retrenchment and declining international trade, and the Japanese invasion of the Chinese province of Manchuria in 1931 had strained foreign relations across the Pacific. Abroad as well as at home, the depression seemed to be growing worse by the day, bringing about significant political changes. The Dow Jones reached its all-time low of 41.22 in July 1932. The Ford Motor Company had just experienced its worst year ever, with its output down from its 1929 high of 1.5 million to just 232,000 cars. Economic conflicts grew increasingly tense. When some of Ford's remaining employees demonstrated at the company's Dearborn plant, police fired into the crowd, killing four. A week later, six thousand dissidents marched in Detroit streets singing the Communist hymn "The Internationale." **John Reed Clubs**, which disseminated Communist propaganda in music, film, and literature, made their first appearance in Chicago. Under these circumstances, a Republican incumbent had at best a minimal chance of winning the presidential election.

Republican Defeat: The End of an Era

For three successive Republican administrations, Americans had generally appeared to agree with former President Calvin Coolidge's famous dictum that "the business of government is business." By 1932, however, both business and the government seemed to have reached their wit's end. To be sure, President Hoover had launched bold economic recovery initiatives, such as the $150 million for the prevention of foreclosures through the Federal Home Loan Bank Act, the $2 billion for public works through the Reconstruction Finance Corporation, and the $750 million in gold reserves for business recovery through the Glass-Steagall Act. But all this government-stimulated demand was cancelled out by Hoover's unprecedented tax hike and his insistence on a balanced federal budget. In June 1932, Chicago Mayor Anton Cermak had actually told a House committee that the president had the choice between sending relief, and sending troops. As Hoover's disastrous response to the Bonus Army protest showed, the president had chosen the latter. When Republicans met in Cermak's hometown that same month to nominate Hoover for the second time, they did so with little enthusiasm or hope for victory.

The Democratic Contender: Hope as a Program

Hoover lost the 1932 election in the greatest landslide since the re-election of Abraham Lincoln in 1864, an election that had been held without the seceding southern states. Hoover's rival, Franklin D. Roosevelt, won 472 of the 531 electoral votes, and 57 percent of the popular vote. The deciding issue was not that the former New York governor had an answer to the economic troubles of the time. Like Hoover, Roosevelt attacked extravagant government spending and actually promised a 25 percent cut in the federal budget. He described the gold standard as a sacred covenant and mocked suggestions by the Farm Board that the answer to agricultural overproduction was plowing under crops in return for government payments. But even when Roosevelt tried to reassure a middle-class frightened of revolution, he demonstrated the political will for experimentation. In a nationwide radio address he called for government programs to help "the forgotten man" and advocated for "persistent experimentation" in the fight against the depression and for a "wiser, more equitable distribution of the national income." This stirred fear and anger among many in the upper class and some in the middle class, but it gave hope to a large number of Americans who felt that any effort at relief was better than Hoover's ideological commitment to voluntarism and self-reliance.

By March 1933, the economy and the state of the nation had reached such a poor state that Americans had little left but hope for change. An event just two weeks before Roosevelt's inauguration suggested that this change would have to depend on luck as well. Roosevelt had arrived in Florida for a fishing trip and spoke to a group of American legionnaires at Miami Airport when an Italian construction worker, Guiseppe Zangara, fired five shots at the president from just ten yards away. Zangara, a staunch anti-capitalist who feared that FDR's administration would bury the chances for a revolution, missed his target, but hit and killed Chicago's Mayor Cermak instead. Roosevelt refused to be evacuated and instead held the bleeding mayor in his arms on the way to the hospital, not leaving his bedside for hours. The future of the New Deal had survived by a thread.[66]

The Gift of Empathy: FDR and the American People

The New Deal shaped the American state and American life not only during Roosevelt's thirteen years in office, but for decades after. While much of this has to do with the policies of the New Deal, the personality of the president himself may have played an equally important role. Not only did Roosevelt's reform efforts set a new historical standard for political vision and acumen, but his personal style, too, has become the benchmark by which politicians have measured their own success with the people and the press. Consider the fact that Ronald Reagan, a Republican president strongly committed to dismantling elements of the New Deal, deliberately modeled his personal style after that of FDR.

More than any other president before him, Franklin D. Roosevelt knew how to relate to the American people and convince them that he was in fact "their president." Thousands and thousands of letters to the White House collected in the National Archives provide overwhelming historical evidence of the fact that regular people from the most diverse social and economic backgrounds never doubted for a second that the president himself would read their note and act on it as

employed the new media of the time—the radio. He was not the first politician or president to address a radio audience directly. Woodrow Wilson had spoken on the radio when it was still in its infancy, and Harding, Coolidge, and Hoover addressed the nation regularly through the ether. No one was quite as skilled as FDR in talking to the public through a microphone, however. When Roosevelt faced a conservative Republican legislature as governor of the Empire State, he would speak to New Yorkers directly to gain their support for his agenda. The letters he received after his speeches helped build the case against his opposition. Radio, he believed, restored "direct contact between the masses and their chosen leaders." When Americans found themselves once again gripped in a panic over the nation's banks just days after Roosevelt's inauguration, his informal talk on the airwaves made a difference. Roosevelt did not speak to his radio audience as if they were the masses, but instead imagined his listeners to be no more than a few people around his fireside in Hyde Park, where political conversations with his wife and children were one of his favorite activities. These **fireside chats** gave Americans the feeling that their president was speaking to them personally and not to millions. Less than thirty minutes long, and without grand oratory or a specific agenda, FDR's casual explanations of his policies and his account of national events in a pleasant, rich, and melodious voice made Americans intimately familiar with his personality and endeared him to them.[71]

A New Kind of Liberalism? FDR's Politics

Roosevelt had entered politics in 1910 at the height of the nation's love affair with progressive reform. Even though he ran as a Democratic state senator in the rural and predominantly Republican Duchess County in New York, his amiable style and relentless campaign-

FDR was exceptionally skilled at speaking to the American people through the microphone.

ing, traveling from village to village in a fashionable car to deliver as many as ten talks a day, gained him his first elected office. In addition, Franklin Roosevelt found much to admire in Cousin Teddy's "progressive nationalism," which split the Republican Party at the time and prompted Republican insurgents such as future Supreme Court Justice Charles Evans Hughes to endorse the young Democratic Roosevelt. The political newcomer spoke out against a recent tariff unpopular with farmers, rejected the ancient doctrine of states' rights in favor of a national approach to industrial welfare and social reform, and lamented the stalwart nature of the rule of political parties. Woodrow Wilson had paid close attention to young Roosevelt's rising star, and his protégé in turn played an important role in securing Wilson's nomination for president in 1912. Roosevelt was rewarded with the position of Assistant Secretary of the Navy, a position in which he learned the ropes of executive leadership in settling labor disputes and negotiating multimillion-dollar contracts. A committed Wilsonian Democrat, Roosevelt stood out not for his political originality, but for his ability to learn quickly on the job and for his unique gift of ingratiating himself without losing his dignity.

Against all odds, Roosevelt survived his failed vice-presidential run in 1920. After several years of selling bonds for an insurance company and restoring a decaying resort in Warm Springs, Georgia, for the rehabilitation of polio victims, he re-emerged on the political scene in 1924 at the Democratic national convention with a dramatic walk to the podium on crutches and an inspirational nomination speech for presidential candidate Al Smith. It was Al Smith, in turn, who pushed Roosevelt to run for the governorship of New York in 1928 in order to strengthen his own chances at the presidency. Smith lost to Hoover, but Roosevelt won the governorship of the nation's largest state, which automatically made him a contender for the presidency in the next election.

Ruling the Empire State: Roosevelt as Governor

Initially, the New York governorship did not look like much of a challenge. Roosevelt now was required to share his political philosophies more publicly. A product of the Progressive Era, Roosevelt considered government an agent of positive social change; he strongly opposed monopolies and unregulated corporate power, but he was no brash populist; he felt that government and business were at their best in cooperation, but considered trade unions important to improving workers' lives; he had learned that labor unions could be powerful political obstacles, but that they were also a political force in the Democratic Party and able to mobilize a valuable constituency among their rank and file.

During his first term as governor, Roosevelt pushed the most ambitious spending plans in the state's history through the legislature, a political fight which he apparently enjoyed. The great crash of 1929 did not immediately change Roosevelt's confidence as governor, and he was easily reelected for a second two-year term in the fall of 1930, even though he did not make a major issue out of the slumping economy. Roosevelt calmly assured voters that the current situation required no drastic action. He anticipated the Great Depression as little as anyone else. Like Hoover, Roosevelt, too, was strongly opposed to budget deficits. But as the number of unemployed New Yorkers exceeded 1 million and as bank failures rippled through his state, he became bolder in his support for new experiments in governance. Roosevelt surrounded himself with a new group of experts to come up with new government programs. This group, called the **brain trust**, would become major policymakers in the New Deal. Together, they devised a range of programs and initiatives for the state of New York that did little to improve the state's flailing economy but nonetheless gave the governor the reputation of being the most proactive executive in the country at the time.

Franklin Delano Roosevelt (left), then governor of New York, shaking hands with Al Smith (standing right). Albany, New York, 1930.

Principle versus Pragmatism: FDR and the Art of Compromise

Roosevelt had worked on his presidential campaign from the day he won a second gubernatorial term in Albany, calling on Democratic Party leaders for support from across the state—many of whom were more conservative than he. Never an ideologue, Roosevelt had learned to appreciate the advantages of compromise early on. While generally committed to progressive principles, he was always willing to give way on individual points for the sake of bigger goals. The famous and highly respected columnist Walter Lippmann responded with disappointment to one particular incident when Roosevelt compromised his previous commitments to the League of Nations in order to avoid alienating isolationist Americans who were disgruntled with international markets and politics. "Franklin D. Roosevelt is no crusader," he wrote. "He is no tribune of the people. He is no enemy of entrenched privilege. He is a pleasant man who, without any important qualifications for the office, would very much like to be President."[72] As devastating as this appraisal might have been in another presidential race, it could not undo the margin between the despised Hoover and the popular Roosevelt. More importantly, Lippmann underestimated Roosevelt's determination, which aided not just his presidential campaign, but also his political goals. Thus, while many historians have noted many disappointments with Roosevelt's pragmatism, none can point to a president with a bigger portfolio of accomplishments in real social change.

The First Hundred Days: The First New Deal

In retrospect, it appears that Roosevelt anticipated many New Deal programs. He advocated a reforestation program to employ the nation's youth, something he would realize with the Civilian Conservation Corps. He promised the regulation of financial dealings on Wall Street, something that became the task of the Securities and Exchange Commission. He favored the government regulation of utilities and the public development of energy, which later happened in the Tennessee Valley Authority and through the Rural Electrification Act. To the relief of many, Roosevelt also initiated the 21st amendment, which repealed the 18th amendment that had prohibited the sale and distribution of alcohol. Repeatedly, Roosevelt stressed the need for planning. And he told Americans that if "starvation and dire need on the part of any of our citizens make necessary the appropriation of additional funds which would keep the budget out of balance, I shall not hesitate to tell the American people the full truth and ask them to authorize the expenditure of that additional amount."[73] Roosevelt was willing to compromise his budget principles for the sake of the people's welfare.

In truth, the actual shape of the New Deal was the product of vigorous political activism and experimentation in the first three months of Roosevelt's administration. Not only was the president eager to change course, but he also understood the importance of demonstrating decisiveness and leadership. Calling Congress into an emergency session, he pushed through an enormous catalog of legislation, most of it drafted by his "brain trust" and political allies in Congress. While not all of the political reforms of his first New Deal succeeded or survived legal challenges, the "**first hundred days**" have since become an often referred to standard measure of political capability for presidents and governors.

A New League of Reformers

Roosevelt brought a new cadre of political experts and advisers to the White House who shaped New Deal policy decisively. Among them were veteran labor and women's rights advocate **Frances Perkins**, social worker Harry L. Hopkins, veteran progressive Harold Ickes, Columbia professor Raymond Moley, economists Rexford Tugwell and Adolf Berle, FDR's veteran advisor

Frances Perkins, labor and women's rights advocate, was among Roosevelt's inner circle of experts and advisors, known as the "brain trust."

Louis Howe, and Colonel Edward M. House—a close advisor to President Wilson. Eminent senior scholars, like Princeton's Jacob Viner who served as special assistant to Treasury Secretary Henry Morgenthau, were also involved in the administration. Younger economists like Laughlin Currie (who had just been denied tenure at Harvard for his belief in Keynes' economic theory), Adolph Berle, John Kenneth Galbraith, Gardiner Means, and Alan Sweezy formed an informal president's council of economic advisers before this institution became part of the executive branch after World War II.

The small office of the National Resources Board received such an influx of new academic talent, including the influential Alvin Hansen, that it became a virtual economics research institute. A cadre of talented lawyers later joined their ranks, including Thomas G. Corcoran, William O. Douglas (the future Supreme Court Justice), Supreme Court Justice Louis Brandeis, Jerome Frank, and political dealmakers like Sam Rayburn and Lyndon Baines Johnson, the future President of the United States from Texas.[74]

One of the strengths historians have ascribed to Roosevelt was his ability to attract "the best and the brightest" to his administration and not be intimidated by their superior intellect. This also meant that the president was never beholden to the larger vision of one advisor, but instead picked and chose from their suggestions. While few of them ever had the undivided attention of Roosevelt, neither could any of them claim to have been ignored entirely. On the downside, this meant that policy in the New Deal—in the assessment of one historian—tended to be skittish, inconsistent, and often unpredictable. Once the economic advisers issued their proposals, these had to be guided through the legislative process, which often took place under the leadership of Professor Raymond Moley. Roosevelt evaluated policy proposals first and foremost for their electoral and political results, and not with particular convictions concerning the logical coherence or intellectual pedigree of the argument.[75]

RELIEF

Historians have tried to categorize and organize the flurry of legislation in Franklin D. Roosevelt's first two terms in a number of ways. Most popular has been the notion of a first and second New Deal, introduced by historian Arthur M. Schlesinger, Jr. Others have divided New Deal initiatives among the 3R's—relief, reform, and recovery. This, as well as other attempts to order the political changes of the 1930s, tends to overdraw the coherence in the New Deal, and the suggestion that the first and second New Deal were built on different ideological foundations, or that legislation was crafted with a purpose of reform, relief, or recovery is misleading. Many New Deal initiatives played a role—for good or for ill—in more ways than one. Similarly, different political assumptions and theories existed simultaneously among Roosevelt's advisors.[76]

The Emergency Banking Act

Roosevelt wasted no time, and the day after his inauguration he summoned Congress into an emergency session for the coming week. Until then, Roosevelt declared a national banking holiday and suspended transactions in gold from March 6th to 9th in an effort to halt the current bank crisis. Whereas progressives urged him to nationalize the banking system, the president instead took the lead of his predecessor and instituted the very measures Hoover had recommended. Conservative in nature, the **Emergency Banking Act** gave the banking holiday post-facto legal grounding, extended government assistance to private bankers to allow them to reopen their banks, authorized the issue of new Federal Reserve bank notes, and penalized the hoarding of cash reserves.

When members of Congress convened on the morning of March 9 following the three-day banking holiday, they were immediately confronted with the Emergency Banking Act. Legislators were read the bill aloud since there weren't any copies available, and the debate was limited to forty minutes. The House approved the bill at four in the afternoon, and the Senate followed three hours later. The evening of the same day Roosevelt signed the bill into law.

Critics on the left were aghast at Roosevelt's adoption of Hoover's plan, drafted by Hoover's advisers. One congressman later complained: "The president drove the money changers out of the Capitol on March 4th—and they were all back on the 9th."[77] But when Roosevelt explained to approximately 60,000,000 Americans in his "fireside chat" that it was now safe to return their savings to the banks, they believed him. The next day, cash deposits in banks far exceeded withdrawals in every city. "Capitalism," Raymond Moley later marveled, "was saved in eight days."

The Federal Emergency Relief Administration

Initially, Roosevelt had only intended to call Congress into session to pass the Emergency Banking Act, but the swift success on March 9 prompted his administration to pursue other economic recovery initiatives immediately. In an effort to extend relief not just to banks but to people who had lost their homes, savings, and jobs, Congress created the **Federal Emergency Relief Administration (FERA)**, which was modeled after New York's Temporary Emergency Relief Administration during Roosevelt's time in Albany. The head of this new agency was **Henry Hopkins**, who had run relief operations for Roosevelt in New York. Virtually unknown until then, his name became a household word within a few months, and during Roosevelt's second term he became the most powerful man in the administration. This former social worker, who people described as a "pale urban-American type," would later deal regularly

with international leaders like Winston Churchill and Joseph Stalin.[78]

FERA channeled $500 million in relief money through the states to local agencies. The main objective of this agency was immediate relief of the worst economic hardships, and it was not based on macroeconomic theory. For example, it bailed out bankrupt coal towns in Illinois, where as many as 95 percent of the inhabitants were in need of relief. It financed self-help projects, where unemployed men produced basic goods in idle factories. Over the course of its existence, FERA paid for the building and repair of five thousand buildings and seven thousand bridges, and it taught over 1.5 million adults to read and write.[79]

Work Relief Programs: CCC, CWA, and PWA

The **Civil Works Administration (CWA)**, along with the **Civilian Conservation Corps (CCC)** and the **Public Works Administration (PWA)**, offered low wages in government-funded employment. At its height in the winter of 1933–34, the CWA employed 4.2 million people at minimum wages. The CWA built or improved 500,000 miles of roads, 40,000 schools, over 3500 playgrounds and athletic fields, and a thousand airports. But the CWA also took all of Boston's unemployed teachers on the payroll, hired thousands of artists and writers, and paid ninety-four Indians to restock the Kodiak Islands with snow-shoe rabbits. Projects like these made the CWA the target of critics who questioned the utility of such enterprises. They also warned of the detrimental effects on the free labor market that would result from the general availability of minimum wages without a "means test" to determine the individual's need and dependency on welfare. As a result, the agency was terminated after one year, and future work projects paid significantly less to assure that Americans would continue to prefer private employment.[80]

Civilian Conservation Corps workers build a road during the Great Depression.

By contrast, the Civilian Conservation Corps was remarkably popular. Created in March 1933, it employed 250,000 jobless young men predominantly from the cities to plant trees, drain swamps, build dams, construct reservoirs, and refurbish forests, parks, and beaches. CCC workers lived in camps operated by the War Department and combined employment with environmental and crime prevention policy. Roosevelt liked to praise the virtue of hard work in nature, especially for suffering youth in blighted cities. A different motivation stood behind the Public Works Administration, which came out of a larger legislative package, the **National Industrial Recovery Act (NIRA)**. The point here was specifically to stimulate demand by putting government money into people's pockets. The agency's activities were similar to those of the CWA: From 1933 to 1939, the PWA constructed 70 percent of the country's new school buildings and completed 65 percent of its courthouses, city halls, and sewage plants. It built 35 percent of the nation's hospitals and public health facilities. The PWA generally prioritized good design and aesthetics over speed. It also conducted slum clearance and built low-cost housing projects in cities like Chicago with poor results.[81] Under the administration of "Honest Harold" Ickes, the PWA struggled to compete with other economic relief agencies for Roosevelt's consideration, and often lost the battle.

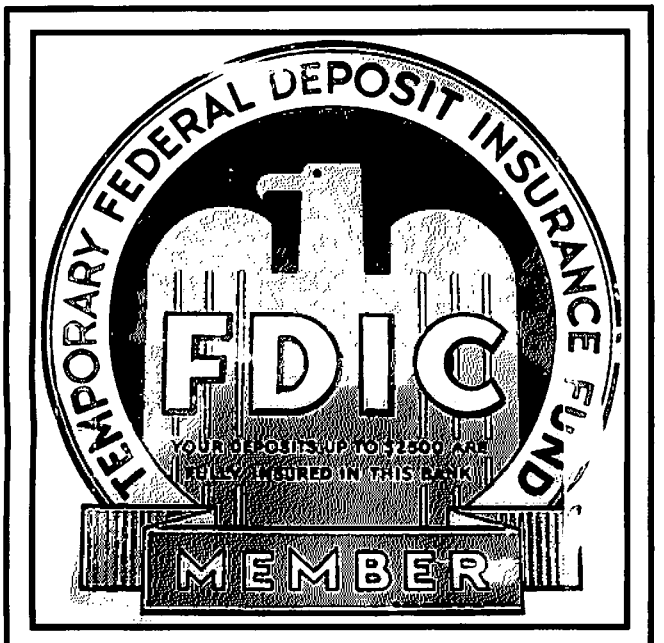
Many of the jobs in these agencies were criticized for being 'make-work" assignments. It is true that employment took priority over efficiency in many cases, but for good reason. After all, the CWA, the PWA, and the CCC did not offer welfare, but publicly funded work. "Give a man a dole," Hopkins explained, "and you save his body and destroy his spirit; give him a job and pay him an assured wage, and you save both the body and spirit." New Dealers had by no means abandoned the belief that labor had to be the foundation not only of prosperity, but also of welfare. What made New Deal work projects a bold departure from political convention was the underlying argument that the labor market had failed a significant proportion of a willing and able labor force. Most of the 13 million unemployed Americans had been gainfully employed prior to the stock market crash. They wanted to work, and it was their involuntary idleness that caused depression, destructive behavior, and a sense of defeat. Thus, instead of pushing aside the concerns about character that Hoover and many economic and social conservatives had listed in defense of their resistance to welfare, the New Deal suggested that Americans simply could not wait for the market to save the American spirit, and that government-funded employment was infinitely better for morale than inaction.

Reform

The Glass-Steagall Act

In the past, Franklin Roosevelt had often expressed his opposition to the insurance of bank deposits by the government. The dramatic surge in bank failures in the months between his election and inauguration swept this principle away, however, and without protest he signed the **Glass-Steagall Banking Act** on June 16, 1933. This act separated investment from commercial banking, in order to protect savings accounts from being jeopardized by risky investment strategies in the same financial institutions. In the aftermath of this act, banks had to decide whether to be in the business of offering savings and loans with solid collateral, or whether to risk their assets in investments through financial markets.

The law also created the **Federal Deposit Insurance Corporation (FDIC)** to insure accounts with deposits of up to $2500. This part of the bill proved far more controversial. Added to the original draft by Michigan Senator Arthur Vandenberg and Alabama Representative Henry Steagall, this provision was an effort to protect small banks against the anguish of the small depositor and sought to protect a large network of small unit banks. The FDIC, which has become familiar to most Americans through its logo prominently displayed at most of the nation's bank counters, proved a spectacular success. With the confidence that none other than the United States federal government vouched for the security of one's bank deposits, runs on banks ceased and would not happen again until the 1980s. For the rest of the 1930s, fewer banks suspended their business than in even the best single year during the 1920s. Despite his lukewarm support for the measure, Roosevelt later claimed full credit for passing the act, and when it emerged as one of the most successful and popular New Deal reforms, he willingly accepted the praise.



An FDIC placard from 1934. The FDIC insured deposits of up to $2500.

The Securities and Exchange Commission

During the 1920s, purchasing stocks in an unregulated security market meant that the buyers had little protection against fraudulent schemes. Indeed, the ancient rule of ***caveat emptor***—buyer beware—prevailed. In the 1920s, a time of apparent economic prosperity and stability, the names of financiers like J. P. Morgan evoked a sense of trust and confidence in the superior wisdom of the nation's money moguls. However, the great crash and consequent bank failures had destroyed the marble shrine in which the nation's financial rulers had seemed virtually untouchable. Indeed, Morgan was shocked at the treatment he received by a Senate committee that asked him questions about the financial crisis early in 1933, including why he and his twenty partners had not paid any income taxes for two years: "[Senator Ferdinand] Pecora has the manner and the manners of a prosecuting attorney who is trying to convict a horse thief," the world's most famous financier lamented to his friends.

With the spell broken, New Dealers were able to pass the **Securities Act of 1933** to regulate the financial markets. Now, the Federal Trade Commission had to supervise the issue of new securities, and the law demanded that every new stock be accompanied by a substantive financial statement in which company directors were criminally liable for deception. One year later, Roosevelt asked Congress to create a new agency. Signed into law on June 6, 1934, the Securities Exchange Act created the **Securities and Exchange Commission (SEC)**, which became responsible for preventing the manipulation of markets by insiders and for providing regulatory oversight of trading practices. This could not prevent all the fraud attempts, since even registration and full disclosure of information could not fully assure that investors would indeed inform themselves properly before purchase. Nonetheless, the SEC launched a new chapter in Wall Street history.[82]

The Agricultural Adjustment Act

From the beginning, farm interest groups like the American Farm Bureau Federation, the Grange movement, and the Stable Money League looked to Roosevelt's Secretary of Agriculture Henry A. Wallace for help. They hoped for support for rural banks for the inflation of the money supply to prevent a further drop in the price of their product; for price parity between agricultural and industrial commodities to secure a fair price relationship between farming and indus-

trial goods; and for mortgage relief for farmers. The **Agricultural Adjustment Act (AAA)** was intended to meet these concerns of farmers. The bill also included a domestic allotment plan that was designed to reduce the surplus and give growers higher prices. In essence this meant that the Secretary of Agriculture could sign agreements for the reduction of acreage under cultivation in return for a payment equivalent to a regular crop. The cost of this measure was to be covered with a tax on the processing industries that had benefited from the rapid decline in farm prices.

The Agricultural Adjustment Act had the strong support of farming representatives, largely because the act produced results. Prices for agricultural goods increased, and by 1936 farm income had doubled from 1933 levels. This had only been possible, however, because of the reduction of acreage in use. And, since the law had been passed after planting season, reducing acreage meant plowing under crops already growing. Some 10,000,000 acres of cotton alone had to be destroyed. Several million sows and piglets were also killed and burned rather than be sent to the slaughterhouse.

The Agricultural Adjustment Act did not spread its benefits equally among the very unequal farming community, either. Large western growers and southern planters often controlled the local committees that administered the act, and thus these growers were best equipped to access the federal subsidies. In the South, over half of the farms were worked by approximately 8½ million tenants, and 3 million of them were black cotton sharecroppers. Landowners received 90 percent of government payments for unused land, whereas their tenants received only a 10 percent share. Owners were not legally obliged to keep their tenants on the land, where they lived in simple shacks. As a result, a significant number of tenants were evicted and added to a stream of landless poor—riding the nation's railroads, driving westward toward California, and moving into the cities.

Evicted sharecroppers stand by a roadside in Arkansas. The eviction of sharecroppers was one of the unintended consequences of the Agricultural Adjustment Act.

The National Industrial Recovery Act

New Deal banking reforms and agricultural initiatives had gained much national attention, but after two months in office Roosevelt had still not produced a reform plan to initiate industrial recovery. Yet, industrial inactivity was one of the major features of this depression. When Alabama's Senator and future Supreme Court Justice Hugo Black convinced the Senate to overwhelmingly pass a thirty-hour workweek law, Roosevelt—who found this law excessively restrictive and unproductive—pushed his brain trust into action to produce a recovery plan. His advisers came up with two very distinct plans, but Roosevelt quite literally locked his brain trust into a room for four days until they emerged with a compromise bill, the National Industrial Recovery Act.

The NIRA suspended anti-trust laws—which had previously declared price agreements between businesses illegal forms of collusion and conspiracy against free trade—in order to allow industries to create codes that regulated production, prices, and trade practices. **Section 7(a)** of the law guaranteed laborers representation in the workplace and collective bargaining—the practice in which workers organize in unions to jointly negotiate their terms of employment—in order to oversee the codification of a fair price for labor in all the separate industries.

While this acknowledged the importance of labor in the recovery process, the NIRA relied most heavily on friendly cooperation between business and government. In return for surrendering the principle of competition, and thus the opportunity to gain the market shares of competitors, businesses got to write their own regulations, with the mostly unwelcome participation of labor unions. In the coal industry, for example, a rapidly growing union faced a large collection of midsized operators accustomed to cut-throat competition and radical anti-union policies who could not imagine working together with labor organizers. While the code did not establish stable prices or resolve the question of government supervision in that industry, it effectively abolished child labor and eliminated the compulsory script wages and company stores that had often trapped miners in underpaid work.[83]

Recovery

During the hundred days, Roosevelt's presidency had been a whirlwind. Press conferences followed the biweekly cabinet meetings. The president delivered a dozen speeches and guided fifteen major laws through Congress. Roosevelt had promised "action," and he

clearly delivered. Regardless of the laws' different impacts, Americans were mostly convinced that the president cared about them and was willing to do whatever it took to bring about economic recovery. Walter Lippman, the nation's most respected liberal voice and the man who had derided Roosevelt as merely as a "pleasant man" a few months prior now mused: "At the end of February we were a congeries of disorderly panic stricken mobs and factions. In the hundred days from March to June we became again an organized nation confident of our power to provide for our own security and to control our own destiny."[84] Roosevelt's government provided the relief President Hoover had denied. And the New Deal also included legislation intent on reforming the pillars of the American economy: agriculture, industry, banking, and Wall Street. Whether these efforts could bring about recovery, was another matter.

Overproduction and the Theory of Mature Capitalism

There is much confusion today about the underlying economic theory that propelled Roosevelt and his brain trust. His policies have often mistakenly been associated with **Keynesianism**—a deliberate federal budget deficit to compensate for the declining private demand with a public demand for goods and services. Many have pointed to the public works project and relief efforts as evidence of this desire to restore flailing demand using government funds. However, historians have learned from the exchanges between the president and his cabinet that relief was always the primary objective, and the expansion of demand was merely a secondary effect which Roosevelt would have sacrificed. And he often did, so only after World War II can we speak of a deliberate countercyclical fiscal policy, a term that refers to government's deliberate expansion of spending (public works) or reductions of revenue (tax cuts) in an economic downturn defined by declining consumer spending and business investment.

Produce collected under the surplus commodities program. Though crops were sometimes destroyed to reduce supply, in other cases crops were distributed to needy families and school lunch programs.

For Roosevelt and some of his advisers, the nation's chief economic problem first appeared to be not lack of demand, but an excess of production. At first glance, this may appear like the same thing. In practice, however, these diagnoses require very different responses. Consider the way both the NIRA and the AAA intervened on the production side, where they invited business–government partnerships in regulation, restricted output for the sake of stable prices, and suspended competition. This radical departure from established free market principles was reflective of the New Dealers' conviction, which they shared with many others, that capitalism was in a deep crisis. The capitalist economy, they thought, had reached its zenith of productivity and efficiency in the production of all consumer goods imaginable. Some pessimists even suggested that the free market could not grow any further and that capitalism was indeed "mature." This meant that there was nothing left to do but to assure the fair distribution of labor, production, and shares of consumption. In accordance with this interpretation, the New Deal could indeed constitute little more than the "conservation" of existing resources—be they natural or in the form of capital and labor—in the most fair and efficient manner.

It is easy for us today to scoff at this notion of a **mature capitalism** in which gross domestic product could no longer grow. We may wonder why highly educated men and women in the 1930s could not imagine future economic booms driven by novel industries such as plastics, computers, or biotechnology. But keep in mind the Bernstein theory about long-term qualitative changes in the national economy in the 1930s. With this in mind, the limited vision of the mature capitalism theorists becomes more understandable. After all, who among us today knows which new industry or service economy will employ the millions of Americans who are currently out of work?

The Fiscal Stimulus of the New Deal

Regardless of the conflict over the importance of demand management in the Roosevelt administration, the historical data provide strong evidence that the impact of additional government dollars in the economy was on the one hand unprecedented, and at the same time very weak. This was the result of Roosevelt's conservative approach to the federal budget and his conviction that a large deficit was as immoral for government as for individual households.

Individual states also shaped the impact of government spending with their own fiscal policies. The additional spending provided by Washington, D.C., was almost entirely canceled out by the shrinking budgets of individual states. States had already been frugal in the face of the economic crisis before the New Deal, but as the new administration channeled relief funds to state governments, these governments often decided to cut their own spending even further and let federal monies carry the burden. Economist Cary Brown demonstrated in 1956 that federal expenditures exceeded the contracted spending on state and local levels in only two out of seven years between 1933 and 1940.

Another reason New Deal spending did not push the budget as much into deficit as is often assumed was the high tax rate enacted under Hoover with the Revenue Act of 1932. In other words, while New Deal programs doled out considerable amounts every year, federal revenues were up at the same time.[85] When it came to fiscal policy, Brown concluded famously that demand management "seems to have been an unsuccessful recovery device in the 'thirties—not because it did not work but because it was not tried." In the opinion of Roosevelt advisor Alvin Hansen, the New Deal was best described as "a salvaging program."[86]

The Tennessee Valley Authority

This assessment of the New Deal's record in recovery is less than ebullient. It is worth keeping in mind, however, that the New Deal initiated important reforms and provided essential relief. In at least one instance, moreover, Roosevelt's willingness to launch bold experiments paid off in terms of relief as well as recovery. This instance was the **Tennessee Valley Authority (TVA)**, which Congress created in May 1933. Politicians from rural areas, first and foremost Nebraska's Progressive Republican Senator George Norris, had long campaigned for a dam project that would aid in both irrigation and in the generation of electrical power. In the 1920s, a number of private entrepreneurs, including Henry Ford and public utility investor William Insull, had supported such a project in the hands of private business. When Insull's public holding company imploded and destroyed the life savings of 600,000 investors, a public redevelopment project seemed far more ethical, just, and likely to succeed.

The TVA controlled flooding and provided electricity to the valley, which traversed seven states. The Agency operated the Muscle Shoals power plant, employed thousands of people, helped farmers increase their yields, reforested parts of the region, and restored wildlife and fish habitats. The most dramatic change in valley life came from the electricity generated by TVA dams. Electricity improved farmers' efficiency and business success, widened their demand for consumer goods such as electrical appliances, and attracted new industries. At the same time that the TVA successfully implemented relief, conservation, and economic recovery through one comprehensive interstate agency it demonstrated—to the chagrin of free-market advocates and the delight of leftist progressives—the success of a government-run economy.

A TVA photograph of a test field showing that TVA-produced phosphate encouraged the growth of a protective vegetable cover and improved soil fertility.

Reactions: Business, Labor, Consumers, and Populists

Age of Protest: Labor during the Great Depression

A member of the brain trust, **Adolf Berle**, had been one of the chief critics of the power of big business in modern America. Corporate executives had controlled prices for far too long, he had reasoned in his classic *The Modern Corporation and Private Property*. This understanding shaped section 7a of the NIRA, which gave labor unions their seat at the bargaining table. "No business which depends for existence on paying less than living wages to its workers has any rights to continue in this country," Roosevelt had declared at the signing of the act. The U.S. needed "to restore our rich domestic market by raising its vast consuming capacity."[87]

It is important to note here that the labor movement during the Great Depression struck a decidedly "consumerist" tone. The movement did not push primarily against the power of business, but concentrated first and foremost on increasing the spending capacity of workers. Unions, in other words, demanded an "American" standard of living as a right of citizenship, secured through a government conscious of labor's right to organize.[88]

Through unemployment marches and anti-eviction demonstrations, communist and socialist organizations had helped mobilize the discontented and pushed the working class to look to the state for a solution to local problems. These "radical boosters of the state" familiarized workers with a new sense of entitlement under the New Deal. Rather than being simply grateful recipients of government aid, workers became activists, politically and in the marketplace.[89]

Union Activism during the New Deal

As enthusiastic as labor leaders were about the promise of Section 7a, they were disappointed when the **National Recovery Agency (NRA)** failed to enforce the wages and hours provisions agreed upon in industry codes. Moreover, the NRA allowed companies to sponsor their own company unions and use them as representatives for labor. Across the nation, workers responded to union drives in numbers not seen since World War I, the last time they had enjoyed basic protections provided by the federal government. The United Mine Workers gained 100,000 new members in a single month. The United Textile Workers grew in membership from a few thousand to nearly a quarter million within a year. Companies responded, however, by firing employees with union cards and hiring security forces to break up union meetings and bring in so-called "scabs," or strikebreakers. Roosevelt tried to pacify the situation by establishing a National Labor Board, which included both prominent labor and business leaders. In its "Reading Formula," the board resolved that strikers needed to be re-hired, and that workers needed to determine their union representation through elections with secret ballots, thus protecting them from employer pressures to support company unions.[90] Enforcing this formula was another matter, however.

Striking teamsters armed with pipes clash with police in the streets of Minneapolis in 1934.

As a result, the conflict between capital and labor grew increasingly violent, and in 1934 over 1.5 million workers walked off the job in over 1800 separate strikes. Labor activism was not only a phenomenon in the heavy industries and in manufacturing. In April, five thousand Chicago teachers marched on city hall after having been paid in only scrip for ten months. In July, firings and budget cuts galvanized 25,000 school teachers and their supporters in that city to organize a mass rally. Capital-labor confrontations were most dramatic in the industrial sector, however. Two men died when striking teamsters got into a fight with employers' security forces in Minneapolis, Minnesota, in May 1934. This was the beginning of a wave of violence in labor conflicts. In July 1934, the International Longshoremen's Association in San Francisco, under the leadership of Harry Bridges, orchestrated the **San Francisco General Strike**, which so many other unions joined in sympathy that the city was effectively paralyzed. Even in southern states, which had little history of union representation, workers demanded the recognition of their right to organize. That was the demand of 65,000 textile workers in North Carolina in early September 1934, for example.

The American Federation of Labor and the Trouble with Trade Unions

Part of the problem for labor unions in the National Recovery Agency was that they remained fractured into different trades under the **American Federation of Labor (AFL)**. This rather conservative organization had formed in the late nineteenth century after the failure of more radical movements and had limited itself to a campaign for shorter hours and higher wages in specific trades. Its decline over the course of the 1920s had been the result not only of anti-union activism among businesses, but also of the organization's own racial bigotry and disdain for unskilled workers. The AFL segregated black workers in separate unions, and except for the coal mining and garment industries, it focused exclusively on skilled workers. The AFL also had little interest in organizing female workers in the food processing industries and white-collar office occupations, convinced that women should remain exceptions in an American workplace where men had to insist on a family wage that supported children and a wife at home.

The leaders of the nation's largest union federation had also initially opposed the New Deal public works programs on the grounds that the low pay in these government jobs would drive down the overall pay scale. Furthermore, its president, William Green, argued that public works threatened to undermine union loyalty by increasing reliance on government and thus weakening the AFL's bargaining power. And the AFL was less than enthusiastic about the NRA, fearing that this possible opportunity would also place a restriction on higher wage demands by its trade unions.

Discontent with Trade Unionism

When the New Deal delivered unprecedented new political opportunities, at the same time that the deep economic crisis illustrated the need for the organization of labor across the trades, across gender lines, and across racial differences, the unresponsiveness of the American Federation of Labor caused increasing discontent among unskilled workers. Without heeding the advice of the AFL's "aristocracy of labor," mine workers and textile workers launched their own strike campaigns to protest employer manipulations of—or lack of enforcement of—NRA industrial codes.

By September 4, 1934, approximately 375,000 textile workers had gone on strike. State troopers killed two strikers in Rhode Island, and in South Carolina, deputies killed six. Three other strikers were killed elsewhere in the South. The United Textile Workers of America received no support from the AFL, and the assistance provided by the United Mine Workers was not enough to help the strikers keep their position. The settlement brokered by the NRA and Roosevelt in effect returned the strikers—who were left with no alternatives—to the status quo. Hundreds of thousands of unskilled industrial workers across the nation learned from this episode that they could not rely on Roosevelt alone, and that the AFL had little to offer them. What they needed was a nationwide industrial union.[91]

Business and the New Deal

Most employers in 1934 continued to ignore the "Reading Formula" of the National Labor Board, and continued to use teargas and guns against workers. Always eager for compromise, Roosevelt himself rejected the board's solution for the car industry and offered anti-union stalwarts like Henry Ford the proportional representation of company unions instead.

Roosevelt had expected some gratitude from many of the big companies for accommodating them. He had rescued many banks from insolvency, and his monetary policies had resulted in lower debt burdens for many railroad and public utility companies. He had brought on many conservative fiscal advisors, had appointed businessman Joseph P. Kennedy to head the new Securities and Exchange Commission, had, like his Republican predecessor, vetoed the veterans' bonus, and had risked a rift with his progressive allies with these concessions. Up until May 1935, Roosevelt reacted patiently to the protests of businessmen who increasingly charged him with bankrupting the country and imposing a Soviet regime or dictatorship.

Cutthroat Business: The American Liberty League and the NAM

A substantial number of businessmen and politicians found even this ambivalent support for unions threatening and suspected the deliberate manipulation of a class war. For them, the New Deal was a version of "state socialism," and through the **American Liberty**

League they tried to restore what they believed was a strict constitutional interpretation of the limited powers of the federal government. The League included the leaders of some huge American corporations, including Alfred Sloan of General Motors and the DuPont family.

Other organizations that aggressively opposed the New Deal included the **National Association of Manufacturers (NAM)**, the National Industrial Conference Board, and the Chamber of Commerce. For the NAM, the New Deal proved to be the galvanizing issue that revived its flagging membership, which had dropped to 1469 but shot up to 3008 in 1937. Support by large firms increased significantly. But even though their opposition was a matter of political principle—the NAM opposed thirty-one out of thirty-seven major legislative proposals between 1933 and 1941—they too sought to influence New Deal policy through the Special Conference Committee, which managed to influence the National Recovery Administration's Industrial Advisory Board.[92]

Part of the Solution: New Deal Corporate Liberalism

On the other side stood a number of corporate executives who understood the economic crisis as a call for new relations with government and political pragmatism. The entertainment industry, represented by movie tycoon Jack Warner, new technology firms, such as IBM and AT&T, and service businesses—department stores owned by Edward A. Filene, for example—did not rely solely on a blue-collar labor force and often supported the New Deal.

The willingness among business leaders to participate in the New Deal was not only a result of their particular business model, however. Bigger market competition and the failure of associationalism—the voluntary cooperation between business and government in economic policy—in the 1920s had forced leading firms to consider more effective means of bringing about their own collective action. After all, the Great Depression did not just cost workers their jobs, but also meant ruin for businessmen. Businesses had tried to find a refuge from the consequences of unregulated "ruinous competition" since the 1880s, but anti-monopoly legislation had all too often undermined industrial agreements. The New Deal's NRA promised the competitive order and stability that many advocates of this **corporate liberalism** had sought for so long. A few business leaders even recognized the benefits of the federal labor standards, since they increased industrial peace and national consumption levels, and past agreements had been so difficult to enforce.

A World of Their Own: Agro-Business and New Deal Reform

The Agricultural Adjustment Administration had put the brakes on the downward slide of farming prices, but it did little to address economic inequality within agriculture. Administrators claimed that the AAA constituted an example of grassroots democracy since farmers did most of the planning through local committees run by other farmers, and they pointed to high rates of voluntary participation. But local committees were dominated by powerful local landowners, and southern planters and big landowners in the West used subsidy monies to invest in machinery and thus get rid of their sharecroppers.

Subsequent New Deal legislation tried to secure a place for small producers in the nation's future of agriculture. The administration created a series of measures to protect small farmers from bankruptcy, such as the **Farm Credit Act of June 1933**, the Farm Mortgage Refinancing Act of January 1934, and finally a five-year moratorium on farm mortgage foreclosures in June 1934. But in the end, the New Deal marked the end of small-scale agriculture and the rise of government regulated and subsidized large-scale agro-business.

Discovering Purchasing Power: Consumers in the Depression

The National Recovery Act and the Agricultural Adjustment Act were two pillars of Roosevelt's economic reform and recovery efforts. They also had produced damaging results for small producers and frustrated the ambitions of workers. These agencies were designed around the concept of overproduction and the need for the curtailment of output in the interest of price stability, a policy goal that could win supporters in theory, but had little practical appeal. As discontent over these initiatives grew, New Deal policy makers began to develop a new kind of statecraft that would instead try to expand purchasing power. Since countercyclical deficit spending was not yet politically acceptable, the chief agents for the expansion of consumer demand would be stronger unions and consumer organizations. The demise of small agricultural producers, which had historically been the biggest political obstacle to the urban lobby for low consumer prices, made this success easier.[93]

The Quest for Buying Power: Consumers as Economic Constituents

As labor unions recognized the increasing importance of workers' consumer behavior in the national economy, labor activism extended not just into the shop, but also into the store. In cities, housewives in neighborhoods that were union strongholds organized consumer protests against high food prices, the result of agricultural reforms that stabilized commodity prices for farmers and in return prevented cheaper food for workers in the city. In New York in the summer of 1935,

housewives in the **United Council of Working-Class Women (UCWCW)** organized a citywide strike against butcher shops.

On May 22, 1935, women formed picket lines in Jewish and black neighborhoods, maintained their strike for four weeks, and prompted the closing of 4,500 butcher shops. Ten thousand Los Angeles housewives followed suit in June, and they were so effective that the butchers cut prices the next day. Elsewhere in Philadelphia, Chicago, Boston, and other cities housewives' councils adopted the slogan "Stop Buying Meat until Prices Come Down." In Detroit, housewives stormed the City Council and demanded a cap on meat prices. After staging mass marches, storming meatpacking plants, and overturning and emptying the trucks, the protest leaders explained that the target was not the small butchers, but the "meatpacker millionaires." Appalled by this display of public disorder, the conservative newspaper conglomerate of the Hearst family decried the consumer boycotts as a communist conspiracy, prompting investigations into the consumer movement again and again well into the postwar years.[94]

Members of the administration and outside political activists recognized the growing clout of consumers in the marketplace and suggested their inclusion as a coherent interest group in the making of policy. They suggested the inclusion of a Consumer's Advisory Board within the national recovery administration, demanded the creation of a cabinet level Department of the Consumer, advocated for "consumer education," created "consumer cooperatives," and made other largely unsuccessful attempts to organize consumers.[95]

The Rise of the Under-Consumption Theory

The militancy of American housewives during the Great Depression is only one indicator of a larger phenomenon: the importance of the consumer to the national economy. The aggressive political activism of consumers as well as workers pushed to the forefront an understanding of the Great Depression as first and foremost a problem of **underconsumption**. Most New Deal policies of the first one hundred days had been guided by a theory of overproduction. Roosevelt and his advisers often employed the rhetoric of underconsumption, but their programs rarely targeted the economic crisis accordingly. The voices of workers and homemakers combined with increasing public endorsement of the underconsumption theory in politics and popular culture. "High wages" and "mass purchasing power" should be the principal aims of economic policy, argued columnist George Soule as early as 1932.[96] Journalists took up the cause, and the amateur economist Stuart Chase wrote in a book presciently titled *A New Deal* that Americans had "left economy of scarcity behind and entered the economy of abundance." It was not overproduction, but "underconsumption which is the appalling fact... millions of tons of add tional material could readily be marketed if the purchasing power were available. Alas, purchasing power is not available."[97]

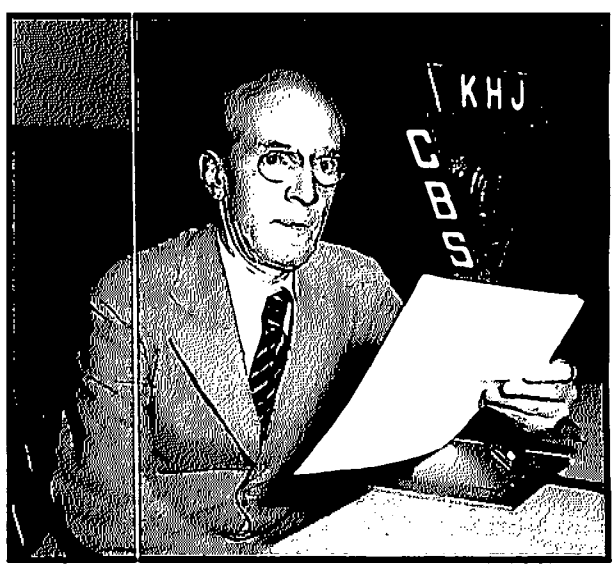
The growing rhetoric of underconsumption began to become its own political force and increasingly promoted a vision of economic life significantly different from the traditional view. Of course, consumption had always been important to economic life, but the new proposition was that consumption—the activity of workers—was more important to the economy than investment—the activity of businesses. The idea was that consumption drew production and not the other way around and that the path to prosperity was not frugality but spending.

Populists, Demagogues, and Radical Critics

The New Deal not only mobilized business interests, consumer interests, and the labor movement, it also gave rise to a set of individual challengers who galvanized the public with their own solutions to the economic crisis.

Upton Sinclair and EPIC

One such critic was Upton Sinclair, the muckraking journalist of the Progressive Era, and the author of countless books, mostly novels, that illustrated and attacked social injustices, most famously in *The Jungle* (1906), an exposé on the meatpacking industry in Chicago. A longtime socialist, Sinclair had changed his party registration to Democrat in September 1933 to announce his candidacy for California governor.



Photograph of Upton Sinclair, who in 1934 was the Democratic gubernatorial candidate in California.

Sinclair launched his campaign with a self-authored short book titled I, governor of California, and how I ended poverty: a true story of the future. He advocated for a cooperative economy of use value over market price—an economy that focused not on profitability and competition, but on the production and distribution of goods with intrinsic worth, regardless of the price they would yield on defunct markets.

In Sinclair's program, titled **End Poverty In California (EPIC)**, the state would obtain industrial plants and turn them over to unemployed workers, who would then produce clothing, shelter, food, and other necessary goods for distribution in a cooperative system through the use of script. The concept of "production-for-use" stood in contrast to the bizarre economic conditions, in which piglets, cotton, and orange crops were burnt for the sake of price stability at the same time that other Americans were in need of clothing and food.

A hundred thousand Californians bought Sinclair's pamphlet, and Sinclair won the Democratic nomination for governor decisively. His chances to win the election in the fall of 1934 were excellent. Only an aggressive anti-socialist fear-mongering campaign by Hollywood tycoons, the Hearst newspapers, and California's largest corporations—and the lack of open support from Franklin Roosevelt—derailed his efforts in the end.[98] (Though many EPIC-backed candidates were, in fact, elected to the state legislature.) But there were other candidates whose boisterous campaigns challenged Roosevelt's New Deal from the left.

The Kingfish: Huey P. Long

As governor of Louisiana in the late 1920s, Huey Long had built an impressive political powerhouse that brought new social services to the poor, secured a loyal following for the governor, and taxed corporations. As a U.S. senator during the Great Depression, Long found a wide audience for his populist argument that the economic decline was the result of a maldistribution of wealth, and that the only solution was a redistribution of wealth from the top of the income pyramid to the bottom. This was hardly a novel claim at the time, and Roosevelt himself had made a similar point on many occasions. But whereas Roosevelt's critique of economic inequality came packaged in refined yet accessible speech that gave listeners a sense of safety, Long's loud and provocative speeches sounded more alarming. They certainly were so for New Deal policy makers who feared that Long's popularity could siphon off their support.

Roosevelt's conciliatory approach toward banks and big business turned Long from an early ardent supporter of the New Deal into a staunch critic of the president. Long idealized the dying breed of small proprietors like drugstore-keepers, barbers, farmers, and other members of the lower middle class, and offered a notion of a producer-oriented utopia of which the populists of the late nineteenth century would have been proud. Long denounced the increasing dominance of big corporations as much as he rejected big government and socialism.

In February 1934, the Louisiana politician created a nationwide "**Share our Wealth**" society that promised every American family a "homestead allowance" of $5,000 and a minimum annual income of $2,500. Funding for this program was to come from a steeply progressive income and inheritance tax system. The fact that Long's proposed tax increases for the wealthy would not have come close to financing this welfare scheme did not matter to the millions of Americans who were drawn to his vision of economic justice and personal prosperity. Between 1933 and 1935, Long received an average of 60,000 letters per week, more than the president.

The visions of the Kingfish—a nickname Long earned through his ruthless political control of the state of Louisiana—had a threatening similarity to socialism for some. Others viewed his authoritarian tendencies and quest for absolute personal power as a version of American fascism. Many Americans received the news of Long's assassination in September 1935 with relief. Others, especially poor white and black southerners, mourned, having lost their economic prophet. Approximately 100,000 people went to see his casket before burial.[99]

Photograph of Senator Huey P. Long from Louisiana, taken between 1933 and 1935.

Fascist in American Culture: Father Charles Coughlin

Long was not the only populist challenger to the New Deal. One of the most powerful critics attacked Roosevelt through the medium the president himself used so skillfully, the radio. **Father Charles Edward Coughlin** had begun to raise funds for his local charity on a Detroit radio station three years before the crash, but by 1930 he had become such a smash hit that CBS offered him a nationally syndicated program on Sunday evening. Called "The Golden Hour of the Little Flower," Coughlin's program reached 30 to 40 million listeners every week. In his radio program, the priest attacked the evils of communism and offered his own analysis of the Great Depression, which he blamed on a deliberate conspiracy by an international banking class.

Coughlin's rants against British financiers assured the support of his fellow working-class Irish Catholics. His advocacy of expanding the national money supply by using not just gold as a currency measure, but silver as well, caught the attention of debt-ridden farmers and small businessmen. Like Long, Coughlin turned from being an avid Roosevelt supporter into a foe, and he interpreted the compromises with banks and labor unions in New Deal programs as simultaneously a communist plot and a secret Wall Street operation. Coughlin also increasingly turned his critique of banks into attacks on Jews in finance and government. Coughlin's anti-Semitic tone and his two-pronged attack on allegedly communist and capitalist conspiracies invoked parallels with the populist hatemongering of European fascists, which worried many Americans.

Portrait of Father Charles Coughlin.

Pushing for Pensions: Dr. Francis Townsend

Both Long and Coughlin appealed to the victims of the Great Depression who felt dissatisfied with what the New Deal had to offer them. The elderly in particular found little solace in work relief programs and banking reforms that failed to restore their vanished savings. For them, only an old-age pension would provide a sense of economic security. That is precisely what a distinguished elderly doctor from Long Beach, California, proposed with his scheme for an old-age revolving pension plan. **Francis Townsend** argued that all Americans over the age of sixty should be given a monthly government pension of $200, provided they retired and agreed to spend the pension in full each month. According to Townsend, the plan could be paid for with a 2 percent value-added tax at every stage in the production process. Townsend argued that the retirements would open jobs to younger workers, while the dollars spent by the elderly would pump funds into the economy.

Townsend's plan inspired the creation of local Townsend Clubs, which over half a million people had joined by 1935. A good number of the almost 8 million Americans of retirement age were willing to overlook

Photograph of Dr. Francis Townsend.

the basic mathematical impossibility of the Townsend scheme, which would have required a transfer of almost half of the nation's income to retirees in a single year. The lure of security, respect, and independence was too strong to be held back by reason. In California, Townsend was so popular that even the Republican gubernatorial candidate Frank Merriam supported the scheme. Legislation based on the old-age pension revolving fund reached the House of Representatives in 1935, together with 20 million signatures that the Townsend Clubs had gathered in support of its passage, which ultimately did not happen. However, the political dynamite contained in this movement was hardly lost on Franklin D. Roosevelt.[100]

Reality vs. Rhetoric: Roosevelt's Response

The attacks from the left and right angered Roosevelt. Given the urgency of the economic crisis, he had anticipated a broad national consensus behind his politics. His compromises for the sake of business interests had failed to gain him any favors and instead only angered his supporters among workers and progressives. As more and more spokespeople for business engaged in hyperbole and charged the president with "sovietizing" the national economy, Roosevelt became more defensive against his critics.

Roosevelt's disenchantment with much of the business leadership in the nation dovetailed with his frustration with demagogues like Long and Coughlin. Whereas class-based confrontations with an uncompromising capitalist elite seemed inevitable, the popularity of Roosevelt's left-leaning detractors suggested that a more radical New Deal could secure a wavering electorate and prevent them from defecting into socialist and populist splinter groups. Not only did the president's rhetoric begin to borrow from Long and his like, but Roosevelt's tax proposal of 1935 also spoke a clear language that the press quickly dubbed "**soak-the-rich**." The law provided for a federal inheritance tax on top of the existing estate tax, an increase in the maximum tax rate from 59 to 79 percent. It also created a gradual corporate income tax and proposed a constitutional amendment that allowed for the taxation of interest earnings from state and municipal bond holdings, which were a popular place for the very rich to park their savings. After ten weeks of vigorous and angry debate in Congress, the **Revenue Act of 1935** came out much tamer, without the levy on inheritance and with a maximum tax rate of 75 percent only for incomes over $50,000. This did little to change federal revenues at a time when only 1 percent of the population reported an income above $10,000.[101]

Targeting the super-rich was good politics for FDR, but not sound finance. More important than the Revenue Act was the closing of tax loopholes a year later. The share of national income for the top 1 percent did not decline during the 1930s. The tax policy of the New Deal fell short of its symbolic significance. Still, it did represent a change in philosophy away from pro-wealth tax cuts during the 1920s toward an expansion of the middle class.

The Second New Deal

The New Deal legislation of the first one hundred days had convinced Roosevelt's skeptics that he was not simply a "pleasant man," but rather a forceful president committed to alleviating the economic crisis. Voters expressed their support for Roosevelt's activism in the congressional midterm elections of 1934. Usually voters express their disappointment over failed promises in the midterm election following the inauguration of a new president, but in 1934 Democrats further expanded on their gains of 1932, expanding their Senate majority from sixty to sixty-nine and picking up seats in Indiana, Missouri, Ohio, Pennsylvania, West Virginia, Maryland, New Jersey, Connecticut, and Rhode Island. New Democratic Representatives from California, Pennsylvania, Wyoming, Illinois, New York, and elsewhere expanded the Democratic majority in the House by nine to a comfortable 322 seats, or 74 percent.

Thus empowered, the president could feel confident that a continuation of the New Deal was not only politically possible, but popular. And the popularity of his challengers on the left—Coughlin, Sinclair, Long, and Townsend—made it clear that further government action was necessary to maintain Roosevelt's political dominance. As significant as political support for the New Deal was for its continuation, the success of critics in the third branch of government, the courts, decisively shaped the direction of the Second New Deal. Conservative businessmen had found considerable support for their opposition to the New Deal among federal judges who were soon called upon to test Roosevelt's reforms on their constitutionality. Careful to avoid the impression that they were protecting wealth and privilege against just reform, conservative opponents of the New Deal sought to suggest that Roosevelt's government activism was first and foremost in conflict with American legal tradition and the nation's founding principles embodied in the Constitution.

It was to its advantage that Congress had passed many laws within the first one hundred days without careful study, and the Justice Department, which would have been responsible for assessing the constitutionality of laws, at the time lacked the expertise to give New Deal social reformers fair warning about upcoming constitutional challenges. On the other hand, many judges serving on the federal courts had received their new appointments from three consecutive Republican administrations with deep commitments to small government and laissez-faire capitalism.

The First New Deal under Judicial Review

By early 1935, federal judges had already prevented the enforcement of almost every single New Deal measure in hundreds of individual cases. Lawyers in the administration fought back as best they could, but they knew that the ultimate challenge would come in the form of a case before the United States Supreme Court. There, New Dealers faced a set of justices who were likely to oppose an expanded role for the federal government for different reasons. Justices Sutherland, Van Devanter, Butler, and Reynolds were staunch defenders of property rights and the freedom of the marketplace. Nicknamed "**the four horsemen of the apocalypse**," they had persistently stood up against the prohibition of child labor, the introduction of minimum wages, and the right to unionize, but felt it was not up to them to intervene in matters of free speech and other civil liberties, such as the right to assembly. Three justices—Cardozo, Brandeis, and Harlan Stone—were predominantly known for their adherence to the principle of **judicial restraint** with respect to the government's power to regulate economic affairs, but were not willing to grant executives and legislatures much leeway in their interpretation of civil liberties. Two justices appointed by Hoover—Chief Justice Charles Evans Hughes and Owen Roberts—were considered the swing votes at the time.

The Defeat of the NRA: Schechter v. United States

The New Deal had barely survived litigation over its departure from the gold standard, when it suffered its first serious blow. The Supreme Court struck down a Railroad Retirement Act on the grounds that the government authority to regulate interstate commerce did not empower it to mandate a pension plan in that industry. Justice Roberts joined the four "horsemen of the apocalypse" in *Railroad Retirement Board v. Alton Railroad Company* (1935), explaining that he saw no relationship between a pension plan and safety on the line, a legitimate government concern. Such a narrow interpretation of the federal authority to regulate interstate commerce did not bode well for the New Deal's boldest regulatory innovation, the National Recovery Administration. The test for the constitutionality of the NRA would come in a case regarding the regulatory codes in the poultry industry. After all, the Supreme Court had confirmed in a 1934 case that the poultry industry was indeed an interstate business, and as such, it ought to be subject to federal regulation.[102]

The U.S. Supreme Court in 1932.

New Deal lawyers wanted ***A.L.A. Schechter Poultry Corp. v. United States*** to appear before the Supreme Court to settle this constitutional issue and felt confident about their victory. They had found that Schechter Brothers' kosher poultry business in Brooklyn, New York, had violated the NRA live poultry code provisions on wages, hours, and fair trade requirements. Even though it was a local business, New Deal lawyers argued that the practices of the Schechter plant had interstate implications.

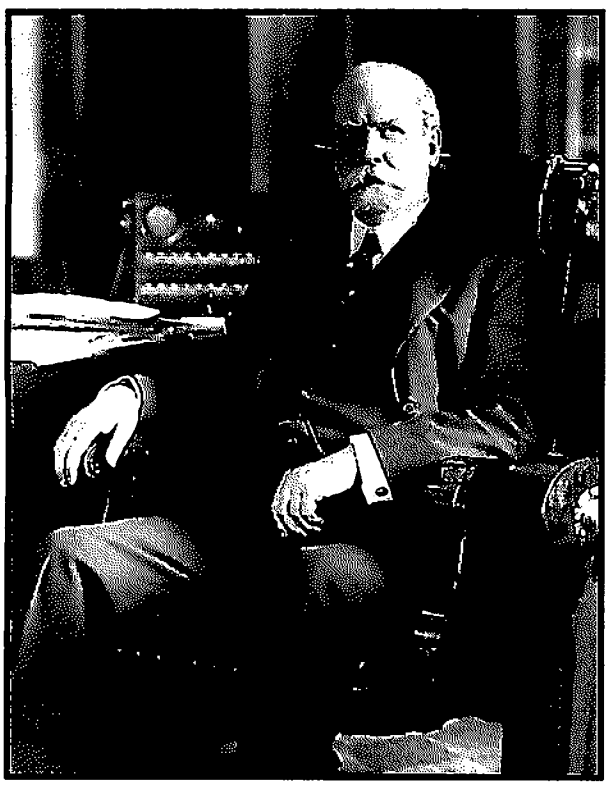
On May 27, 1935, often called "Black Monday" for the New Deal, the Supreme Court struck the Roosevelt administration three severe blows. An unusually united court came to three conclusions in the Schechter case that were devastating for the NRA: Congress could delegate regulatory powers to the president, but it could not simply give the executive a blank check which he could then turn over to private parties that would create and enforce codes, as had been the case with the NRA. This, Justice Cardozo thought, was "delegation running riot." Second, the Hughes court found the impact of the Schechter Poultry Corp. on interstate commerce to be at best indirect and not sufficient to justify federal regulation. Finally, the court made clear that even extraordinary economic conditions did not justify an enlargement of constitutional powers. With such a strong verdict, the fate of the NRA was sealed, and any future effort at regulating industries with nationwide codes was doomed.[103]

The Defeat of the AAA: United States v. Butler

The Roosevelt administration received more bad news from the Supreme Court on its "Black Monday" in May 1935. Its Emergency Farm Mortgage Act, which had tried to slow down farm foreclosures, had been struck down in *Louisville Joint Stock Land Bank v. Radford*. The act had allowed debtors, like Radford, to keep properties for up to five years after bankruptcy, thus depriving the creditor, which in this case was the Louisville Land Bank, its rightful property. The court ruled that this constituted a violation of the Fifth Amendment, which prohibited the federal government's taking of private property without just compensation.[104]

New Deal efforts in agricultural reform received an even worse blow in January 1936 when the Supreme Court struck down the Agricultural Adjustment Act in a six to three vote in the case of ***United States v. Butler***. In this case, a milk company attacked the processing tax with which the AAA financed its crop subsidies. The government was confident that its right to tax and spend revenue as it saw fit was constitutionally sound, but Justice Roberts' opinion declared otherwise. This was no "true tax," the court ruled, since it did not go into the general coffers but into subsidies that purchased compliance with a regulatory program beyond the legitimate boundaries of congressional power. Agriculture, Roberts explained, was local in nature and could only be regulated by the state. The fact that the sum of many local conditions produced a national crisis had not given Congress the right to ignore its constitutional limits.

Justices Stone, Cardozo, and Brandeis disagreed strongly with Roberts' interpretation of the tax and his view that the subsidies were voluntary only in name, but coercive in practice. New Deal lawyers found some comfort in this dissent. Rumors that Chief Justice Hughes sided with the dissenters and only concurred with Roberts to avoid a narrow five to four decision further raised their hopes that improved legislation could overcome the apparent roadblock of *United States v. Butler*. In fact, within a few weeks Congress passed the Soil Conservation Act which had a purpose similar to that of the AAA, but avoided Roberts' legal arguments.[105]



Chief Justice Charles E. Hughes. In Hughes' view, the Supreme Court's primary objection to the New Deal was its poorly drafted legislation.

By the end of Roosevelt's first four-year term, the power of the Supreme Court as a conservative roadblock to New Deal reform had become clear. The court recognized, correctly, that FDR's reform efforts pushed national authority into new areas, and that New Dealers shared a new vision of the federal system and the way states and the federal government shared power. As far as Roberts and the "Horsemen" were concerned, the Constitution was fixed on this issue. For Roosevelt and some of the other Supreme Court justices, the new economic conditions suggested the need for a rethinking of constitutional boundaries given that basic assumptions the founding fathers had taken for granted had been shattered in the Great Depression.

Sobered by the devastating defeats in court, Roosevelt and his advisers went back to the drawing board and began to draft new legislation that considered constitutional issues more carefully than the hastily drafted reforms of the first hundred days.

Labor at the Table: Unions in the Second New Deal

The Wagner Act and the NLRB

Employer opposition, the presence of company unions, lack of support from NRA regulators, and weak leadership from the AFL had all combined to dampen enthusiasm in the labor movement. The number of new charters issued for unions had gone up sharply in 1933 and 1934, but disillusionment led to a decline in 1935. Between August 1934 and August 1935, over six hundred unions were disbanded, expelled, or incorporated into other unions. Industrial labor was pushing strongly for union recognition, but Section 7a of the NIRA and the National Labor Board had been ineffective supporters.[106]

New York Senator Robert Wagner had witnessed this struggle as the NLB chairman. He was deeply concerned that American workers were not earning nearly enough, and that their wages had stagnated as corporate profits, executive compensation, and industrial production started to rise in the second half of 1933. Therefore, in 1934 he submitted a new bill to Congress that tried to close the loopholes in the NRA code that had allowed management to undermine and subvert the spirit of the law. The strong opposition of business interests, first and foremost the National Association of Manufacturers, prompted Roosevelt—who much preferred solutions that enjoyed the cooperation of business—to distance himself from Wagner's proposal. He authorized his own version of an improved National Labor Relations Board (NLRB) to help adju-

dicate labor disputes. Without the explicit power to precisely determine the conditions of employee representation through unions in conflict with management, Roosevelt's compromise version prompted little change, and employers continued to be able to undermine union representation with company unions and other strategies.

In May 1935, Roosevelt finally gave tacit consent to Wagner's bill in light of the fact that his NRA was on the verge of being overturned by the Supreme Court and that public pressure for stronger union support was mounting. The Wagner Act aimed to eliminate the inequalities in the bargaining powers of employees and employers, in the hopes that a more level playing field would lead to more competitive wage rates and better working conditions. The act effectively outlawed company unions by making employer influence on labor organizations an unfair labor practice. It also established the **National Labor Relations Board** to oversee employee elections for unions. Rather than being a neutral party in the conflict between capital and labor, the NLRB had a mission to protect the rights of workers to union representation. The **Wagner Act** thus threw the weight of the federal government behind the right of labor to bargain collectively.

Industrial Democracy in Sight: A Surge in Unionism

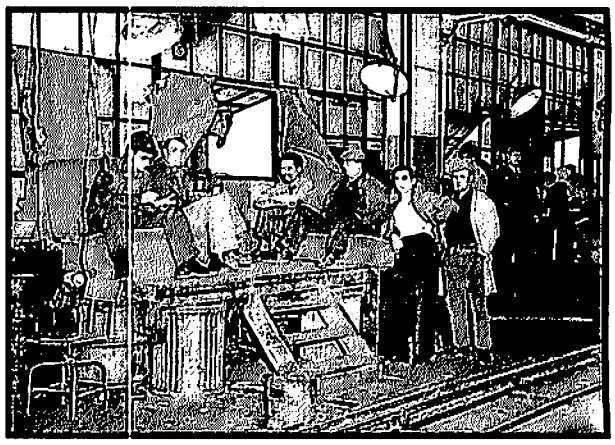
The passage of the Wagner act could not have come at a better time for American workers. By the summer of 1935, workers and employers battled fiercely over the union issue. Moreover, the struggle within the labor movement had erupted into something akin to civil war. At issue was the conservative approach of the AFL and the insistence of its leaders that each craft should remain autonomous, that unions should keep their distance from government, and that workers should shun public works as best as possible. Craft leaders in the AFL had little interest in organizing unskilled workers—one leader called mass production workers "rubbish"—since they thought that a solid union could not depend on such an easily replaceable workforce. Many in the rank-and-file had become discontent with this approach and were pushing their leaders for stronger organization on a national level.[107]

John L. Lewis of the United Mine Workers recognized the need for a nationwide organization of industrial workers in the auto, steel, rubber, textiles, and aluminum industries. When AFL President William Green and the rest of the AFL leadership refused to listen to Lewis' suggestions at a convention in Atlantic City, the union leader—famous for his spellbinding oratory style and flamboyance—walked out of the convention and was followed by other unionists. A few weeks later, Lewis organized the **Committee for Industrial Organization (CIO)** and launched aggressive organizing campaigns in mass production industries. The success of the CIO had much to do with its principled belief in inclusiveness. The AFL had a long history of exclusion and segregation. By contrast, the CIO courted Mexican Americans and African Americans, and about 300,000 women workers joined the new industrial unions as well.

In addition, the CIO attracted many members of the Communist Party, which sought the cooperation of any other group concerned with organized labor and civil rights in its **Popular Front** campaign. Their organizing efforts contributed significantly to the success of the CIO, even though only a few workers ended up joining the Communist Party. By the end of the decade, 23 percent of the nonfarm labor force was unionized. With almost 9,000,000 workers unionized, this was three times the amount of a decade earlier. The successful battle for union recognition and the ensuing organizing success ultimately translated into union victories on issues such as higher wages and better working conditions.

Sit-Down in Flint: The Fight of the United Auto Workers

Industrial workers had abandoned the trade union establishment of the AFL and also initiated new organizing and protest strategies. Until 1935, worker protests usually involved a strike in which workers left the workplace to march in picket lines in front of the factory or company. The problem with this approach was that employers usually hired scabs to take the place of striking workers, thus lessening the impact of the strike. In February 1936, however, workers at the Goodyear tire and rubber plant did not leave, but rather sat down in strike for recognition of their union, the United Rubber Workers of America. Company owners were reluctant to send in their own security forces, out of fear that plant property would be destroyed in the process. The



Workers at the Chevrolet body plant in Flint, Michigan, participate in a successful sit-down strike. Photograph by Sheldon Dick.

success of this **sit-down strike** was so remarkable that it soon became a new tactic for industrial workers.

Later that year, in December 1936, workers at the Chevrolet body plant in Flint, Michigan, staged a sit-down strike and declared that they would stay at their machines until management agreed to collective bargaining, as they were required to do under the Wagner Act. Workers lived in the factories and machine shops for over forty days before General Motors broke down and recognized the **United Automobile Workers (UAW)**. The defeat of the corporate giant GM sent a powerful message. On March 1, 1937, the US Steel Corporation, which had had a long history of successfully suppressing unionization efforts in its industry, recognized the United Steelworkers as the sole collective bargaining agent for its employees. Workers organized almost six hundred sit-down strikes between 1936 and 1939, when the United States Supreme Court declared the practice a violation of property rights.[108]

The New Place of Unions in American Culture

The formation of the CIO and the successful sit-down strike at Flint, Michigan, did not end labor conflicts in the United States. UAW organizers, including future union president Walter Reuther, were beat up by the Ford Motor Company police at a union rally at the River Rouge, Michigan, plant in May 1937. Following weeks of labor disputes, Chicago police broke up a Memorial Day picnic of unionized workers of Republic Steel on May 30, 1937. Workers resisted, the conflict escalated, and the police killed ten and injured over eighty in what came to be known as the **Memorial Day Massacre**.

Republic Steel had won this battle, but they were losing the war. The nation had turned the page. In the thousands of strikes during 1937, unions gained recognition and were able to enforce improved wages and working conditions for their constituents. The CIO also became a political force, aligning itself openly with the Democratic Party, donating to its campaigns, and promoting social justice beyond the shop floor—something the AFL had always disdained as partisan politics. Unions had gained legitimacy in public life. Many businessmen had to sit down at the same table with union leaders who came from gritty urban immigrant communities entirely alien to their elite Anglo-Saxon circles. At the same time, however, one should not overestimate the impact this had on working conditions and wages. Moreover, the vast majority of workers remained unorganized and hostile to unions.

The Fair Labor Standards Act

Most union efforts resulted in labor contracts between employers and workers. There was one reform effort the AFL and the CIO accomplished in national legislation, and that was the **Fair Labor Standards Act**. The FLSA put into law minimum wages and maximum hours and prohibited the employment of children under the age of sixteen. Congress fought over this law throughout 1937 and 1938. The act not only faced the opposition of Republicans, but also of southern Democrats who feared that a minimum-wage would deprive the South of its regional advantage as a cheap labor region. They also demanded an exemption for domestic servants, who were typically African Americans employed in the households of white Southerners. Lobbyists for growers in the West protested the implementation of wage and hour regulations on farm work, and the demand for other exemptions grew.

In the end, the FLSA stipulated a minimum-wage of 25 cents an hour, with wage increases scheduled for the next seven years, and set the work week at forty-four hours with a gradual reduction to forty hours over two years. Although modest in its provisions, the FLSA raised wages for almost 500,000 workers and shortened the work week for over 1 million. Some of the most vulnerable and exploited workers, however, were excluded as a result of the many political compromises New Dealers had to make in Congress. Retail clerks and streetcar operators, farm workers, fishermen, and domestic servants had to wait until Congress included them in the FLSA provisions step by step in the postwar years.

The Works Progress Administration

In the congressional midterm elections of 1934, Democrats gained decisive victories, and the president's party now overwhelmingly dominated both the Senate and the House of Representatives. But since the first one hundred days, the New Deal administration had seemed to run out of steam. A lot of the reform efforts and experiments faced strong political opposition and gave rise to critics and demagogues, or

The WPA aimed to offer employment to "able-bodied but destitute workers" during the Great Depression.

turned out to be impractical. Roosevelt seemed uncertain of which way to turn, as was evident in his neutral stand on the Wagner Act. In 1935, Roosevelt seemed certain and authoritative in only one piece of legislation, and that was the creation of the **Works Progress Administration (WPA)**.

It is easy for us today to confuse or conflate different public works projects enacted in the New Deal. On the surface, they may appear so similar as to make distinction unnecessary. The WPA, however, was different from its predecessors—the CCC, CWA, and PWA—in that it signaled Roosevelt's recognition that short-term relief efforts had not ended the Great Depression. In its sixth year, the economic crisis throughout the country still left 10 million Americans unemployed. Rather than dishing out federal monies to states for public works through FERA, and simultaneously operating federal public works projects, the WPA was an effort to unite all emergency public works "in a single new and greatly enlarged plan."[109] The "federal government must and shall quit this business of relief," Roosevelt promised, and responsibility for the unemployable was to go back to state and local officials. At the same time, however, Roosevelt committed the federal government, via the WPA, to find employment for the "able-bodied but destitute workers."

Employer of Last Resort: Expanding Workfare

Congress created the WPA with the Emergency Relief Appropriation Act in April 1935. But Roosevelt had to set priorities in his new public works program: Would he prefer efficiency and economy in the spending of public funds? If so, he would have had to choose PWA administrator Harold L. Ickes to run the WPA. Ickes had experience in financing massive construction projects and making sure American taxpayers would get the most public works for the buck. Or was the maximum in employment the first priority? If so, he would have had to give the job to Henry Hopkins, who had sent most of his CWA workers to small projects with little need for heavy machinery and costly building materials. In fact, the CWA had spent 80 percent of its appropriations in wages. Given the pressing situation of mass unemployment, and the promise of quick relief, Roosevelt opted for the latter, and Hopkins became the director of the WPA. Paying a secure wage above relief stipends but below prevailing wage rates, and limiting total earnings by setting maximum hours, Hopkins tried to avoid competition with private business. Recipients were supposed to leave WPA employment as soon as better jobs with higher pay in the private economy opened up. WPA workers were also subject to a means test, which meant they had to demonstrate they were deserving of relief work. The WPA made the federal government the employer of last resort, positioned between the harsh terms of local relief and charity and the sparse rewards of the regular market economy.

An extravagant operation by the standards of the 1930s, the WPA at its peak put 3.5 million people on the government payroll, approximately a third of the total number of unemployed. At a cost of approximately $5 billion, conservatives from the Liberty League were outraged and prophesized that this was the end "of the form of government under which we have lived." Others were concerned that the size of the WPA would turn it into a political powerhouse that would deliver loyal Democratic voters to Roosevelt. This anxiety was fed further when Hopkins was quoted as saying, "spend and spend, tax and tax, elect and elect."[110] Others, in contrast, lamented that the program was far too small to produce a stimulus in demand and prompt the burst of mass purchasing, which was what the national economy needed so badly in the opinion of Keynesians.

Despite these complaints, however, the WPA literally changed the American landscape, building 2,500 hospitals, 5,900 schools, 350 airports, 570,000 miles of rural roads, and 8,000 parks. With over $11 billion of work relief between 1935 and 1943, the WPA at one point or another employed 8 million Americans—one-fifth of the nation's entire workforce. Regardless of its political opponents and fiscal impact, the Works Progress Administration advanced the idea of government responsibility for public works and relief in times of crisis far beyond the imagination of even Roosevelt in 1932. Its projects added to the nation's wealth in transportation infrastructure and to the conservation of natural resources.

The WPA, Youth, and the Arts

The WPA also included a special project for youth, the **National Youth Administration (NYA)**. This agency recognized the special needs of college and high school youths and hoped to prevent the political radicalization of an age group that at this very time was feeding support for fascist regimes in Europe. The NYA offered work study jobs that allowed half a million college students to stay in school and provided part-time work to 4 million high school students and other unemployed young people. A special fund remained reserved for black students, who were twice as likely to be unemployed as whites, and was put under the leadership of the famous educator **Mary McLeod**. Soon the NYA division of Negro affairs became a famous advocate of urban youth and had considerable clout in the postwar civil rights movement.

The WPA also laid the foundation for federal programs in support of the arts and the humanities. "Federal Project One" employed about 40,000 artists in the **Federal Writers' Project (FWP)** as well as in the nation's theaters, the arts, and in music. WPA writers produced volumes of oral histories that captured slave narratives from aging African Americans who had experienced life in the South prior to the Civil War. They also wrote state and regional guidebooks. Actors and play-

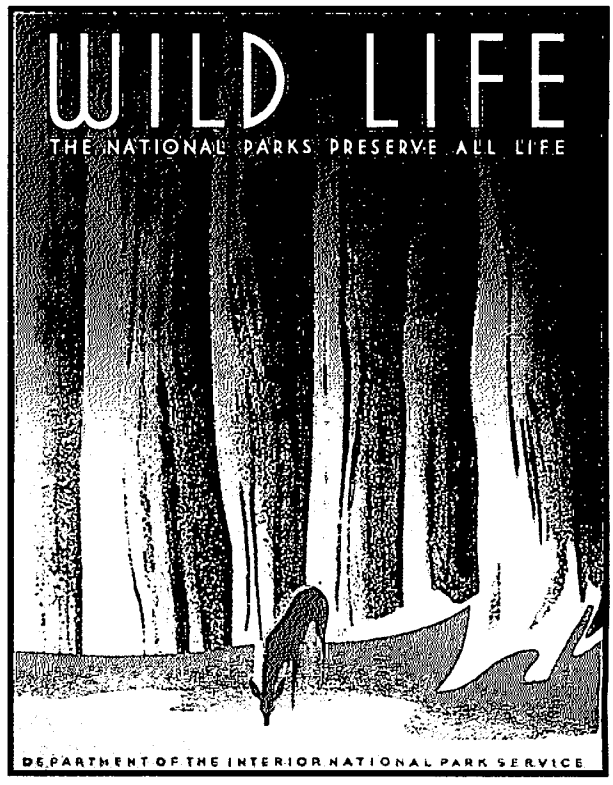
wrights produced dramas and musicals and performed them for people in forty states, many of whom had never before seen a theatrical production. Musicians composed new music, taught children to play instruments, and gave concerts to the public for free. The **Federal Arts Project (FAP)** launched the careers of writers like Richard Wright and Ralph Ellison and artists like Jackson Pollock. The Federal Arts Project's more than 2,500 murals and almost 18,000 pieces of sculpture decorated public buildings and community arts centers nationwide long after the Depression.[111]

The Federal Arts Project was popular with many Americans, but it also attracted a lot of criticism. Conservatives questioned the need to finance art in times of economic crisis while others suspected the Federal Theatre to be a propaganda arm of the Roosevelt administration. Many artists employed through the Federal Arts Project either leaned to the left or were indeed political radicals, which made it easy for Congressman Martin Dies of Texas, chairman of the House Committee on Un-American Activities, to charge the FAP with communist propaganda. In 1939, he succeeded in terminating the Federal Theatre Project. While idealists had to concede that the New Deal for the arts did not produce a cultural democracy with broad access for the masses, they would eventually learn to appreciate the role of the New Deal as a pioneer in the federal patronage of arts and humanities.

Young women participate in a National Youth Administration sponsored class to improve typing ability.

Governing the Land: Roosevelt's Land Policy

The president's admiration for Theodore Roosevelt and his promotion of National Parks, his own upbringing in New York's rural Hyde Park, and his passion for countryside living in Georgia's Warm Springs—his regular getaway ever since his infliction with polio—had engrained in Franklin D. Roosevelt a deep personal connection to the environment and the importance of conservation efforts. His personal "gospel of conservation" met a more public-oriented practical need for new land policies in the Great Depression. Admittedly, the Agricultural Adjustment Act had curtailed agriculture and expansion at the expense of small farmers and urban consumers. On the other hand, the Tennessee Valley Authority—which unlike the AAA and NRA survived its constitutional challenge in February 1936 in the case off *Ashwander v. Tennessee Valley Authority*—combined agricultural and industrial development with the environmental goals of flood control and reforestation. The Civilian Conservation Corps and WPA brought workers into the nation's forests to build campgrounds and trails, such as the Pacific Crest Trail and the famous 469-mile-long Blue Ridge Parkway con-



A poster for the United States National Park Service, designed by Frank S. Nicholson for the Works Projects Administration.

necting the Shenandoah National Park in Virginia with the Great Smoky Mountains National Park in North Carolina. To this day, cabins, shelters, lodges, and observation towers built in the style often called "government rustic" provide evidence of the New Deal's support of conservation.

Roosevelt's land policy did not just entail the conservation of natural resources and the preservation of the nation's beautiful wilderness; it also aimed to stabilize the lives of rural Americans. The Dust Bowl had wreaked havoc on the lives of millions in the American heartland. In addition, the legal defeat of the AAA signaled the need for a smarter approach to the dual issue of ecological balance and economic stability through land management. The first step to this had been the **Soil Conservation and Domestic Allotment Act**, which abandoned processing taxes and acreage quotas and mailed benefit checks directly to sharecroppers to circumvent the power of landlords. The Soil Conservation Service limited production of the most soil-depleting crops with the growing of grasses and sought to prevent erosion with contour plowing, rain preservation programs, and crop rotations.

Among other things, the SCS experimented with a "shelterbelt" of brushes and trees to break up the wind patterns over the Midwestern prairie and protect exposed fields. This project ultimately produced few results, but illustrates well the New Deal's willingness to implement bold solutions that permanently shaped the American landscape.[112] In the West, the Bureau of Reclamation helped solve the perennial issue of water scarcity. In California, several New Deal agencies cooperated in the construction of the **All-American Canal** for the irrigation of the Imperial and Coachella Valleys with water from the Colorado River. Completed ten years later in 1947, the Central Valley Project irrigated two million acres in the heart of California, turning the state into the nation's biggest agricultural producer.

The Rural Electrification Administration

One way in which the New Deal succeeded in stabilizing life in rural America was through its promotion of electrification. By 1934, only 11 percent of American farms had electricity; in states like Mississippi only 1 percent did. In contrast, 90 percent of French and German farmers enjoyed electricity as a result of government policy. Electricity, it was understood, did not just make rural life more comfortable; it also stimulated the creation of jobs, drove up demand for consumer goods in rural regions, and aided the general health and welfare of a part of the American population whose world had not changed much since the late nineteenth century.

Congress established the **Rural Electrification Administration (REA)** through its Emergency Relief Appropriation Act of 1935 with the intent to design, administer, and supervise projects that would generate, transmit, and distribute electrical energy in rural areas. Taking a chapter out of the book of the Tennessee Valley Authority, the REA prioritized the generation of electricity for people over the generation of profit for private public utility companies. Using money provided by the Reconstruction Finance Corporation, the REA provided low-interest loans to non-profit consumer cooperatives—not private utility companies—to build distribution networks and transmission lines. When it seemed likely that these co-ops might even begin to generate their own electricity, utility companies gave up their opposition to the plan and offered their power at much lower rates to new rural customers.

By 1939, 417 REA cooperatives served 268,000 households—approximately 25 percent of all American farms. After fifteen years, almost eighty percent of American farms received electricity in this way. On its own, electricity could not reenergize depressed rural life and halt urban migration, but it did narrow the social and cultural gap between city and country in a way that only the automobile had accomplished before.

The Farm Security Administration

The Soil Conservation program had succeeded at taking millions of acres of low-performing land out of rotation, but the aid it gave farmers in increasing their yields actually increased the annual output and lowered prices for goods like cotton, which witnessed a record crop of 19 million bales in 1937 and sold at the meager price of 8.4 cents per pound. The plight of farmers was far from over.

To prevent the further displacement of the rural poor from the land through either environmental disaster, bankruptcy, or the unintended consequences of the AAA, the Roosevelt administration in its second New Deal created the **Resettlement Administration (RA),**

Photograph of a citrus workers' camp by Dorothea Lange. Lange was hired by the Farm Security Administration to document the plight of farm workers.

which later became the **Farm Security Administration (FSA)**. The Resettlement Administration helped relocate occupants of poor quality land to better fields in government-created rural "suburbs," and tried to train poor farmers in better land-use practices. Political opposition from landlords and rural politicians who feared a shift in the balance of local power frustrated many efforts of the RA and its idealistic director Rexford Tugwell. After Tugwell's resignation in 1937, the RA became the Farm Security Administration, which no longer tried to resettle farming families but offered loans to sharecroppers, so they could buy their land. In the South, southern planters and large landowners managed to co-opt the FSA and channel loans to themselves rather than their black sharecroppers. Doubtful about the efficiency of the program, Congress provided few funds for this program, and during its first two years of operation, the FSA met the loan requests of just 6,200 out of 146,000 applicants.

As part of its efforts to gain popular and political support for its program to restore the American family farm, the FSA hired photographers to document the plight of farm workers in plantation and industrial agriculture in contrast to the community-spirited rural life of small- to medium-size family farm operations. Touring California's Central Valley for the FSA, the photographer Dorothea Lange took her famous picture of a migrant mother—an image that has since become an iconic symbol of the Great Depression and the plight of "Okies" in the West.[113]

Protecting Property: A New Deal for Homeowners

Farmers were not the only ones who suffered a surge in bankruptcies during the Great Depression. Homeowners did, too. At this time most home mortgages had terms shorter than ten years, and they were not designed to amortize automatically over time. This meant that homeowners were faced with a large balloon payment at the end of the loan term. Refinancing did not exist at the time, so foreclosures were common.

The Federal Home Loan Bank Act passed under President Hoover in 1932 had been the first effort to protect property owners against foreclosure by linking mortgage lenders throughout the country to one large and federally regulated credit pool. During the first one hundred days, Franklin D. Roosevelt had followed up with the Home Owners Refinancing Act, which created the **Home Owners Loan Corporation (HOLC)** to help homeowners avoid foreclosure. The HOLC enjoyed a certain success with its refinancing of loans at low interest. Altogether, the HOLC loaned more than $3 billion on over 1 million mortgages and saved 10 percent of all owner-occupied residences. Approximately one-sixth of urban mortgages became HOLC loans, and the number of foreclosures fell by half between 1933 and 1937. A brilliant move politically, no other single measure consolidated middle-class support for the New Deal in the same way, applauded historian Arthur M. Schlesinger, Jr.

The HOLC alone could not restore the real estate market, however. The question of how the federal government could stimulate residential construction remained to be answered. Whereas many of his advisers favored a large-scale publicly financed construction project, the president ultimately favored a measure proposed by **Marriner Eccles**, an early advocate of Keynesian ideas and later chairman of the Federal Reserve Board.

The Federal Housing Administration

Eccles' National Housing Act of 1934 created the **Federal Housing Administration (FHA)** and the **Federal Savings and Loan Insurance Corporation (FSLIC)**. Working in tandem, these two New Deal institutions would build the foundation for the modern mortgage and home-building industry. Along the lines of the Federal Deposit Insurance Corporation, the FSLIC stood behind the home loans issued by savings and loan institutions as a lender of last resort. The FHA established the practice of fully amortizing loans, in which the buyer paid down both interest and principal in equal monthly payments over a time period of twenty to thirty years, rather than the customary eight to ten years.

This allowed home buyers to make down-payments of 10 to 20 percent, rather than the 50 percent that had been typical. Subsequent monthly payments were lower too. By making homeownership easier to afford for people with little savings but a steady monthly income, the FHA guidelines significantly expanded the market for homeownership. At the same time, the

Photograph of Marriner Eccles at a press conference in 1937.

insurance reduced the risk for lenders. In the words of Eccles, this federal guarantee for private loans did not require large amounts of federal money, it just simply "used the power of government to establish the conditions under which private initiative could feed itself and multiply its own benefits."[114] The evidence for this theory came quickly: in 1934, new housing construction was up for the first time in eight years, and it continued to climb until after the war. The FHA-sponsored housing boom focused on new single-family units, which also translated into the promotion of suburban development. In fact, the FHA, together with the HOLC, and the Federal Home Loan Banks proved such an effective housing policy for the private real estate market, that public housing projects planned by the PWA lost support in the mid-1930s.

Red Lines on the Map: The FHA and Urban Disinvestment

The virtually exclusive reliance on the private banking and construction sector also had its price. For the one-third of the American people who, as President Roosevelt said in his second inaugural address, were "ill-housed, ill-clad, ill-nourished," mortgages remained out of reach. Many continued to live in what one housing reformer called "the worst slums in the civilized world." Harold Ickes' PWA housing division made slow progress, in part because of its director's maddening attention to detail, in part because of the legal battle over the federal government's power of eminent domain, and in part because of the residents' lack of support. In 1937, the Wagner Steagall Act finally created the **United States Housing Authority (USHA)**, which gave sixty-year loans to local entities for the construction of public housing projects. Within a year, over two hundred communities had taken advantage of this offer and were building 130,000 new units. In comparison with the housing crisis of the urban poor, however, this was—in the eyes of urban reformers—little more than a drop in the bucket.

The policies of the HOLC, FHA, and the USHA also shaped urban development in another way. The HOLC refinanced mortgages based on a uniform system of appraisal that sought to predict neighborhood development. The appraisal included housing stock, income level, and ethnicity. The maps then divided neighborhoods into four categories, which were marked in the colors green, blue, yellow, and red—the least desirable ranking. Black neighborhoods were consistently marked in red as the worst location, with the least desirable loan conditions. The HOLC made its maps available to private lenders who followed this policy, making loans cheap and easily available in green sectors, and expensive or not available at all in the **red-lined neighborhoods**. The FHA also copied these appraisal techniques and completely refused to issue loans to red-lined neighborhoods, and instead advised property owners to remove inharmonious racial or nationality groups and enforce racial covenants. As urban historian Kenneth Jackson pointed out: "Previously, prejudices were personalized and individualized: [the] FHA exhorted segregation and enshrined it as public policy."[115]

Lessons Learned: The Need for Social Security

Apart from material deprivation, most Americans found that the biggest personal sacrifice during the Great Depression was a loss of confidence and a growing sense of insecurity. Confidence was a central part of Roosevelt's appeal. And security was what Americans expected from the New Deal.

Nothing exemplifies the importance of New Deal reform for the modern state as much as the **Social Security Act of 1935**—the crowning achievement of the second New Deal. Until then, Americans who were unable to provide for themselves because of old age, unemployment, or disability had few public resources on which to draw. Only one state, Wisconsin, had an unemployment insurance system. There existed a number of private pension plans, which had emerged as part of modern corporate welfare schemes in the 1920s, but most of these turned bankrupt with the crash of 1929. Public pension plans intended to cover teachers, police, and firemen only. Half of the states did not even offer any public assistance to the blind or to dependent children.

Signed by Roosevelt on August 14, 1935, the Social Security Act was in part a reaction to populist critics Townsend and Long, who had mobilized the nation's elderly in favor of old-age pensions. But social reformers, including the president's own secretary of labor Frances Perkins had long campaigned for a national pension system. The act provided pensions for most workers in the private sector to be financed through a federal tax on both employers and employees. The act also created a joint federal-state system of unemployment insurance, which would also be financed with an employer tax, as well as a system for the blind, the deaf, the disabled, and dependent children. Whereas employees had "earned" their social security through contributions, these "deserving poor" received assistance because they could not support themselves.

A milestone in the creation of the modern American welfare state, the Social Security Act put the United States on the path of other industrialized countries like Germany or Great Britain. But while the measure established what FDR once called "cradle to grave" security, the extent of coverage, the methods of finance, the level of benefits, and the structure of administrative control created a bewildering, complex, and unequal welfare state. The details of this welfare reform reveal the deep reservations many Americans still had about a system of economic security that might undermine the principles of capitalism.

Not Welfare, but Insurance: The Organization of Social Security

Roosevelt had originally wanted to wait for better economic conditions and a less contentious political climate to pass a social security measure, but after it became clear that even the WPA could not provide for all unemployed Americans, he no longer hesitated. As governor of New York, Roosevelt had supported unemployment insurance and signed into law an old-age assistance program for the state. As president, however, he found passing similar legislation at the federal level far more difficult. While the president believed that the Constitution empowered Congress to provide for Social Security under what has been termed the "general welfare clause" (Article 1, Section 8), most Republicans and many southern Democrats balked at a measure that would centralize authority over benefits and coverage in the federal government. The "**nationalists**" like Henry Wallace and Rexford Tugwell made the point that minimum levels of aid should be the same across the nation, and they should be administered by similarly competent staff. They also believed that the system should be financed with the general tax revenue.

However, many congressional Democrats along with New Deal administrators who were skeptical of an excess of federal authority, like Felix Frankfurter and Henry Morgenthau Jr., preferred that individual states maintain authority over the coverage and the level of benefits. In order to win the support of southern Democrats, whose traditional advocacy for states' rights threatened to obstruct Social Security reform on the national level, Roosevelt sided with these "**localists**." Only old-age pensions became a federally administered program. Roosevelt also feared that funding the program through general revenue would make Social Security politically unstable. In other words, conservatives in the future could easily legislate the program out of existence and cast it off as excessive spending. Instead, Roosevelt envisioned a system in which employers and employees paid social security contributions, making the program appear more like an insurance plan rather than welfare. Social security "account" numbers, printed on individual cards, suggested to Americans that their monthly contributions accumulated to provide the benefits to which they were entitled in times of unemployment and in old age by virtue of their lifelong work record. Social security recipients, Roosevelt reasoned, would not think of this as a government hand-out, but as dividends of a social insurance policy. Any fiscally conservative government in the future that would want to do away with this would most likely reap the scorn of millions of working-class and middle-class contributors who felt entitled to "their Social Security benefits" like a private investment. Opponents denounced the program as tyrannical and extravagant, but the law gained enough votes to pass.

Photograph of President Franklin Delano Roosevelt signing the Social Security Act.

The president's advisors in his Committee on Economic Security made one other important concession—**healthcare**. Perkins and Tugwell were well aware that only six percent of Americans had health insurance and that medical costs were rising, but they also knew of the aggressive opposition of the American Medical Association and conservative members of Congress. Confident that national healthcare would be the next step in the larger project of social security, they agreed to shelve the inclusion of medical benefits.

The Struggle Over Benefits

As politically savvy as the solution was, it also created a number of difficulties. First, employee contributions were proportionally larger for lower incomes than for higher ones, and this regressive form of taxation placed a relatively heavier burden on the lower middle class. Meanwhile, employers could offset 90 percent of their federal Social Security payroll taxes by contributing to state unemployment insurance programs, thus encouraging local over federal programs. Since businesses would pass along their payroll taxes to the consumer, workers would pay for social security both through their own contributions and as consumers.

Second, the local administration of Social Security created significant regional inequalities in coverage and levels of unemployment benefits. For example, aid to dependent children in Arkansas received $8.10 while in Massachusetts the AFDC check had a value of $61.07. Prior to the national administration of pensions in 1940, the state-level disbursement of old-age relief through a temporary Social Security grant resulted in old-age pensions that stood at $3.84 per month in Mississippi, compared to California's $37.95. Ten states waited until 1939 to join this temporary program,

which was meant to sustain the elderly until the first disbursement of Social Security checks. This inequality in benefits did not just affect Social Security payments, but those of the WPA and FERA as well. Southerners defended their typically miserly payments by contending that their region had traditionally had low wages. More importantly, they felt that government aid should not allow black Americans any living at all, since that would allow African Americans to reject sharecropping and other backbreaking labor at wages that barely provided enough food to eat. For the sake of the political alliance between northeastern Democrats and southern **Dixiecrats**, New Dealers adjusted to these regional differences and customs of social inequality.[116]

Race, Gender, and Economic Citizenship

The victims of southern frugality were first and foremost African Americans who suffered disadvantages for another reason as well. Social Security excluded agricultural workers and domestic servants completely from unemployment and old-age insurance. As a result, half of all African Americans were ineligible, since they remained heavily concentrated in those occupations in the South. In the Southwest, Mexican-Americans, who were heavily concentrated in field labor, experienced a similar disadvantage.

Women suffered high rates of ineligibility, too. Religious and non-profit work did not qualify, nor did seasonal work that did not include regular monthly social security payments. All this made it harder for women to gain coverage. Most women's employment records were interrupted by child-bearing and child-rearing, so even though many women saw the flat payroll tax deducted from their already small paychecks, they often did not accumulate the necessary years of employment to qualify for any kind of benefit.

In the limited welfare state of the New Deal, only those with steady blue- and white-collar work and with long employment histories enjoyed an entitlement to social security, which meant that beneficiaries were far more likely to be white and male than female or non-white. Spouses and children were only covered as the "dependents" of entitled citizens, and at lower rates. Those who had never had the chance to pay into their own social insurance—such as the blind, disabled, or dependent children—could only qualify for welfare through a "means-test," which meant that they had to prove they were poor enough. As a result, some historians have described the New Deal state as a **dual welfare state**: benefits entitlement for predominantly white male citizens, and charity for predominantly non-white and female Americans of seemingly second-class citizenship.[117]

The Triumph and Contest of the New Deal

The Election of 1936

A Vote of Confidence: FDR's Landslide Victory

When Roosevelt moved into the White House in 1933, he expected to build a new bipartisan consensus in which both northerners and southerners, businessmen and farmers, workers and bankers could agree on a shared national policy of recovery. But by the time of his second Democratic party nomination for president in Philadelphia in the summer of 1936, it became clear that Roosevelt was anything but a symbol of national consensus. Roosevelt's art of political compromise had not calmed the political waters, but instead caused uproar on both ends of the political spectrum. While Long, Coughlin, and California's Upton Sinclair chastised Roosevelt for acting as the "savior of capitalism," charged him with selling out to the financial interests, and clamored for an unprecedented redistribution of wealth, conservative businessmen—and some former Democratic party friends—lambasted the New Deal for its populist tendencies, its irresponsible budget deficit, and its alleged desultory impact on the American character. Roosevelt's former mentor and 1924 presidential candidate Al Smith told an elite crowd at New York's Mayflower Hotel that "there can be only one capital, Washington or Moscow." Exaggerations of this type inadvertently aided Roosevelt's campaign as the champion of "ordinary" Americans.[118]

Choosing from a political field decimated in the 1932 and 1934 elections, Republicans had few choices for a reasonable contender. They selected **Alfred Landon**, a progressive but fiscally conservative Republican from Kansas who agreed with too much of Roosevelt's New Deal to garner much enthusiasm from his party. Attacked by increasingly radical critics on the left and the right and challenged by a mild-mannered opponent who offered no alternative vision but a New Deal writ small—Landon's critics called this campaign strategy "me-tooism"—Roosevelt became the candidate for the American mainstream.[119] The prospect of a government of millionaires even worse than that of the Republican administration during the 1920s or the possibility of a fascist regime that was looming behind the Union Party—a collection of Roosevelt's populist challengers behind North Dakota Rep. William "Liberty Bill" Lemke—only heightened the incumbent's appeal.

For his part, Roosevelt did not object to a pitched battle with his critics. In his acceptance speech, he drew sharp battle lines between himself and the "economic royalists" and "privileged princes" of the Republican establishment. This election would be a contest between the haves and have-nots. In 1936, the latter were clearly in the majority.

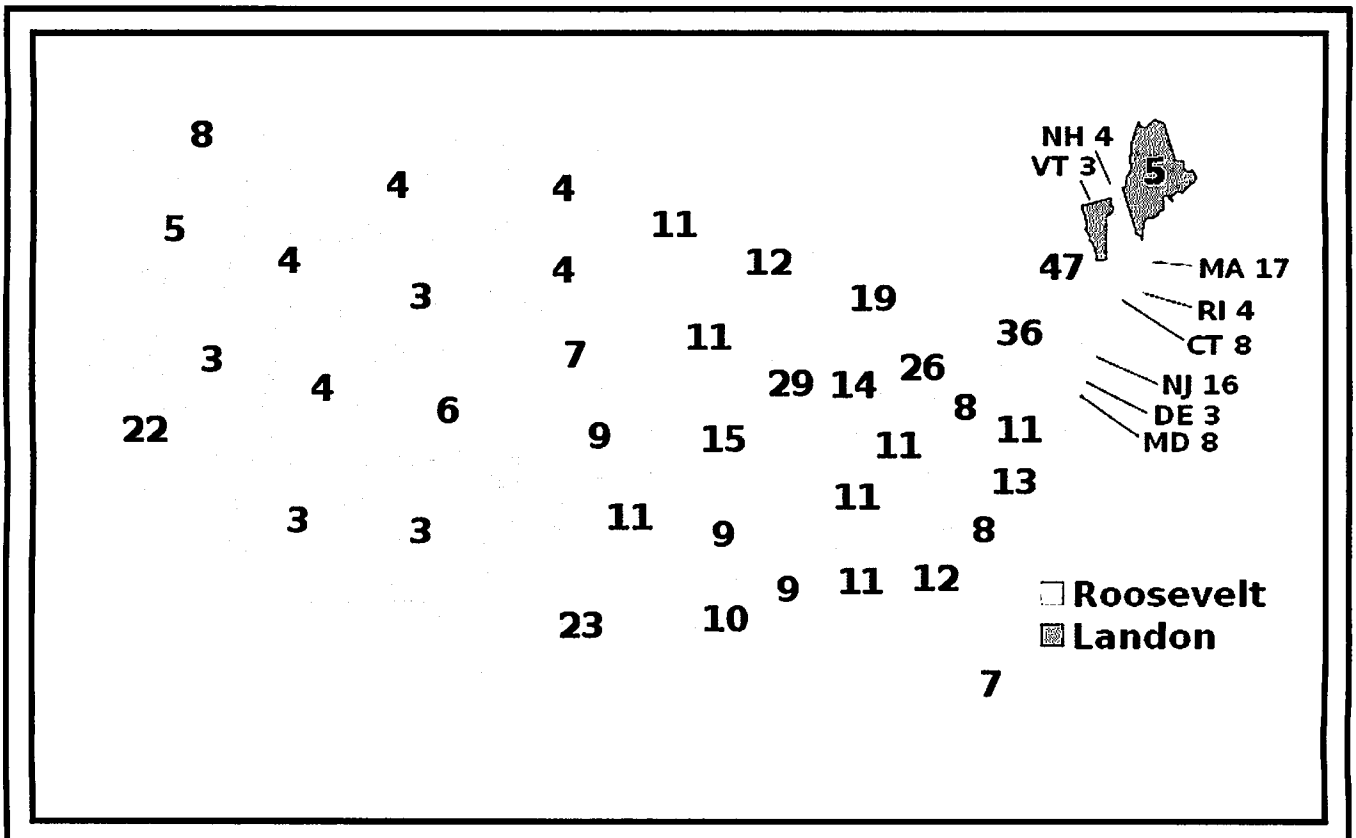
The Formation of the Roosevelt Coalition

A straw poll of the Literary Digest on the eve of the **election of 1936** predicted a safe victory margin for Alf Landon. This poll had been right in the previous four elections, but this time it could not have been more wrong. Roosevelt gained the largest electoral vote victory ever recorded: 523 to 8. The president also won 60.8 percent of the popular vote. The only states that went Republican were Maine and Vermont. Had the election gone any better for Roosevelt, journalists quipped, he would have won Canada as well.

As wrong as the straw poll was, however, it also said something important about the election. Pollsters tended to contact people with automobile registrations, or those with listings in the phonebook. This tended to skew the results toward upper income groups. In the past, this imbalance had not been important, but this time class mattered. If only 42 percent of more prosperous Americans voted for the New Deal, 80 percent of union members, and 84 percent of Americans on relief did. Of course, there were still many poor Americans who remained loyal to their Republican Party. But not only were poor and low-income Americans far more enthusiastic about the New Deal than their wealthier fellow citizens, they also were more enthusiastic about voting. In 1936, 6 million more people voted than in 1932, and most of them voted for the incumbent.

The Democratic Party had not merely become a haven for newly empowered workers. Next to the working class, the Roosevelt campaign in 1936 mobilized Jews, Catholics, women, African Americans, intellectuals, independents, and Republican progressives. People on the margins, those who felt disadvantaged—not just in the market economy but in society—recognized the promise of the New Deal as a trigger for further reform and equality in citizenship. Despite all its flaws, and despite the many compromises that Roosevelt had brokered and which had diluted the progressive fervor of his advisers, it was the New Deal administration more than anything else that offered a credible prospect of change.

What had happened by 1936 was a fundamental shift in the alignment of American politics. Republicans had dominated national politics since the election of 1896. Except for Grover Cleveland and Woodrow Wilson, the nation had seen only Republican presidents between 1865 and 1932. Democratic presidents and congressional majorities would dominate American



This map shows the results of the 1936 presidential election. The numbers shown indicate the number of electoral votes accorded to each state. FDR won a landslide victory.

politics from 1932 until Republicans gradually returned to dominance from 1968 to 1980.

The large coalition the Roosevelt administration was able to assemble in 1936—and that on which future Democratic candidates and members of Congress would be able to draw—was not invulnerable, however. The seeds of dissolution were in the one region where the Democratic majority was the strongest, the South. There, white voters maintained their loyalty to local Democratic party machines that remained committed to segregation and white supremacy. Meanwhile, African Americans, who had been loyal to the party of Lincoln from the Civil War through the election of 1932, recognized the economic benefits and promise of social change that Roosevelt's New Deal government in Washington, D.C., offered.[120] They began moving to the Democratic Party in the midterm elections of 1934. By 1936, more than 50 percent of African Americans who cast votes voted Democratic. > 75%

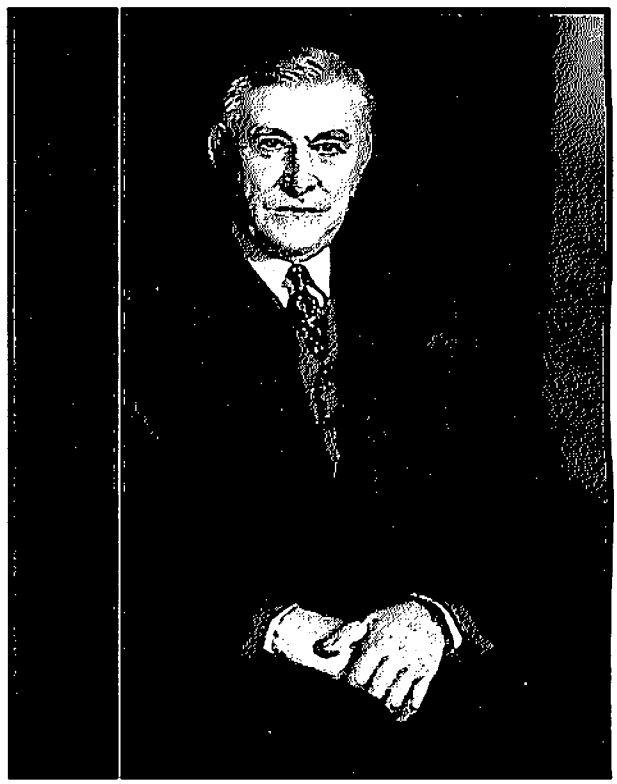
FDR and the Courts

Who could blame President Roosevelt for interpreting the election results as a decisive vote of confidence in his leadership and support for further economic policy designed to foster fairness in prosperity. The biggest obstacle to such reforms from Roosevelt's perspective was the United States Supreme Court. In their jurisprudence in Schechter, the Railroad Retirement Board case, and their rejection of a more specific regulation of wages and hours in the mining industry in the case of *Carter v. Carter Coal Company*, the brethren on the bench had produced such a narrow definition of the **interstate commerce clause** that it was hard to conceive of any legal ground for the federal regulation of working conditions. The court had gone even further, however, and had struck down state regulations of hours and wages in the Morehead case. The Supreme Court thus overturned a minimum-wage law in New York on the grounds that it violated the "liberty of contract"—an economic doctrine of the nineteenth century that prized freedom from government regulation above all.[121] The Supreme Court did not strike down the Securites and Exchange Commission, but it upheld the right of a stock issuer to withdraw his registration statement during a "cooling-off period" and to avoid disciplinary action by the SEC such as a ban from the stock market. The court let the Tennessee Valley Authority stand, but it also explicitly allowed minority shareholders and public utilities to sue their corporate executives for cooperating with the TVA, thus laying the ground for legal challenges to the New Deal's boldest and most successful state-administered economic experiment.

The struggle over the New Deal in the nation's highest court had become so intense and partisan that the justices turned increasingly hostile toward each other. Brandeis, Stone, and Cardozo had objected to sloppy legislation and the excessive delegation of legislative power to special interest groups, but they had practiced judicial restraint in their judgment of government economic reform. This was, they believed, the prerogative of the legislature. Chief Justice Hughes, Roberts, and the four Horsemen, on the other hand, were determined to preserve states' rights and property rights, even if that meant tampering with federal efforts to address the economic crisis or allowing for the exploitation of desperate workers through low wages, long hours, and child labor. Disillusioned with the deeply divided court, Benjamin Cardozo confided to a friend, "We are no longer a court."[122]

The Court-Packing Plan

To prepare for the next wave of judicial assaults against the legislation of the second New Deal, Roosevelt took a bold and fateful step: in February 1937, one month before his second inauguration, he proposed the **Judicial Procedures Reform Act**. Drafted in secrecy and issued simultaneously to the press and to Congress, the law provided that for every federal judge who had at least ten years of service



A portrait of Justice Owen J. Roberts. Though initially opposed to state minimum wage laws, Justice Roberts later changed his opinion and supported minimum-wage legislation in the case of *West Coast Hotel Co. v. Parrish*.

and did not resign within six months of their seventieth birthday, the president could appoint a new judge to that particular court. Changing the size of the court was not a violation of the Constitution, nor was this unprecedented. But Roosevelt's explanation made the proposal look suspect, if not devious and conspiratorial. The argument that aging justices suffered from impaired judgment offended not only the older brethren, but also senior members of Congress. Roosevelt's second argument—that the caseload for the court had become too large for nine justices—was unconvincing since the Court deliberately chose only about 10 percent of the cases presented to them. The responsibility of the Supreme Court had never been that of processing caseloads, but of answering important constitutional questions evident in the petitions for appeal they received. And it was the court, the justices, and their clerks, who decided which cases contained such important questions. Finally, in one of his fireside chats, Roosevelt added another, more familiar, theme: The American democracy and the will of the American people—so clearly expressed in the presidential election results of 1936—could not be held captive by an oligarchy of judges.

Republican critics of the administration argued that Roosevelt was trying to pack the court with loyal supporters and thereby trying to undermine the nation's Constitution. The real threat to democracy, they claimed, was the president himself. Even more importantly, some of the president's own advisers were aghast. And, Democratic members of Congress felt sidelined. They, too, feared that the president had been swept away by a lust for power. Justice Brandeis, a senior member of the court and a supporter of Roosevelt, joined Chief Justice Hughes in protest. Facing strong opposition among both his own party in Congress and his supporters on the bench, Roosevelt's court-packing plan was doomed.

An even more important event undermined the Judicial Procedures Reform Act, however. Late in March 1937, the Supreme Court sustained a minimum-wage law from the state of Washington that seemed almost identical to the one they had rejected half a year before.[123] Two weeks later, the court upheld the federal protections of the union's right to collective bargaining in the Wagner Act. Many observers at the time, and some historians since, have suggested that Roosevelt's flexing of political muscle prompted the conservative opposition in the court to cave in. The real story was more complicated, however. First of all, the Senate Judiciary Committee had already killed the measure, and the justices knew the proposal to be a paper tiger. Second, the justices had voted on both cases in December 1936, several weeks before the president unveiled his secret court-packing plan.

The crucial votes that now gave the New Deal supporters on the bench a majority were Chief Justice Hughes and Associate Justice Roberts, who within six months time had turned from being an opponent of state minimum wage laws to a supporter. Roberts maintained that his support for minimum-wage legislation in the case of ***West Coast Hotel Co. v. Parrish*** from Washington State had to do with the fact that the lawyers had explicitly asked that an old precedent that prohibited such regulation be overturned. Faced with such a clear legal question, Roberts later explained, he had no difficulty switching sides on the issue.

The Wagner Act survived its legal challenge in part because the court chose a test case that made the interstate nature of modern commerce more convincing than it had been with the Schechter poultry operation from Brooklyn back in 1935. Jones & Laughlin Steel Co. was the third-largest steel manufacturer in the nation. When it argued that the Wagner Act and its National Labor Relations Board tried to regulate local production rather than interstate commerce, Chief Justice Hughes, Roberts, and the three liberal justices disagreed.[124] The Chief Justice invoked an established but previously rejected concept of the "**stream of commerce**." "When industries organize themselves on a national scale, making their relation to interstate commerce the dominant factor in their activities," he explained in his opinion, how could such companies claim local production as the standard for legislation? The Wagner Act survived, and so did Social Security. The court-packing plan had failed, and a new court, it seemed, had been born.

A New Generation of Justices

Most legal historians today agree that the reason for the quick turnaround of the Supreme Court between 1936 and 1937 was not the result of Roosevelt's implementation of the New Deal, but rather was the outcome of the justices' reading of the national mood. When it came to the regulation of interstate commerce, the justices had two sets of precedence to draw on: one confirmed a generous interpretation of interstate commerce and the right of government to regulate businesses "with a public interest;" the other defined interstate commerce very narrowly by separating production from trade, and placed liberty of contract over the right of state and federal governments to legislate on behalf of the public welfare. Hughes, Roberts, and the four horsemen had aggressively pushed the latter, at the risk of undermining their own legal authority and credibility. The overwhelming support for the New Deal in the 1936 election must have illustrated to the swing justices their losing gamble, and probably prompted some form of soul-searching.

Between 1937 and 1995, the Supreme Court did not strike down a single congressional act on the grounds that it was beyond the power of regulating commerce. Neither did it strike down minimum wage or maximum hours laws. The court effectively retired from the arena and adopted a policy of judicial restraint when it came to government economic regulation. In fact, the court

interpreted the federal commerce clause so broadly, that it authorized the federal government to regulate agricultural home production and even enforce civil rights in the 1960s.[125]

Far more effective than his court-packing plan was Roosevelt's restoration of full retirement benefits for justices—something he and Congress had suspended with the Economy Act of 1933 in an effort to make the government more fiscally responsible. In May 1937, Justice Van Devanter took advantage of the new law and retired, opening up the first seat on the Supreme Court to be filled by Roosevelt. The president appointed Hugo Black from Alabama, and in the following years he would appoint another seven justices, many of whom would decisively shape both law and society in postwar America.

The Roosevelt Recession

Roosevelt's overwhelming election victory in 1936 had prompted him to overreach his popularity and authority with the Judicial Procedures Reform Act. It also drove him to a fateful decision that would illustrate the damaging results of Roosevelt's excessive confidence. In June 1937, the president ordered substantial cutbacks in federal work relief programs. Roosevelt had been concerned about the federal budget deficit. When the Federal Reserve Board demanded that its member banks increase their reserves and thus issue fewer loans because it feared inflation in the wake of New Deal government spending, a rise in interest rates was imminent. Hoping to save the federal government the cost of higher interest, the president decided to borrow less and trimmed the budget. The WPA, the president had hoped, could be phased out soon, even though there were still 9 million unemployed in the country.

A line of people wait for their relief checks in 1937, during the so-called "Roosevelt Recession."
PHOTOGRAPH BY DOROTHEA LANGE.

On October 19, 1937, in what looked like a repetition of the events of the great crash eight years earlier, stock prices on Wall Street collapsed. The United States was in the "**Roosevelt recession.**" National income fell by 13 percent, the production of automobiles and other durable goods dropped by half, work relief roles of the WPA expanded fivefold, and still there were malnourished children roaming city streets along with homeless families. The union organization drives of the CIO were stuck in their tracks. Less than a year after Roosevelt had promised to ease the plight of the ill-housed, ill-clad, and ill-nourished, their ranks had swelled once again. The administration and Congress responded with a new spending measure and a temporary freeze on payroll deductions for Social Security, but the economy did not return to September 1937 levels until late in 1939.[126]

The Pain of New Taxes

Opponents of the New Deal spread the blame broadly and claimed that the Wagner Act had encouraged disobedience and declining productivity among workers. In fact, the Roosevelt recession was not rooted in New Deal labor or spending policies, but in exactly those measures that business interests had favored. In 1936 farmers, WPA employees, and veterans had spent the more than $4 billion they had received from Uncle Sam in the form of paychecks, subsidies, and bonuses. It was their spending that had begun to "raise the boat" of the national economy. Then Roosevelt decided to demonstrate the fiscal responsibility demanded by business interests, which caused the renewed drop in economic activity.

At the same time, Social Security deductions from employee paychecks and from employers entered their second year. The introduction of these additional taxes took precious spending money out of the pockets of American consumers, thus weakening demand. Since the first Social Security payments did not occur until 1940, this brought the slow recovery of 1935 to a halt. In 1936 and 1937, the Social Security system removed from the economy about $2 billion more than it contributed. The economist Alvin Hansen wrote in 1938 that the Social Security Act in its first years operated to reduce the total consumption expenditures of the general mass of the population. At the state level, other flat taxes—which drained the spending power of the poor and middle classes more than that of the wealthy—further offset the New Deal job and agricultural programs.[127]

The Last Anti-Monopoly Campaign

The 1937 recession brought back economic hardship to millions of Americans and severely damaged their faith and trust in the president. Roosevelt himself was furious with the way national affairs seemed to be

slipping out of his hands, and he angrily lashed out at the business community. A selfish and vengeful group of corporate monopolies, he alleged, was deliberately trying to derail the New Deal and had raised prices artificially. It was true that prices had risen faster in the months prior to the collapse of October 1937. The fact that prices in several key areas of the economy, such as transportation, home appliances, and construction, did not drop after the collapse suggested to observers that competition was indeed lacking in these sectors and that businesses were powerful enough to maintain prices above a competitive rate.

Whether any of these apparently monopolistic practices were rooted in political opposition to the New Deal is uncertain. Nonetheless, New Deal reformers embraced this analysis as a launching pad for further regulation of business practices. In fact, Roosevelt's close advisor Harold Ickes compared their **anti-monopoly campaign** with President Andrew Jackson's fight against the United States Bank in the 1830s. The fear of monopolies had deep roots in U.S. history. After a spurt of different federal approaches to the issue of economic concentration during the Progressive years between 1900 and 1916, the monopoly question had appeared of secondary importance in the prosperity of the 1920s and the massive failure of businesses in the Great Depression. The early New Deal had emphasized cooperation and planning in the NRA, and the AAA suspended competition. New Dealers now struggled to turn their anti-monopoly principles into sound policy. All of them realized that corporations were there to stay. Some of them preferred government-led corporations over a return to cutthroat competition; others suggested that the nation should rely on a group of experts who would judge the merits and dangers of individual monopolies. The anti-monopoly movement within the New Deal administration of 1938 was short-lived, however. A new economic policy consensus emerged that would make the issue of economic concentration increasingly irrelevant.

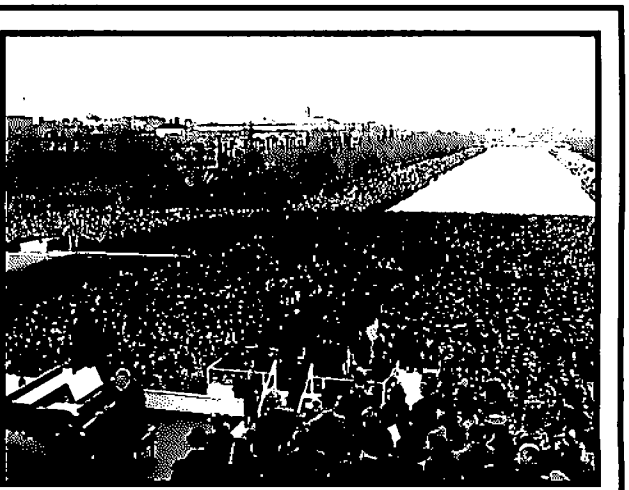
The Rise of Keynesian Fiscal Policy

The idea that public (i.e., government) spending could serve as a vehicle for expanding mass purchasing power—and that adding to the government deficit could be a public good rather than a necessary evil—had gained a foothold among popular grassroots movements and in the public discourse well before it became a popular concept among academic and policy elites. The first coherent argument in favor of the underconsumption theory in the United States was the work of a former college president, William T. Foster, and an industrialist financier, Waddill Catchings. In fact, a year before the great crash of 1929, their book *The Road to Plenty* had made the argument that federal government spending could solve the problem of underconsumption. At the time, their new theory challenged the most sacred orthodoxies in economics, and although there were others who endorsed the concept of countercyclical government spending, it continued to strike most politicians as a fanciful idea.

One of Foster and Catching's converts, however, was Marriner Eccles, who increasingly gained President Roosevelt's attention in matters of economic policy. As chairman of the Federal Reserve, Eccles fought a losing battle in the New Deal administration for several years on behalf of the underconsumption theory. (After 1936, this theory became associated with John Maynard Keynes, and it has since become part of Keynesian economic theory.) The Roosevelt recession raised Eccles' profile and expanded his circle of allies. By 1938, advocates of the mature economy idea had joined the ranks of Keynesians. "Let us now turn to a high consumption economy and to develop that as the great frontier of the future," wrote Alvin Hansen, the foremost theorist of mature capitalism. The notion that a government policy focused on mass consumption and full employment could indeed secure economic stability and prosperity triumphed over a less focused regulatory antimonopoly campaign. Proof of this theory would only come after the Great Depression, however, during World War II.[128]

Hope on the Margins: Race, Gender, and the New Deal

At the time that Roosevelt's economic advisers began to favor Keynesian spending policies over monopoly regulation, another central member of his administration made headline news. Eleanor Roosevelt, the president's wife and closest advisor, caused an uproar in Birmingham, Alabama, when she insisted on sitting in the "colored" section of the auditorium at the Southern Conference for Human Welfare. When



An audience of thousands gathers to witness Marian Anderson sing on the steps of the Lincoln Memorial in 1939.

local police forced her to move, she placed her chair between the white and colored sides in the center aisle. This was not the first or the last display of the First Lady's civil courage. In 1939, the world-famous black opera singer **Marian Anderson** was denied the use of Washington, D.C.'s Constitution Hall by its owners, the Daughters of the American Revolution (DAR), on account of her race. Outraged, Eleanor Roosevelt resigned her membership in the DAR, and with the support of the National Association for the Advancement of Colored People and Secretary of the Interior Harold Ickes, she organized a free open-air concert on the steps of the Lincoln Memorial. On Easter Sunday, 1939, Mrs. Anderson moved her audience of 75,000—and many million radio listeners—at the shrine of the "Great Emancipator" with her rendition of *Sweet Land of Liberty*.

For African Americans and others on the margins, the United States had yet to fulfill its full promise of "liberty, equality, and the pursuit of happiness." Although not subject to the same formal institutions of segregation and white supremacy, Native Americans and Mexican Americans also continued to experience second-class citizenship under the New Deal. Even for the progressives of the 1930s, women too often remained an afterthought. But while New Deal reforms predominantly focused on social inequality based on class, they frequently opened the door for reform efforts on behalf of minorities and women. Although notable for its continuation of past policies of discrimination and plain sexism, the New Deal nonetheless deserves attention for the limited changes it brought to those on the margins. These "others" would often later point to the New Deal roots of postwar campaigns for equal civil and economic rights.

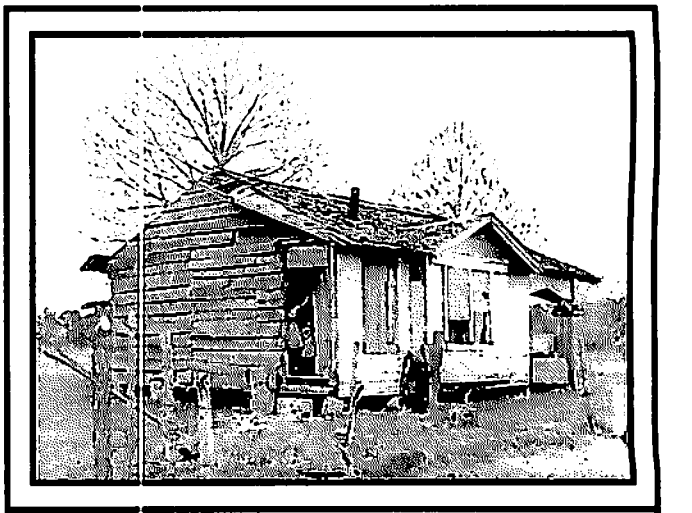
It was generally FDR's advisers who reminded the president that gender differences, ethnic prejudices, and race—not just economic inequality—shaped American society into an uneven playing field. Despite the limitations of Roosevelt's vision, it is to his credit that he invited women, African Americans, and—for the first time since his cousin's presidency—Catholics and Jews into his inner circle, where many of them launched their political careers as civil rights activists.

African Americans in the South

The New Deal did not transform life in the South for African Americans, but it raised prospects for more substantive change. Roosevelt, like many other white Americans at the time, did not consider civil rights a priority for federal activism. Throughout his years in office, the president remained keenly aware of the importance of white southern Democrats to his political coalition, and he did little to endanger their support. As a result, he consistently refused to support a **federal anti-lynching bill** on the grounds that this would antagonize southerners, who insisted that state criminal law was a sufficient response as well as the only constitutional one. The Scottsboro case and countless other incidents strongly suggested otherwise, but this did not sway Roosevelt.

The New Deal's continuation of practices that treated African Americans as second-class citizens was not limited to the South. The camps of the Civilian Conservation Corps were strictly segregated. In states like California, rural white opposition to black CCC camps in their regions was so fierce that the CCC often had difficulty finding an acceptable location for their black recruits, who were eager to work in fire prevention and conservation for a little pay and lodging. Both NRA codes and the eligibility requirements of the Social Security Act excluded the low-paying sectors of the nationa labor market to which African Americans had mostly been confined. The AAA had inadvertently pushed black, as well as white, sharecroppers off the land.

On the other hand, African Americans also benefited significantly from New Deal measures. Blacks made up 18 percent of the WPA workforce, even though they constituted only 10 percent of the population. Equally important was the realization in the African-American community that they had allies among the committed and hard-working reformers in the New Deal administration, even if their cause was not always carried on in the Oval Office. Workers in the Resettlement Administration worked hard to aid black sharecroppers, for example. FDR also slowly reintegrated federal offices, reversing a pattern put in place by Woodrow Wilson, and Roosevelt appointed African Americans to second-tier positions in his administration. A "black cabinet," headed by Mary McLeod Bethune from the office of minority affairs in the National Youth Administration, emerged that began to advocate for fair treatment for



The home of a family of sharecroppers in Texas, 1939.

African Americans. Their most powerful ally, Eleanor Roosevelt, persistently lobbied the president on behalf of equal rights. It was the recognition of these benefits that prompted the overwhelming majority of African Americans to switch their political allegiance from the Republican to the Democratic Party.

Mexican Americans in the Southwest

The election of Franklin Roosevelt also affected the Mexican-American community, which was not only demoralized by the Depression, but also severely disillusioned in the wake of the mass deportations of the Hoover years. The wider availability of relief made it easier for Mexican Americans to qualify for assistance. And the New Deal stimulated an increasing number of requests for naturalization, even though New Deal welfare policy did not explicitly discriminate against immigrants, who legally lived and worked in the United States, but had no status as citizens. Federal programs prohibited the removal of illegal aliens from relief roles, but under local administrations, Mexicans frequently received lower payments than did their white neighbors. The federal government's commitment to the welfare of its citizens inspired immigrants' confidence in their new nation and made American citizenship more attractive. At the same time, the continued local campaigns against Mexican immigrants meant that citizenship remained an urgent requirement for stable work and family life.

Mexican Americans also became an essential demographic of another new and growing American institution—the industrial union. As dues-paying members of the CIO and beneficiaries of federal public works programs, Mexican Americans increasingly identified with their new country. Thus, Mexican immigrants living in urban areas benefited from unionization, the protections of the National Labor Relations Act, and the Social Security Act; migrants living in rural areas, by contrast, did not enjoy the benefits of unionization and could not claim minimum wages under the fair labor standards act, or old-age assistance or disability benefits through Social Security. It is no coincidence that the first national civil rights conference for Mexican and Latin Americans took place in Los Angeles in 1939; there, activists called on the audience to become citizens and vote. The Democratic Party welcomed new Mexican-American members, which laid the groundwork for community and political activism after World War II.

Women and the New Deal

Working in a highly gender-segregated labor market, women during the Great Depression generally worked for longer hours at lower wages than did men, and they experienced a range of open and indirect forms of discrimination and harassment. At the same time, they experienced a lower unemployment rate. Historically, the discussion over labor and the rights of economic citizenship had centered on the role of men as breadwinners and providers for their families. This historical framing of labor issues, combined with women's lower unemployment rates, made it harder for women to advance the cause of women's equality. In addition, the women reformers in the New Deal tended to be of an older generation, with experience in campaigning for "protective legislation" during the early 1900s and 1910s. Having made the case that women were more vulnerable and deserving of special protections, they could not now easily argue that women and men were equal in the marketplace.

In addition, men were less likely to listen to women's arguments for equality in the 1930s than they had been before. The Great Depression undermined men's authority and strengthened the role of women in the family. Americans wanted the New Deal to restore economic and social strength, something that artists often depicted in their paintings and sculptures with images of muscular male workers. This was particularly apparent in the public murals and arts projects financed by the WPA. Teenage boys idolized their new comic hero Superman, the "man of steel," whose strength could only be sapped by Kryptonite and the "dangerous woman" at work—Lois Lane.

Members of Congress may not have seen it quite so simply, but they too generally thought of women less as fully entitled employees, and more often as spouses—occasionally as spouses who would conspire to take advantage of men. Early Social Security provisions restricted benefits for a retiring couple married less than five years in order to "keep out the designing woman," interested in marrying "old fools" for their Social Security benefits. Moreover, widows were to receive just 75 percent of their deceased husband's benefits on the grounds that "a single woman [could] adjust herself to a lower budget on account of the fact that she is used to doing her own housework whereas the single man has to go out to a restaurant."[129]

The National Industrial Recovery Act similarly reflected existing assumptions of women's subordinate role in the workforce. The industrial codes explicitly permitted differential wages between men and women, with gaps ranging from 5 to 25 cents per hour. Women's work as housekeepers, laundresses, clerical workers, dressmakers, nurses, and volunteers in nonprofit and charity organizations remained exempt from the provisions of the Wagner Act and the Fair Labor Standards Act.[130]

At the same time, as with African Americans, the prospects for women's voices to be heard in the administration were better than ever before. The Secretary of Labor Frances Perkins, a seasoned Progressive reformer, was the first woman to hold a cabinet position. She and Eleanor Roosevelt, an ardent advocate of women's rights, were the most visible women in the New Deal. Many more women worked in less prominent positions. Eleanor Roosevelt launched the **women's press corps** at the White House, organizing press conferences for

women only. This forced news organizations to hire female reporters and helped to counter the prevailing sexism that the "Lois Lanes" faced in their profession. Along with her advocacy for African Americans, the first lady's campaigns for women's rights earned her the reputation among historians as "the president's conscience." She described herself as his eyes and ears, alluding both to his disability, and to the fact that Roosevelt himself—though he might not notice—could certainly comprehend the racial and gender dimensions of inequality.

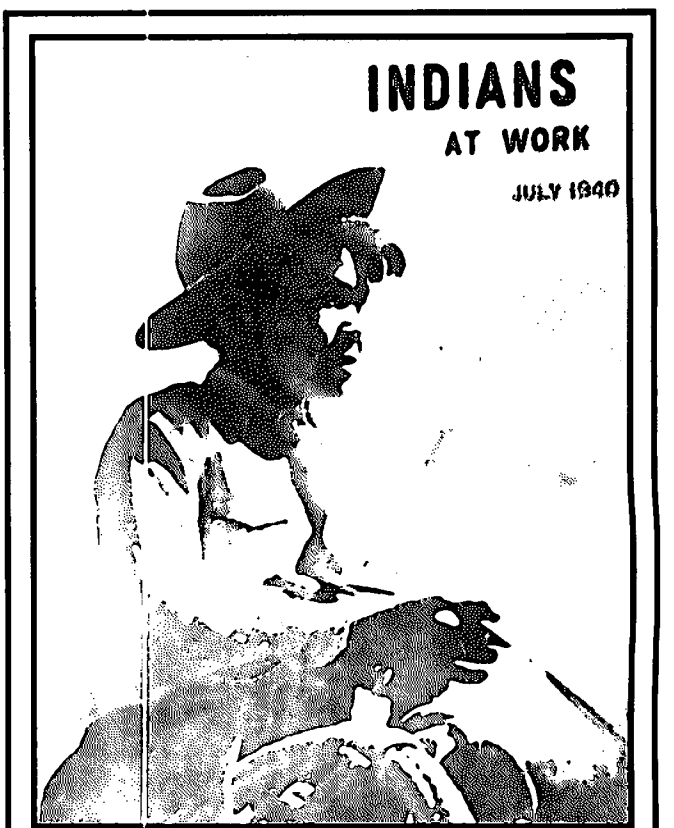
In organized labor, women witnessed profound change. Women had been particularly active in the **International Ladies Garment Workers Union** during the strike of 1934. When the formation of the Congress of Industrial Organizations spurred a union movement outside the umbrella of the AFL, women gained an increasing presence in the industrial unions that represented the trades in which they were most concentrated. In 1924, only 200,000 women had belonged to unions. By 1938 that figure had grown to 800,000. These union women also began to challenge the conventions of proper women's behavior by participating in picket lines and sit-down strikes. Together with housewives protesting high food prices in American cities, these activist women confounded many men at the time. Thanks to the pressure of Eleanor Roosevelt, New Deal work relief projects also paid more attention to the "forgotten woman,"—a reference to one of Franklin Roosevelt early speeches on behalf of the unemployed, "forgotten man." Even though programs gave men preferential treatment, the limited access to federal aid changed many women's outlook: "[T]hey come in silent, dejected, half starved," wrote reporter Lorena Hickok. "Working in pleasant surroundings, having some money and food have done wonders to restore their health and morale."[131]

A New Approach: Native Americans and the Bureau of Indian Affairs

Native Americans had long been among the nation's most disadvantaged, powerless, and forgotten minorities. Their unemployment rate was three times the national average, and their median annual income was a fraction of that of white American citizens. Like other minorities, Native Americans benefited to some extent from nationwide New Deal policies. Indian tribes received benefits from the Federal Emergency Relief Administration, and Native Americans worked in the Civilian Conservation Corps, the Civil Works Administration, and the WPA, especially in the reservations of the American West.

The New Deal policy that most directly affected native peoples was the **Indian Reorganization Act of 1934**, which is often referred to as the "Indian New Deal." This law marked a clear departure from the federal policy of forced assimilation carried out under the Dawes Act of 1887. FDR's Commissioner of Indian Affairs, Johr Collier, was a former social worker. On his watch, the federal government promoted cultural pluralism over integration and emphasized Indian self-determination and a return of communal Indian land to the tribes. The notorious federal boarding schools, which had been used for decades to stamp out tribal culture, were phased out, and Native Americans increasingly enrolled in local public schools. Collier also created the Indian Arts and Crafts Board to promote traditional native artists and help them sell their work. Speaking to the Lakota people at the Rosebud Reservation n South Dakota, Collier declared an end to the federal prohibition or regulation of native religion, custom, and dance: "[I]t was illegal, unconstitutional and wrong, and it is not going to be done anymore."

Collier acted with the best of intentions and sincerely wished for what one historian has called the "decolonization" of Indians on their native lands. But many Native Americans found the concept of equality within tribal councils alien and wanted to return to old



Cover of a copy of "Indians at Work" Magazine from 1940. "Indians at Work" tried to promote some of the more positive aspects of reservation life and at the same time offered employment opportunities to government photographers.

customs of government rather than new principles of intertribal democracy and intertribal diplomacy. Almost eighty Indian nations refused to participate in the organization policy, while 174 went along. The social and economic crisis of Native Americans had grown so severe, however, that a return to self-governance and relief through work projects could not revive tribal communities.[132]

From Depression to War: The New Deal and the World

When Franklin D. Roosevelt took office in March 1933, foreign affairs were not the first thing on Americans' minds, but they were certainly not the last. The president had made his famous remark that the country had "nothing to fear but fear itself" with reference to the economic crisis, not international relations, which he addressed in just a single sentence during that first inauguration speech. "In the field of world policy," said Roosevelt, "I would dedicate this Nation to the policy of the good neighbor—the neighbor who resolutely respects himself and, because he does so, respects the rights of others." Well intended as this statement may have been, it did not indicate any change in American diplomacy, nor did it offer a clue about Roosevelt's thinking on world affairs to Americans, foreign leaders, or even staff at the State Department for that matter.[133]

Roosevelt's ambiguity did not just stem from the fact that the nation and the president himself were focused almost exclusively on the national economic disaster. It also reflected a genuine lack of expertise in foreign affairs. As a student at Groton, Roosevelt had expressed some opposition to American imperial politics in the Pacific, such as the annexation of Hawaii in 1898, and in that same year had favored Philippine independence when the United States decided to succeed Spain as a colonial power in that Southeast Asian archipelago after the Spanish-American War. During his cousin's presidency, however, Roosevelt grew increasingly nationalistic and excited about military conquest. As assistant Secretary of the Navy, he advocated an aggressive naval building program. Long before President Woodrow Wilson committed the nation to war against Germany in April 1917, Roosevelt had spoken in favor of American participation in World War I.

However, Roosevelt never subscribed to American **jingoism**, and his foreign travels and acquaintances with many European elite facilitated his more nuanced understanding of foreign nations and cultures. Thus, while FDR appreciated the practical power-politics Theodore Roosevelt had practiced, his sympathies rested with Wilson's noble aspirations for a world of peace, equality among nations, and nations' right to self-determination. He favored the League of Nations (unlike the American electorate, which rejected American participation in the international treaty), but also hoped that the United States would assume leadership in such a forum by virtue of its good will and merit. Over the course of the 1930s, changing economic and political circumstances around the world compelled Roosevelt to translate these general principles into explicit policies.

The Slow Road from Isolation to World Leadership

During his election campaign, Roosevelt had discarded many of his beliefs in international politics as a matter of expediency. Isolationism had reached a high point in popularity as many Americans sought to blame their economic woes on foreign banks and the European arrangement of reparations payments. The president would not challenge popular prejudices and misconceptions and allowed isolationists to dominate the national debate so as to not jeopardize his domestic political agenda. Roosevelt refused to support a European proposal made at an international conference in Lausanne, Switzerland, in the summer of 1932 that would have canceled 90 percent of Germany's remaining reparations payments to France and Britain as long as the United States forgave those two nations the same share of their debt. Instead, he endorsed the **Johnson Act of 1934** that prohibited the trade with bonds from nations that defaulted on their debts to the U.S. Government. In other words, the Roosevelt administration maintained a hard line on the very international debt-cycle that had accelerated the international economic crisis.[134]

Roosevelt remained similarly receptive to isolationists when it came to international monetary policy. In the summer of 1933, the largest European nations and the United States gathered at the **London Economic Conference**, hoping to improve cooperation, stabilize exchange rates, and reduce trade barriers. Against the advice of his experts, Roosevelt refused to commit to a general plan to return to the gold standard as quickly as possible for the sake of international stability, and instead harshly rebuked his own delegation and the conference for such a dangerous plan. There were, of course, many reasons to abandon the gold standard for good, since it imposed a process of international price adjustments that was very painful to businesses and workers. But Roosevelt's impatient rejection meant a failure of the London Conference and suggested to other nations that the United States had no interest in international cooperation.[135]

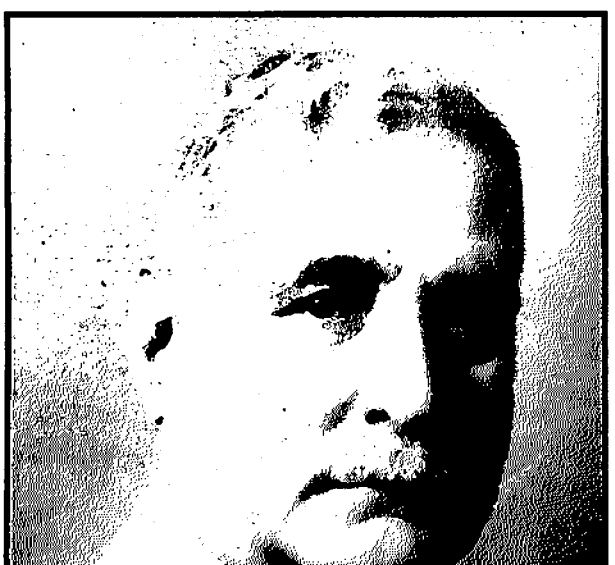
The internationalists in Roosevelt's administration had a few successes, too. After acting for sixteen years as if the Soviet Union did not exist, the Roosevelt administration finally recognized the vast communist nation in 1933. Roosevelt had hoped to open new markets for American exports, secure peace in Europe with U.S.-Russian diplomatic relations, and strengthen the Soviet Union as a counterweight to Japan's influence in Asia. Another minor success was the **Reciprocal Trade Agreement Act of 1933**, which introduced the "most favored nation" provision in trade agreements,

whereby import duties would be cut in reciprocity for any nation that lowered its own trade barriers for American goods.[136]

The Good Neighbor Policy

A broader positive trend in American foreign policy became visible in Roosevelt's approach to Latin America. Republican predecessor Herbert Hoover had first launched a new initiative in U.S. relations with its southern neighbors, recognizing that decades of "Yankee meddling" in their internal affairs had fostered deep resentments in the region. Both communist and fascist movements were gaining ground in the region, which jeopardized not only the fragile democracies on the continent, but also threatened to further shut out the United States. Hoover and Roosevelt also favored a "**good neighbor policy**" for the sake of growing international trade, which, they assumed, would mean an expansion of American exports. As has been the case in so much of American foreign policy, William Appleman Williams has argued, American interest in good foreign relations were first and foremost driven by the search for expanded markets.[137]

At the Seventh International Conference of American States in Montevideo, Uruguay, Roosevelt promised that the United States would become a good neighbor and "not intervene in the internal or external affairs of another."[138] At its first test, however, this new commitment began to waver, and the powerful presence of American naval vessels in the harbor of Havana doomed the chances of a new revolutionary regime led by intellectuals, workers, and peasants under **Grau San Martin** allowing instead the ascension of Carlos Mendieta. The United States promised this new dictator a policy of nonintervention in return for unlimited U.S. use of the naval base at Guantanamo Bay.



Portrait of Carlos Mendiata, 10th president of Cuba. Mendiata came to power with the help of the U.S. military.

A few years later, the good neighbor policy passed a more serious test, however. Mexicans had responded to the Great Depression with the election of **Lazaro Cardenas**, a bold economic and social reformer whose administration had much in common with the New Deal. He restored many traditional rights of Mexican Native Americans and encouraged the unionization of peasants as well as industrial workers. Most importantly, in March 1938, Cardenas fulfilled a long-time constitutional provision that called for the nationalization of foreign oil company properties in Mexico in return for compensation. British and American firms and multimillionaire shareholders like the Hearst family were furious at this expropriation of their Mexican oil empires and pushed their national governments for diplomatic and military retaliation. In 1938, however, German demands on Czechoslovakia, Japanese aggression in Southeast Asia, and the prospect of a second world war prompted the U.S. diplomatic corps and the State Department not to escalate the confrontation. As a result, oil corporations had to negotiate their own reimbursement, which only came through after the war and at 10 percent of the original claims.

No Time for Empire, No Place for Immigrants: Philippine Independence

The Great Depression and the Immigration Act of 1924 had effectively eliminated the appeal of the United States for immigrants, but it also made life harder for immigrants living in the United States. Mexicans in the Southwest experienced this through forced "repatriation drives" by the Immigration and Naturalization Service and local police forces. The situation was more complicated for Filipinos, however. Ever since the U.S. annexation of their homeland, Filipinos were declared American "nationals," which permitted their entry into the United States, but did not grant them the rights of citizenship. This posed a problem for Americans in pursuit of nativist anti-immigration policies, who wanted Filipinos to disappear from the migrant labor force, especially in the American West, where they competed with unemployed white Americans.

Nativists found a solution in an alliance with longtime critics of America's Pacific empire. The **Tydings-McDuffie Act of 1934** turned the Philippines from an "island possession" into a "commonwealth" and put the Philippines on a ten-year path toward national independence. Critics were concerned about Japanese

ambitions to claim the Philippines as part of their Southeast Asian empire, but isolationist sentiments once more coincided with pacifist and anti-imperialist interests in favor of gradual American disengagement with the Philippines. However, Japan did indeed understand the move as a signal that their acquisition of the Philippines would not create much American opposition.[139]

American Anti-Semitism and German Jewish Refugees

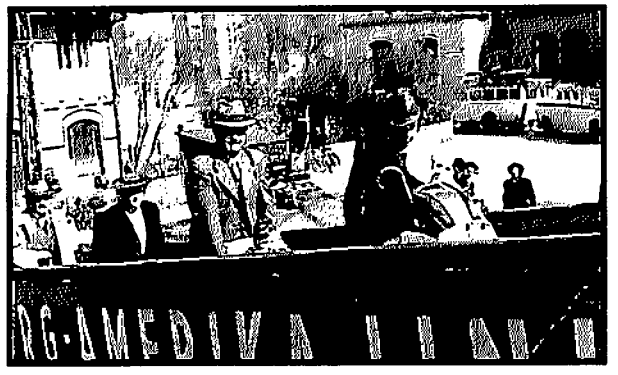
Anti-immigrant fervor remained at a high-pitch in the U.S. Congress well into World War II, and it did not just target Filipinos and Mexicans, but European Jews as well. Ever since Albert Einstein had famously fled Nazi Germany in January 1933, Americans knew of the dangers Jews faced in fascist Germany. Most Americans continued to oppose a loosening of immigration restrictions for Jewish refugees, however. This opposition was partly driven by suspicions against alleged Jewish communist activists and simultaneous charges against Jewish bankers—anti-Semitic propaganda routinely charged Jews both with capitalist excess and communist revolution. In part, this stemmed from ethnic prejudices against southern and eastern European Jewish immigrants who had arrived in the United States in large numbers in the first two decades of the twentieth century.

By the time the ***S.S. St. Louis*** of the Hamburg America Line (Hapag) left Germany for Cuba in May 1939, emigration papers had become difficult to obtain for German Jews, who where instead increasingly deported to concentration camps. For many of the passengers, the voyage aboard the *S.S. St. Louis* was the last hope to escape a regime that had organized a nationwide persecution of Jews and which had killed hundreds of people and caused the arson of hundreds of synagogues on November 11, 1938. When the 930 refugees on the *St. Louis* were prevented from entering Cuba, they appealed to the U.S. for asylum and were denied. After weeks of desperate and futile negotiations, the refugees returned to Europe where they eventually found refuge in Belgium, Holland, France, and Great Britain. German Jews knew the hate and deadly threat they faced in Germany. But they had to learn the bitter lesson that they were not particularly welcome in the U.S. either.

Neutrality in Times of Crisis: The Failed Quarantine Policy

Throughout the 1930s, ominous political developments in Europe demanded circumspect leadership, but the American policy of neutrality discouraged any American intervention in Europe's descent toward another world war. In Germany in January 1933, the National Socialist Party had emerged victorious from an extended period of political crisis and stalemate, and its leader Adolf Hitler quickly used his narrow election victory to build a one-party state, stifle dissent, and reduce German Jews to second-class citizenship. He appointed new state governors, disbanded assemblies, fired local authorities, and banned trade unions. Responding to rumors that Nazi Germany was preparing for its rearmament, European powers at the Geneva Disarmament Conference sought American support for a ban on weapons shipments to designated aggressor nations. Congressional isolationists favored a blanket embargo instead, and the Roosevelt administration ended up offering no support to European disarmament plans at all.

Even though developments in Germany and the Japanese occupation in Manchuria indicated the clear presence of aggressor nations that required a united international opposition, isolationists in the Democratic



A Jewish family seeking to escape from Nazi controlled Germany boards the *S.S. St. Louis* in Hamburg harbor.

British Prime Minister Neville Chamberlain shown holding the nonaggression agreement that he and Adolf Hitler signed in 1938.

and Republican Parties in 1935 were able to bully even Roosevelt's overwhelming congressional majority into a rejection of the League of Nations World Court. When conservative isolationists united with left-leaning pacifist groups in support of the Republican-led Nye Committee inquiries into corporate war profiteering, their findings further supported the notion that American participation in World War I had been driven by the same international financial conspiracies that had allegedly caused the Great Depression.

As a result, the United States passed the first **Neutrality Act in 1935**, prohibiting any arms shipment to warring nations, even if these nations were victims of aggression. The second Neutrality Act of 1936 prohibited private loans by American citizens to governments at war and banned arms shipments to any third countries joining a war. Finally, the third Neutrality Act of 1937 extended the arms embargo to civil wars, imposed a mandatory travel ban, and authorized "cash and carry" only trade with warring nations in order to keep the U.S. merchant fleet out of harm's way. Roosevelt would have liked to reserve the right to distinguish between aggressors and victims, but he was unwilling to risk his domestic political objectives in a fight for such authority.

Congressional efforts focused on shielding Americans from the international troubles that had entangled them in World War I. But in the absence of American participation, the world drifted steadily toward a new disaster. Less than two months after the passage of the first Neutrality Act of 1935, the fascist forces of Italian dictator Benito Mussolini invaded the African kingdom of Ethiopia. One week after the second Neutrality Act, Hitler announced Germany's rearmament and sent troops into the Rhineland region of West Germany, which the Versailles Treaty had designated as a demilitarized zone for the protection of France and Belgium. In July of that year, fascist General Francisco Franco went to war against Spain's republican government. The Third Neutrality Act prohibited the Roosevelt administration from providing any assistance in this **Spanish Civil War**. Italy and Germany, however, entered this civil war on Franco's side. Franco's ultimate victory in April 1939 added approximately 200,000 summary executions to the war's toll of 500,000 lives, and his dictatorship lasted until 1975. Roosevelt had little love for the Spanish republican government and welcomed the congressional act that absolved him from having to take a stand in the crisis.

In May 1937, fighting between Japanese occupational forces and Chinese nationalists escalated in the city of Nanking, which lead to the death of 300,000 civilians and the mass organized rape of women in what came to be called **the Rape of Nanking**. Favoring the Chinese strong-man and nationalist Chiang Kai-shek, who dealt ruthlessly with the Japanese as well as with Chinese Communists under the leadership of Mao Zedong, Roosevelt declared that no state of war existed between China and Japan, which meant that the U.S. could continue to ship arms to the Chinese. On December 12, 1937, Japanese planes attacked the American gunboat ***Panay***, signaling that the American presence in the Sino-Japanese War meant war. Isolationist factions in Congress pushed the Roosevelt administration to withdraw its presence.

Increasingly unsatisfied with the limited options available to address escalating violence in Europe and Asia, Roosevelt put forth the **quarantine doctrine**, which compared aggressor nations to diseased patients. It was these nations that had to be isolated from the world. The isolation of the United States, on the other hand, would only allow their disease to spread. This vague suggestion of a new foreign policy approach was met with a mixed response. Only 31 percent of Americans supported the president's new direction, and many more feared he was clamoring for war.

None of the political developments in Asia or Europe were the result of American meddling in foreign policy But Americans' refusal to engage with the growing global crisis meant that Hitler, Mussolini, Franco, and the Japanese regime lacked an otherwise powerful foe with the ability to derail their quests for power. This tragedy of American inaction was only compounded by the inaction of European powers. Under the leadership of British Prime Minister Neville Chamberlain and French Premier Edouard Daladier, the Czech Republic found itself forced to surrender its western Sudetenland region to Nazi Germany's claims. This policy of **appeasement** to secure "peace for our time" had not only sold out one of the European democracies at the time, but also proved fruitless.

Germany invaded the rest of Czechoslovakia in March 1939. The U.S. and European nations protested, but did nothing else. When the Soviet Union invaded Finland and seized some of its territory in 1939, Roosevelt and members of Congress did nothing but denounce the attack. Italy's invasion of Albania prompted the same reaction. When Nazi Germany and the Soviet Union signed a nonaggression pact on August 23, 1939, Poland's fate was sealed, and German troops stormed its eastern neighbor on September 1, 1939. France and Britain declared war, and Europe thus entered World War II. At this time, however, the majority of Americans continued to favor a policy of isolation. The German occupation of most of Europe and Northern Africa would not change their minds. It was only when the Japanese attacked Pearl Harbor that U.S. public opinion came to favor U.S. involvement in the war.

Section II Summary

Roosevelt catalyzed a historic transition from decades of Republican dominance to a new era of Democratic leadership. His leadership reflected not so much a unique political vision,

as extraordinary social and communicative abilities, a willingness to experiment, and an ability to compromise when necessary. He also benefitted from the luck of historical timing.

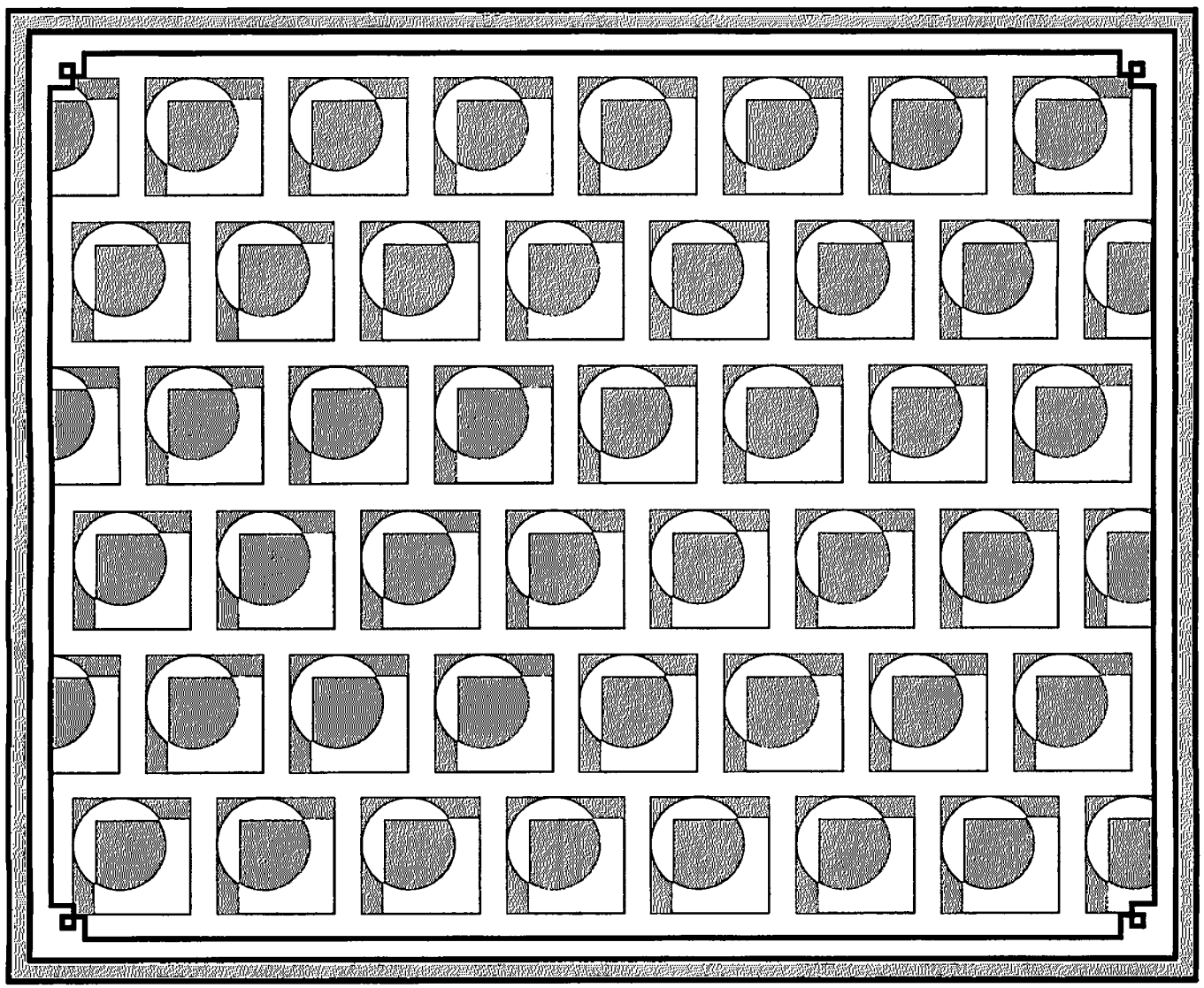
- The legislation produced by Roosevelt's brain trust during the first one hundred days of the New Deal—and later during a second burst of legislation often called the "Second New Deal"—sought reform, recovery, and relief. Although the New Deal did not produce a full economic recovery, it did provide relief to millions. At the same time, it greatly strengthened the power of the federal government, extended federal regulation into whole new areas of the economy, and marked the beginnings of the modern welfare state.

- The New Deal enjoyed popularity with a significant majority of Americans, but it faced fierce challenges from business organizations, popular protest movements, and demagogues.

- New Deal public works and social security measures countenanced racial and gender inequality, continuing longstanding practices that favored white men and discriminated against African Americans and women. At the same time, the New Deal provided sufficient benefits to raise hopes for future change for African Americans and many other ethnic and racial "outsiders," making them loyal supporters of Roosevelt's Democratic Party.

- In an effort to restore economic prosperity and boost the spending power of consumers, Roosevelt's New Deal strengthened a surging labor movement and secured bargaining rights for millions of unskilled industrial workers.

- While Roosevelt was willing to experiment with national economic policies for the sake of relief and recovery, he rarely challenged popular isolationism in foreign affairs.



SECTION III:

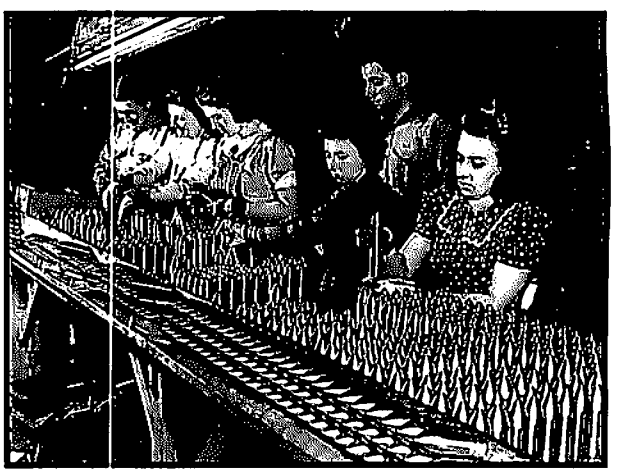
THE LEGACY OF THE NEW DEAL

The Legacy of the New Deal

The historical legacy of the social, political, cultural, and economic changes of the Great Depression and New Deal are best understood in the context of two significant developments that followed immediately afterward: World War II and the Cold War. The beginning of World War II paradoxically led both to economic recovery—through massive spending and job creation—and to the end of the New Deal. President Roosevelt famously declared that he had now ceased being Dr. New Deal and had become "Dr. Win-the-War."[140] The 1942 congressional elections further trimmed Roosevelt's Democratic majority and indicated that political reform at home was no longer at the top of the agenda. Congressional conservatives began gutting New Deal agencies in 1938, and by 1943 even the Works Progress Administration and the Civilian Conservation Corps had been abolished. The Farm Security Administration and the Rural Electrification Administration continued with minimal funding.

Recognizing that "if you are going to [war] in a capitalist country, you have to let business make money out of the process or business won't work," Roosevelt opened the federal purse. He stimulated an expansion of private enterprise with generous federal contracts that included a cost-plus provision that guaranteed businesses their profit. What had been the cause of bitter political struggle during peacetime—using federal expenditures to achieve full employment in the American economy—happened quickly and with almost uniform political support during the war. Those who warned against the expansion of corporate monopolies found themselves pushed out of the halls of power. It was big business that could provide the goods for war on a global scale. After nearly two terms of relative economic orthodoxy, the president enlarged governmental spending, not through one of the New Deal agencies, but through the War Production Board and the National Resources Planning Board.[141]

Virtually unscathed by battles and bombing attacks on the home front, the U.S. economy grew rapidly during World War II. At the same time, the nation wielded significant political and military power across the world—not just because it was the only nation in possession of the atomic bomb, but also because the battles of World War II had spread U.S. armed forces across the globe. Celebrated as liberators, eyed suspiciously as occupiers, and welcomed as sources of economic recovery, U.S. forces came in touch with the entire world—and with the nation's ideological antagonist, the Soviet Union. The Cold War of political, military, and economic competition between the two nations boosted military spending and produced a military-industrial complex at home. It also put millions of Americans in military service, from which they returned with generous veterans' benefits. Finally, it fostered a climate of fear and distrust that forced labor unions to take a conservative stance and undergo a self-induced purging of alleged radicals and communists.



Women work alongside men during World War II, producing war materials to support the Allied cause. The war spurred production and revived the U.S. economy.