces of the law had built up a case against Capone and it came to trial. If found guilty Capone could face 34 years in prison.

At this point a deal was offered. Capone's lawyers said their client would plead guilty if he was assured of a light sentence. The US Attorney agreed and recommended two and a half years. But Federal Judge James Wilkerson was enraged by this deal and insisted on a trial without any pre-made plea bargaining.



Capone now elected to plead not guilty – and lost. Wilkerson sentenced him to 11 years in prison. Capone ended up in Alcatraz (*left*), and soon began to suffer from the brain disease paresis, which had been caused by untreated syphilis. By the time of his release in 1939 Capone had lost his mind.

This story was symptomatic of the fight back made by the forces of law and order in the 1930s. In the first place the forces of law and order became more organised, especially the Federal Bureau of Investigation under the directorship of J. Edgar Hoover, who created centralised finger-printing in 1925, the crime laboratory in 1932 and the National Police Academy in 1935.

The FBI also benefited from a decision by Hollywood in 1934 to end all films with violent crime, because this decision exempted all films that showed the government fighting crime. Movies glamorised FBI agents as clean and upstanding American crusaders.

The second major factor to explain the decline of the gangsters in the 1930s was the end of Prohibition. Once the manufacture and sale of alcoholic liquor had become legal once more, then the huge sums of money that could be made by the gangsters was taken out of their hands. Henceforth the drinks business would make money for legal concerns and, via taxation policy, for the government.

The decline of the gangster also began as the Great Depression began to hit the USA. People had less money to spend and thus were less interested in joining illegal speakeasies or paying the inflated prices for illicit drink.

Task

1. Explain the role of the following in the career of Al Capone
 - Prohibition
 - Gangland wars
 - The St. Valentine's Day massacre
 - Michael Malone
 - Frank Wilson
 - Elliot Ness
 - James Wilkerson
 - Paresis
2. How did the following contribute to the defeat of organised crime?
 - The FBI
 - The National Police Academy
 - Hollywood
 - The end of Prohibition
 - The Great Depression

Timeline

Timeline of American History 1929–1941

Year	Domestic Policy	Foreign Policy
1929	Wall Street Crash; St. Valentine's Day massacre	
1930	Smoot-Hawley Tariff	
1931		Manchurian Crisis
1932	Reconstruction Finance Corporation; Emergency Relief and Construction Act; Bonus Army March; Electoral victory of Franklin Roosevelt	
1933	Emergency Banking Relief Act; Farm Credit Administration; Home Owners' Loan Act; Civilian Conservation Corps; Federal Emergency Relief Administration; Civil Works Administration; Public Works Administration; National Recovery Administration; Agricultural Adjustment Administration; Tennessee Valley Authority; End of Prohibition	Adolf Hitler came to power in Germany
1934	Gold Reserve Act; Dust Bowl in the Mid West	
1935	'Sick Chicken' Case; Works Progress Administration; Wagner National Labour Relations Act; Social Security Act; National Police Academy created	
1936	Huey Long shot dead	
1937		Japanese invasion of China
1938		Munich Agreement
1939		Britain & France declared war; End of US Neutrality Laws
1940	America First Committee set up	German defeat of France; Battle of Britain
1941		Lend-Lease plan approved; US Marines sent to Iceland; German invasion of Russia; Japanese attack on Pearl Harbour; Formation of the Grand Alliance

USA 1929–1941: Answers to tasks

Wall Street Crash (Events)

This should include reference to Thursday 24th October 1929, the failure of the ticker, the meeting of the bankers, Monday 28th October 1929, and Black Tuesday.

Wall Street Crash (Effects)

Indicative Content:

It is expected that students will argue that the Depression did not begin with the Wall Street Crash but in 1932 instead when confidence finally collapsed. However, it is possible to argue that without the Crash, the Depression would not have happened therefore the Depression did begin with the Crash.

Wall Street Crash (Causes)

All the statements made are causes for the Wall Street Crash. The student's opinions as to which were the more convincing reasons will need to be explained.

The Wall Street Crash and the Depression

- **The Wall Street Crash:** *This was more a symptom of the malaise in the US economy than a cause of the Depression.*
- **Under-consumption and the lack of demand:** *This meant supply would outstrip demand and ultimately lead to a slow-down in the American economy.*
- **The unequal distribution of wealth in the USA:** *This meant some Americans simply were not wealthy enough to participate in the boom years and could not pick up demand once this had ebbed away.*
- **American tariff policy:** *This led to retaliations from other countries and stifled American exports, which did nothing to ease the over-production.*
- **The legacy of the First World War:** *This meant that the American economy was linked to the problems of European economies and was affected by them.*
- **Republican laissez-faire policies:** *This led to a lack of regulation of business practices, which were sometimes unsound; they also encouraged the fevered speculation on the Stock market.*
- **The American banking system:** *Too many were susceptible to collapse.*
- **The British decision to abandon the Gold Standard:** *This caused ructions in the world's money markets, though was unlikely to have affected the American economy too greatly.*

The Effect of the Great Depression

- **Unemployment across the USA as a whole:** *This rose significantly.*
- **Female Workers:** *They were more likely to lose their jobs as men were considered to be the main breadwinners.*
- **African-American workers:** *They also suffered from greater unemployment as poorly paid jobs were now offered to white Americans.*
- **The Stock Market:** *This went into a serious decline.*
- **The banking system:** *Banks began to fail leading to a collapse of confidence in the American banking system.*
- **Marriage and birth rates:** *Both fell as people could not afford them.*
- **The system of unemployment relief:** *This was virtually non-existent – whatever systems there were in place were soon under pressure and failed to cope with the growing unemployment.*
- **Homelessness:** *This increased dramatically.*
- **Charity organisations:** *These were the main source of relief but the large numbers of unemployed stretched their resources.*
- **State tax revenues:** *These were reduced as unemployment rose.*
- **Agriculture and the food supply:** *This remained in depression – but the potential food supply was large because of the massive overproduction. It did not reach the towns because it was unprofitable to harvest the crop.*

President Hoover

The Problem

1. What was the main problem facing President Hoover in the early 1930s?

The Depression marked an economic crisis of a hitherto unprecedented level.

Action taken by Hoover

2. What was the Agricultural Marketing Act set up to achieve?
This established a Federal Farm Board to create farming co-operatives.
3. What was the Grain Stabilisation Corporation set up to achieve?
Set up to buy surplus wheat from farm co-operatives as a means of stabilising grain prices.
4. Why did Hoover delay the collection of war debts from America's former allies?
He did this to prevent the Depression spreading to other parts of the world.
5. Why did Hoover change his laissez-faire attitude?
Once he realised that leaving relief to individuals and charities was not working Hoover did change his policy.
6. What was the purpose of the Reconstruction Finance Corporation?
This was given the power to lend up to \$2 billion to rescue failing banks and insurance companies.
7. What was the purpose of the Emergency Relief and Construction Act?
This gave direct federal assistance to the unemployed.
8. What was the purpose of the Federal Home Loans Act?
This allowed for the creation of federal home loan banks which could provide up to 50% assistance to those people struggling to pay off their mortgages.

Criticisms of Hoover

9. What were 'Hoovervilles' and 'Hoover blankets'?
Hoovervilles were the shanty towns that sprang up on the edge of towns and cities for the unemployed and Hoover blankets were the newspapers used to cover the homeless.
10. Why did these terms become popular?
Because his measures were considered to be too little and too late.
11. Why had Hoover failed to establish a federal system of welfare relief?
He argued that relief was – and should be – a local responsibility, and that federal intervention would destroy the concept of self-government.
12. Why did the Smoot-Hawley tariff seem to contradict Hoover's stance on the international situation?
This was higher than the 1922 Tariff and did nothing whatsoever to improve world trade, even though Hoover realised that the American depression was having a detrimental affect on trade.
13. How did the events surrounding the Bonus Army affect the President?
It made him look bad by using the army to remove First World War veterans from Washington.

Conclusion

14. Does Hoover deserve his bad reputation?

Indicative Content:

This is likely to reflect the main text. However the main point is the realisation that popular views of history are difficult to contradict.

The duration of the Depression

These are all valid explanations of the durability of the Great Depression. Students should draw their own reasoned conclusions as to which of them are more convincing.

The 1932 Election

Indicative Content:

Roosevelt would be likely to counter that it was his past record as Governor of New York plus his promise of the New Deal that were more important.

The making of the New Deal

- Who were the main individuals and groups influencing Franklin Roosevelt?
The Brain Trust, Secretary of Labour Frances Perkins, Interior Secretary Harold Ickes, Democratic Congressmen.
- Why should it be said that, in the final analysis, the New Deal was made by Franklin Roosevelt?
He took the final decisions and was able to explain it to both journalists and the people.

The Success of the New Deal

Area	Year	Action	Acronym	Aim	Success
Banking	1933	Bank Holidays	n / a	To prevent the collapse of the US banking system	Yes – deposits returned after the holiday
	1933	Emergency Banking Relief Act	EBRA	To place all banks under federal control	Yes – it prevented further banking collapses
	1933	Glass-Steagall Act	n / a	To prevent banks taking part in investment banking	Yes – prevented the problems that had contributed to the Wall Street Crash
	1933	Federal Deposit Insurance Corporation	FDIC	To guarantee all bank deposits up to \$5,000	Yes
	1933	Farm Credit Administration	FCA	To help farmers to meet their mortgage obligations	Yes – more farms stayed in business
	1933	Home Owners' Loan Act	HOLA	To help householders meet their mortgage obligations	Yes – fewer people lost their homes
	1933	Gold Standard	n / a	To stabilise the value of the dollar	Yes
	1934	Gold Reserve Act	n / a	To accept a devalued dollar and increase exports	No – little effect and also ruined the London Conference
Unemployment	1933	Civilian Conservation Corps	CCC	To give work to young men between 18 and 25	Maybe – provided work for some 3 million but no guarantee of work afterwards
	1933	Federal Emergency Relief Administration	FERA	To provide relief for the unemployed through the states	Depended on the attitude of the individual state
	1933	Civil Works Administration	CWA	To provide direct federal employment	Provided 4.2 million jobs, but costs led to it ending in 1934
	1933	Public Works Administration	PWA	To provide work through public works	Constructed many public works but did not offer many jobs
Business	1933	National Recovery Administration	NRA	To provide public works funding and ensure fair practices	Too many codes failed and NRA eventually declared unconstitutional
Agriculture	1933	Agricultural Adjustment Administration	AAA	To deal with overproduction and farm prices	Declared unconstitutional
	1933	Tennessee Valley Authority	TVA	To control flooding along the Tennessee Valley	Yes

The final verdict on the success of the New Deal is a matter for explained student judgement.

The Dust Bowl

1. How did the Dust Bowl happen?
Over-farming removed the vegetation cover, hot weather turned the top soil into dust and then high winds dropped the dust everywhere.
2. What happened to some of the Mid-Western farming families?
They left for California, where they were treated badly as the Californians considered them to be a threat.

Opposition to the New Deal

- **Right-wing conservative Americans:** They opposed growing federal intervention and the move away from laissez-faire policies.
- **The Supreme Court:** Most judges had been appointed by Republicans and agreed with conservative opposition. They declared aspects of the New Deal unconstitutional on the basis that it placed too much power into the hands of the federal government over the state authorities.
- **Left-wing radical Americans:** They claimed the New Deal had not gone far enough to solve the problems
- **Floyd Olson:** He wanted state ownership of certain industries.
- **Dr. Francis Townsend:** He wanted everyone over 60 to receive a state pension.
- **Huey Long:** He opposed business interests and wanted a minimum wage introduced.

Reasons for the Second New Deal

- **Left-wing criticism:** Roosevelt may have acted to take the sting out of left-wing criticism of the New Deal
- **The results of the 1934 mid-term elections:** This returned a more radical House of Representatives which looked towards new legislation.
- **The decisions of the Supreme Court:** He needed new legislation to replace that declared unconstitutional by the court.
- **Opposition from the rich and from big business:** He felt let down by this opposition but also knew that little had been done for small businesses. He wanted to change this.

The Success of the Second New Deal

1. What was the intention of the WPA and the NYA?
The WPA was to become a relief agency intended to help the unemployed; the NYA encouraged education and provided part-time jobs for students.
2. Why were the WPA and NYA criticised by some?
Opponents claimed that projects undertaken were of dubious value and others claimed the agencies were fronts for left-wing policies. Others claimed that they exploited workers by offering low wage rates.
3. How successful were they?
There was no intention to compete with private industry and jobs were only part-time or for a maximum period of a year.
4. What was the intention of the Wagner Act?
Designed to replace the NRA, the act confirmed the right of collective bargaining and of workers to join a trade union of their choice.
5. Why was the Wagner Act criticised by some?
Opponents claimed it was a pro-Communist act.
6. How successful was it?
It gave the trade unions rights in law and it committed federal government to a role in labour relations. However, Roosevelt remained reluctant to intervene in labour relations issues.
7. What was the intention of the Social Security Act?
To provide long-term help to those who needed it and to introduce pensions.
8. Why was the Social Security Act criticised by some?
Opponents claimed it took away personal initiative and made people dependent on the state.
9. How successful was it?
It was the first direct system of national benefits in the USA, even though it did not apply to all people.
10. What was the intention of the Revenue Act?
It raised the top level of income tax and increased estate taxation.
11. Why was the Revenue Act criticised by some?
Because they ended up having to pay more tax.

12. How successful was it?

It raised little because so few Americans were wealthy enough to pay the top rate of tax.

13. How successful was the second New Deal?

(Consider the following: the banking system, small businesses, the trade unions, the social security system, the increasing role of government, HUAC, and left-wing criticism.)

This is a matter for reasoned student judgement based on a consideration of the issues mentioned in italics.

The seriousness of the opposition

The final presentation is a matter for students, who should consider all the opposition mentioned within the task before coming to a reasoned judgement, based on the text and other knowledge, on each of them.

The 1937 Recession

There was a recession caused by the President's decision to revert to balanced budgeting. It was dealt with by a return to deficit budgeting and new public works programmes.

The newness of the New Deal

1. In what ways could the New Deal be considered new? Explain your answer.

It was the first move towards a welfare state in the USA based on the concept that the state had a responsibility for a minimum standard of living; it meant greater federal government intervention and a lessening of the power of the state; the role of the President had been enhanced and placed at the centre of American politics; the need to use the media was important in order to get the message across.

2. Why was the New Deal not particularly revolutionary?

It wanted to make capitalism work better rather than to destroy the system – capitalism was never challenged; there was no move towards nationalisation; there was no redistribution of wealth.

The New Deal and fundamental change

Indicative Content:

1. The New Deal brought an end to unemployment in the United States:

This is not a true statement. The New Deal did reduce unemployment but did not eradicate it.

2. By the end of the New Deal the American welfare system was the equal of any European one:

This statement is not true – the American welfare provision was well short of measures taken in other countries.

3. Roosevelt's New Deal brought about fundamental change to the United States:

This can be considered correct by looking at the new role of the federal government and the President.

4. The New Deal increased the role of the federal government in the USA:

Very much the case – the federal government was to play an enhanced role in the lives of every American citizen and the imperial presidency had been established by 1945.

5. The New Deal improved life for both women and African-Americans:

The New Deal did little for either of these groups who had to wait for the changes brought about by the Second World War.

The End of Prohibition

All of these statements are possible reasons for the decision to end Prohibition – it is a matter for reasoned student judgement as to which are the more convincing reasons.

The defeat of organised crime

1. Explain the role of the following in the career of Al Capone.
 - **Prohibition:** *He made much money from the provision of illegal alcohol.*
 - **Gangland Wars:** *He came out on top of these wars.*
 - **The St. Valentine's Day massacre:** *He had some of his rivals murdered.*
 - **Michael Malone:** *An Inland Revenue agent who infiltrated Capone's poker table.*
 - **Frank Wilson:** *A revenue agent who induced one of Capone's cashiers to testify about the gangster's illegal earnings.*
 - **Elliot Ness:** *A Prohibition agent who amassed evidence against Capone.*
 - **James Wilkerson:** *The judge at Capone's trial who refused to accept any plea-bargaining.*
 - **Paresis:** *A brain disease cause by syphilis that caused Capone to lose his mind and ultimately his life.*
2. How did the following contribute to the defeat of organised crime?
 - **The FBI:** *This was organised more efficiently by J. Edgar Hoover, by such creations as centralised finger-printing and a crime laboratory.*
 - **The National Police Academy:** *This allowed for better trained officers.*
 - **Hollywood:** *All films with violent crime were stopped except for those showing the government fighting crime – good propaganda for the FBI.*
 - **The end of Prohibition:** *This ended the huge profits that could be made by gangsters providing illegal alcohol.*
 - **The Great Depression:** *People had less money to spend on highly-priced illegal alcohol.*