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# SOCIAL SCIENCE

RESOURCE GUIDE



## THE GREAT DEPRESSION AND THE NEW DEAL

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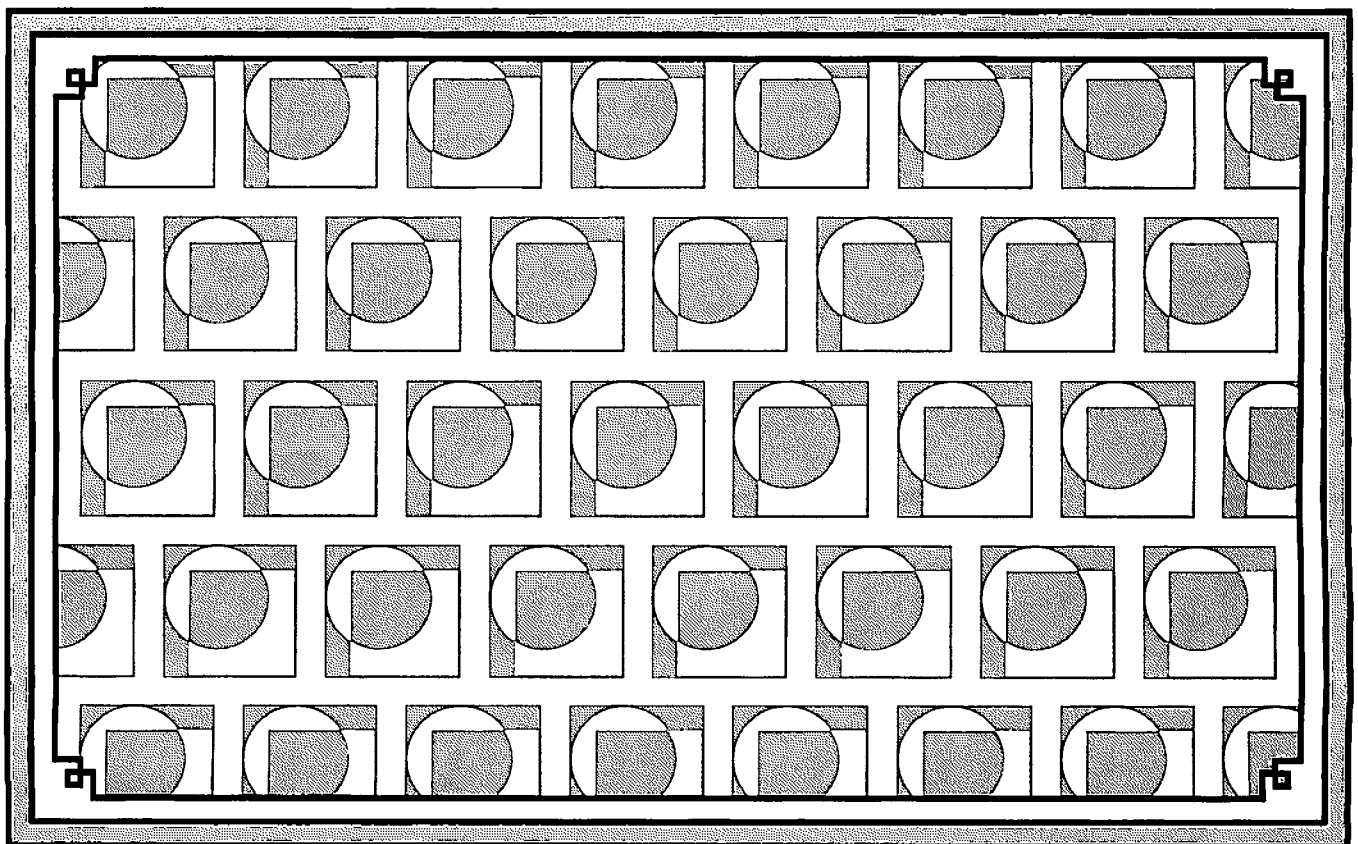
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# INTRODUCTION

Headlines snaking around city blocks, malnourished children in makeshift shelters, idle workers in angry protest at factory gates—there is plenty of photographic documentation of the deprivation Americans suffered during the Great Depression. There are even more statistics that can powerfully convey the pervasive impact of unemployment, foreclosures, and bankruptcies. In addition, personal accounts, oral histories, and the private correspondence of regular Americans and politicians help us learn the many historical facts that lie between aggregate numbers and what the eye can see—people’s fears and doubts, hopes and aspirations; their arguments, grievances, and misgivings, but also their small triumphs.

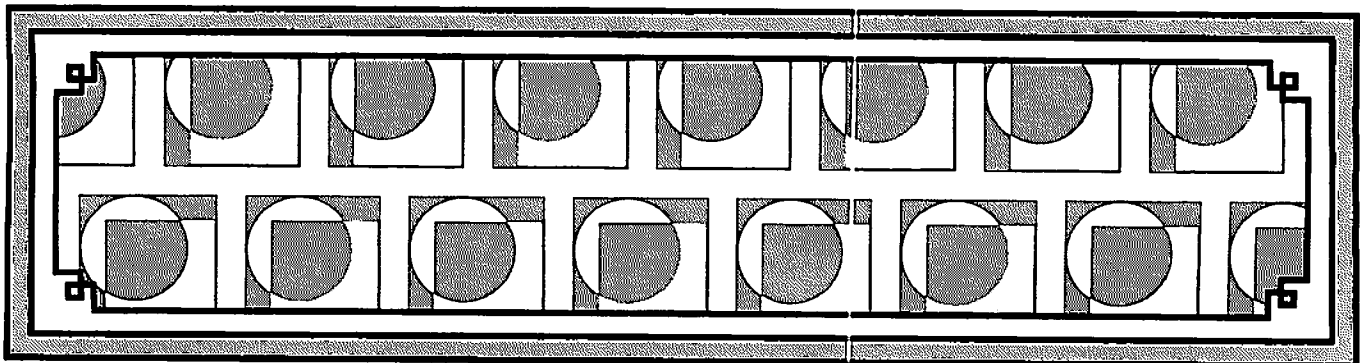
For students of the Great Depression, the discovery of evidence is rarely the primary issue. The same is true for the New Deal, whose many agencies and committees produced ample paper trails. The question is thus not so much “what happened”—but why and how? How could the nation slip from the unparalleled prosperity of the 1920s into an economic freefall? How did unemployment and the loss of homes and businesses shape communities, popular culture, families, men and women, both black and white? Finally, why did the Great Depression last as long as it did?

The Depression passed with the beginning of World War II, leaving behind a sobered American people

with depleted savings and memories of sacrifice and struggle. President Franklin D. Roosevelt’s effort to alleviate the economic crisis—the New Deal—had a far more lasting presence. From the Lincoln Tunnel to the Golden Gate Bridge, from hundreds of Sierra Nevada campgrounds to the dams of the Tennessee Valley, the New Deal transformed the nation both literally and figuratively. But why did it take three years for the federal government to address the crisis? How did the New Deal help Americans? What political and social struggles did it provoke? Did it succeed in ending the Great Depression? Last but not least, why did Roosevelt become the most iconic president of the twentieth century, the man who served as a role model for successors as different as Lyndon B. Johnson and Ronald Reagan?

The New Deal was more than a historical episode. It was a social and political transformation of the way citizens related to their national government and vice versa. The legacies of the New Deal shaped the liberal welfare state of the postwar years in powerful ways, and it continues to shape our lives and environments today. It is for this reason that the following text presents a history that does not end with Roosevelt’s last piece of reform legislation, but rather with some of today’s most contentious debates over the role of government in our society.

**NOTE TO STUDENTS:** You will notice as you read through the resource guide that some key terms and phrases are boldfaced. While many of these terms are defined and/or explained in the text of the guide, you can also find explanations of several of these terms on USAD’s Social Science Notebook Divider.



# SECTION I: ORIGINS OF THE GREAT DEPRESSION AND ECONOMIC DECLINE, 1929-33

## ON THE EVE OF DEPRESSION: THE GOLDEN TWENTIES

### AN AGE OF PROSPERITY

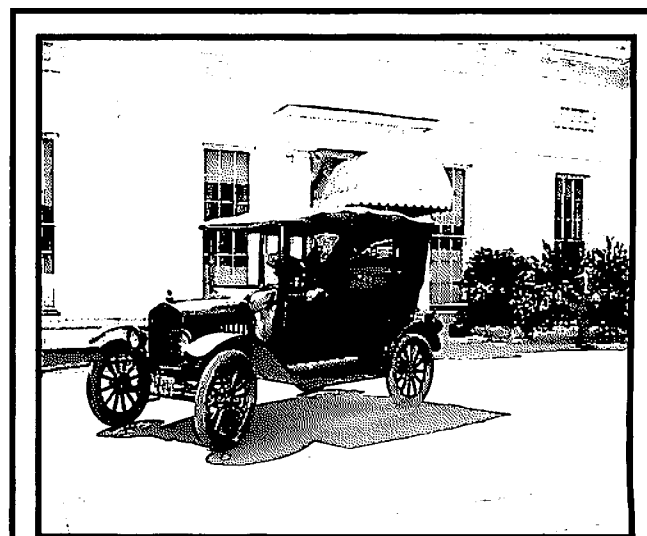
Many historians have called the 1920s the age of prosperity. During this time period, the nation's economic output grew, and overall wages increased moderately. The growing use of automobiles and radios, the suburban construction boom, the rise of advertising, and a new identification of middle-class values with consumption and leisure activities support the notion that the decade before the Great Depression was one of prosperity. On the other hand, the nation's newfound wealth was distributed unevenly, and many American workers still lived with a high degree of uncertainty.

### *The New American Standard of Living*

The 1920s witnessed a significant increase in both mass production and mass consumption. Housing began to sprawl into suburbs outside of metropolitan centers. In big cities, skyscrapers reached higher and higher. In middle-class homes and in city apartments, electricity made possible the use of consumer durables like vacuum cleaners, washing machines, and other household appliances. For the first time in history it seemed that a modern standard of living was within reach for a large share of the middle class. Only 20 percent of Americans had inside flush toilets in 1920, but 51 percent enjoyed this amenity ten years later. Central heating was a rarity at the beginning of the decade (1 percent of households), but existed in 42 percent of households in 1930. Radios did not exist in 1920, but four out of ten families owned such a device by the end of the decade.

Most importantly, Americans in the 1920s bought automobiles whenever they could. By 1929, 26 million motor vehicles were on the road, one for every five people in the country. Big cities like New York, Chicago, and Los Angeles were already familiar with big traffic

jams. At the same time in Europe, cars were still exotic and only one in 135 Germans owned such a luxury.<sup>1</sup> Henry Ford's assembly line had made them affordable. And the marketing savvy of Alfred P. Sloan at General Motors made them ever more attractive, featuring new designs, colors, and innovations such as the self starter and the windshield wiper. Carmakers and other durable goods producers promoted consumer credit. A small down payment allowed consumers to "buy now, pay later."<sup>2</sup> In magazines and on the radio, advertising campaigns promoted personal cameras, make-up, and ready-made foods as lifestyle choices and symbols of status. Rising consumer demand, especially for cars and housing, spurred the production of steel, rubber, glass, oils and chemicals, lumber, and other raw mate-



A 1920s version of Ford's Model T.  
By 1929, 26 million motor vehicles  
were on the roads in the U.S.

rials. It also triggered the invention of new business ideas, such as motels and gas stations.

The transformation of American life into that of a consumer society not only changed buying patterns, but also changed culture and values. Young urban Americans seemed fascinated by new trends such as jazz, crossword puzzles, marathon dancing, and body building. They ate bagels, attended "petting parties" and flirted in the privacy of their cars on so-called "lovers' lanes." They visited speakeasies that illegally sold alcohol despite nationwide prohibition. Young single women wore low-cut gowns and lipstick, bobbed their hair, and spent their own money. Married women of the growing middle class were identified as the prime consumers in their families, and advertisers sought to entice them to buy new appliances designed to make their traditional household duties easier.<sup>3</sup> African Americans discovered a new sense of community and culture in northern urban neighborhoods such as Harlem, Chicago's Southside, or Los Angeles' Central Avenue. To farmers and small town residents, on the other hand, the "roaring twenties" suggested the corruption of family values, prostitution, racial mixing, bootlegging, and crime. For them, these aspects of modern life seemed to push traditions and standards off their foundations.<sup>4</sup>

### Changes in the Labor Force

The revolution in consumption also led to a growing demand for industrial labor. An economic downturn following the end of World War I led to mass unemployment in 1921 and 1922. However, draconian immigration restrictions via the Immigration Acts of 1921 and 1924 led to a decline in European immigration, making workers scarcer. Economic historians have estimated that the average unemployment rate was just 3.3 percent between 1923 and 1929.<sup>5</sup> Wages and

working hours also improved slightly. After accounting for inflation, the earnings of workers outside of agriculture rose by 23 percent from 1919 to 1929, though not all workers benefited equally. Urban industrial workers tended to fare better than their counterparts in rural areas.

Women had been part of the American industrial labor force since the early 1800s, but demand for labor to replace men drafted for service in World War I gave women an additional foothold in wage work. Some women worked in manufacturing, but the majority of women in the 1920s worked in domestic service or in white-collar jobs such as secretarial work, switchboard operators, or as shop clerks. The proportion of married women in the paid labor force remained small. Most of these were poor, black, or foreign-born, and acquired wage work out of bare necessity. Most unions, as well as corporations and even reformers, feared a growing presence of married women in the labor market. They argued instead for a "family wage" that would permit every husband and father to make enough so that paid labor for women in their household would be unnecessary.<sup>6</sup>

Membership in labor unions declined significantly in the 1920s, from more than 12 percent of the civilian labor force to less than 8 percent on the eve of the Great Depression.<sup>7</sup> Employers fired employees who joined unions or tried to have others join and forced new employees to sign "**yellow-dog contracts**" in which they promised not to join a union. Courts were commonly on the side of employers and granted frequent injunctions that temporarily forbid boycotts or picket-lines. As a rule, the government did not interfere in these uneven labor relations. Widespread fear of socialism and labor radicalism after World War I undermined union support, while welfare programs at new companies such as Eastman Kodak in Rochester, New York, lured workers away from their own organizations.<sup>8</sup> Finally, the most powerful union, the American Federation of Labor, showed little interest in organizing the unskilled workers of the growing mass production industries.

A growing number of Americans invested less hope in better working conditions through unionization, and instead hoped to ascend to a middle-class lifestyle by obtaining an education that would qualify them for skilled white-collar work. Employers also exploited religious, ethnic, and racial divisions within the working classes to prevent large-scale unionization.<sup>9</sup> High school became an American institution, and high school graduation rates rose steadily over the decade.<sup>10</sup>

### EARLY SIGNS OF CRISIS

Throughout most of the 1920s, farmers in particular suffered from high debt, low prices, and a growing rate of bankruptcies and foreclosures. While new industries grew profitably, other sectors of the economy stagnated. And at the same time that Americans subscribed to



Labor Day Parade, float of Women's Trade Union League, New York, 1908.

the principle of isolationism in foreign diplomacy, they found themselves increasingly enmeshed in an interdependent world economy. Thus, when the stock market collapsed in October of 1929, it brought to an end a decade not just of prosperity, but of anxiety.

### **The Malaise of Agriculture**

Historians have often called the quarter-century prior to the 1920s "the golden age of agriculture." The surge in international demand for American food stuffs during World War I boosted prices and motivated farmers to borrow and invest in new land and machinery. Wheat that had been supplied by Russia before the Russian Revolution, for example, now had to be grown in the United States, Canada, and even Australia. But World War I ended in 1918, and by 1921 the farmers of Europe were back in the market. Increased overall production meant a decline in prices, leaving American farmers with heavy debt and low rates of return. At the same time, a tight credit policy by the Federal Reserve Board made new loans harder to come by, pushing many farmers toward bankruptcy. The rate of farm foreclosures increased fivefold between 1918 and 1923. The plight of poor farmers rippled through many rural areas. Their failure to pay back loans weakened local banks. Low prices for farm products also led to declining demand for machinery, implements, and farm workers. While the average earnings for all employees in the United States rose from \$1236 in 1922 to \$1356 in 1929, farm income fell from an average of \$1196 to \$945 by the end of the decade.

### **Stagnation in Heavy Industry**

As the production of new consumer goods surged during the 1920s, older industries grew more slowly, stagnated, or even shrank. Often, the two went hand in hand—a process the Austrian economist Joseph Schumpeter has labeled "**creative destruction.**" Consider the fact that the car industry not only spurred demand for raw materials and new business opportunities, but also meant the ruin of other businesses, such as trolley lines. More significantly, railroads, which had been the chief economic engine behind American expansion, saw less growth in demand for their services as a result of competition from trucking businesses. Railroad passenger miles declined from 47 million in 1922 to 34 million in 1927, and profits remained small. With the exception of oil tankers and some special-purpose vessels transporting fruit from Central America, most ocean shipping depended on government subsidies to remain viable.

The expansion of the oil and chemical industries reduced reliance on coal, a resource on which previous economic fortunes had been built. The coal industry's share of national income shrank from 1.7 percent in 1922 to 0.7 percent in 1929. The textile and shoe industries were another important sector that had served as an engine of industrial development in the United

States throughout the nineteenth century. Here the problem was not a decline in demand: people still needed clothes and wanted a large variety of different styles and fabrics rather than clothes that were simply utilitarian. Competition was brutal, however, and heavy investments in machinery by larger companies spelled doom for smaller establishments that could not afford such large overhead costs.<sup>11</sup>

### **Shortsighted Diplomacy: The International Market**

In the wake of World War I, Americans grew tired of progressive idealism. Doubtful that foreign diplomacy could "make the world safe for democracy," many subscribed to the notion of **isolationism**—minimal political involvement with foreign powers. At the same time, America's role in the world and global markets had changed dramatically as a result of the war. The United States had always been a debtor nation, owing some \$3.7 billion to foreign investors in 1914. By 1920, the United States had become a creditor nation with \$12.6 billion in investments abroad on its balance sheet. Much of this was financial aid the U.S. had provided to its European Allies (particularly England and France) during their fight against Germany and the Central



Photograph of economist Joseph Schumpeter who described the negative impact of new consumer goods on older industries as "creative destruction."

Powers in the First World War. These allies decided to recover their debt from a defeated Germany through reparations, which ultimately led to that nation's monetary collapse in 1923. Under the **Dawes Plan**, the United States negotiated an international payment system whereby Wall Street and the Federal Reserve provided Germany with loans to be used to pay reparation demands to Allies. This allowed the Allies in turn to meet their obligations to the U.S.

At the same time, Americans sold more goods abroad than they bought. This meant that few dollars circulated overseas where foreign debtors needed them to pay back their American debt. Congressional tariffs in 1921 and 1922 made it more difficult for Europeans to sell goods to Americans and earn dollars. Without that currency, Europeans had no choice but to pay with the international means of exchange—gold. The **gold standard** meant that the trade surplus and the interest and debt payments brought a growing influx of the specie to the U.S. Since the volume of a gold standard currency shrank and grew with the amount of gold in the nation's reserves, the money supply in the United States was supposed to expand with this influx. This would have raised prices, made American goods less competitive, European rivals more successful, and restored the trade balance. But the Federal Reserve wanted price stability and chose to counteract the expansion of the money supply that typically resulted from gold imports with the selling of bonds—a practice in monetary policy that pulled cash from the economy and replaced it with treasury bonds.<sup>12</sup>

### **Growth as a Gamble: Ponzi Schemes and Speculators**

Partly because the 1920s witnessed many true stories of economic success, partly because people believed that technological innovations were truly inaugurating a new era, and partly because advertisers sold the illusion of an overall growing prosperity, more and more Americans were willing to invest with a higher level of risk. During the 1920s, speculation emerged as a major preoccupation of many Americans. In 1920, Charles Ponzi of Boston—a former vegetable peddler, forger, and smuggler—convinced thousands of credulous investors that he could deliver a 50 percent return on their investment in his Old Colony Foreign Exchange Company, paying out just enough dividends to allay suspicions of fraud. This **Ponzi scheme** cost its victims everything, and earned its inventor millions as well as a long prison sentence when the fraud came to light a few months later.<sup>13</sup> This was hardly the last trap for speculators eager for quick riches. The construction boom of the early 1920s produced not only sprawl, but also real estate booms in California and in Florida. At the height of Florida's land speculation mania in the summer of 1925, the *Miami Daily News* printed a 504-page issue crammed with real estate advertisements—the largest newspaper issue in history. A hurricane in

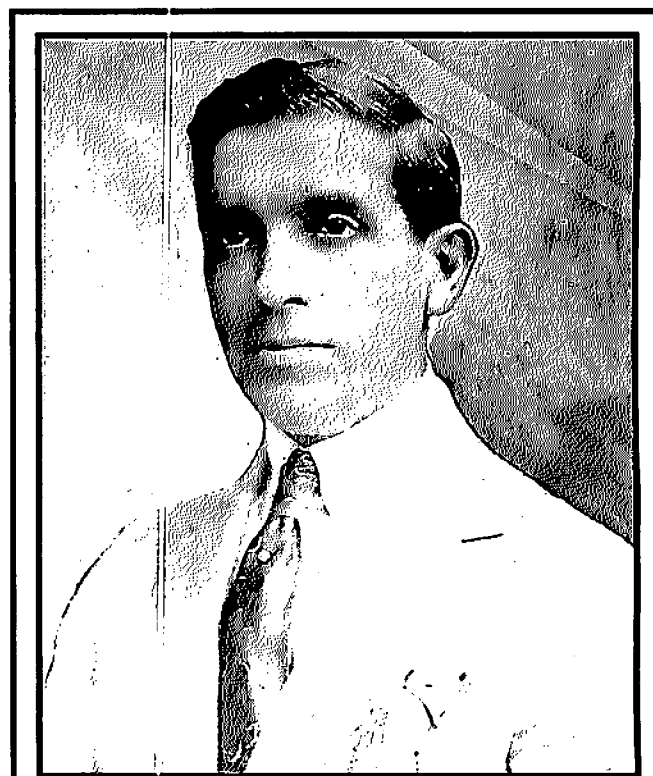
1926 brought an end to this euphoria and left many investors stuck with acres of swamp.<sup>14</sup> Speculators then began to look for new opportunities to turn quick profits and moved in earnest into the stock market.

### **THE GREAT CRASH OF 1929**

Americans had seen Wall Street stocks rise and fall before, and the rapid selling off of shares at ever declining prices was in itself not a new phenomenon. The stock market crash of 1929 was different in a number of respects, however. What had once been an exclusive marketplace for a few wealthy investors had turned into an allegedly safe and secure passage to prosperity for the American middle class. Their sense of security was bolstered by a new profession, that of economists, who offered their overconfident predictions of market behavior. "Stock prices have reached what looks like a permanently high plateau," explained Irving Fisher, the nation's most famous economist and one of the most admired thinkers of the time, just weeks before the crash.<sup>15</sup>

### **A Nation of Speculators: Retail Brokers and the Stock Boom**

Stock prices began to move up in 1926 and 1927 and shot upward with increasing speed in 1928 and



Photograph of Charles Ponzi, who defrauded thousands of investors in the 1920s.

1929. A decade earlier, few regular Americans would have invested their money in the stock market. Instead, if they had any money to save, they would have stashed it in savings accounts. The marketing of the Liberty and Victory bonds to finance the war from 1917 to 1919 first introduced some 22 million Americans to investment in the **securities market**. The success of the government bond issue encouraged more corporations to “go public” and offer shares in their businesses on Wall Street. A growing number of brokers like Charles Schwab and investment firms like Goldman & Sachs Trading Corporation offered buyers professionally managed investment “portfolios” that contained a diverse range of company shares. These investment bankers and brokers sold shares in what we would now call “mutual funds” in the same way that salesmen advertised and sold other goods like toothpaste and cars at the time.

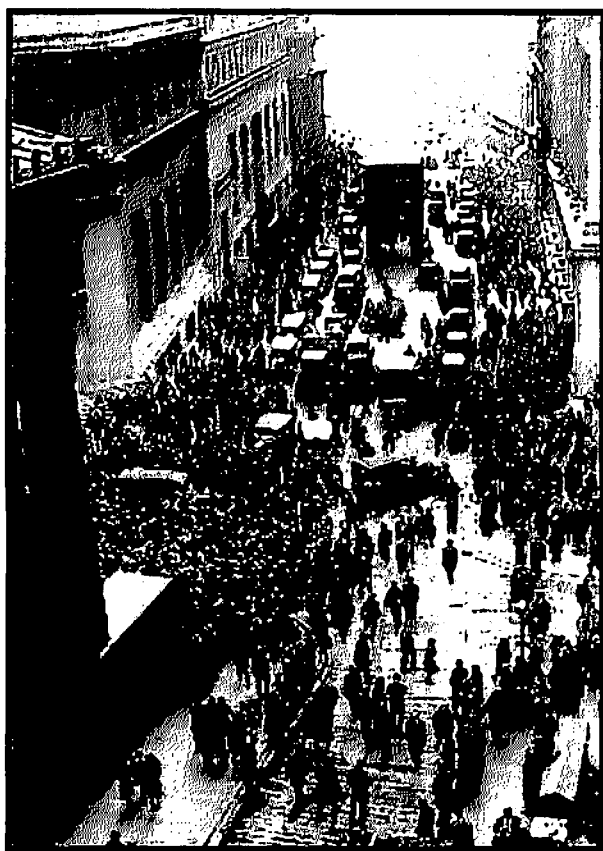
*Harper’s Magazine* concluded that the stock market was no longer an exclusive marketplace for “hard-boiled knights,” but a place “for the butcher and the baker and the candlestick maker.” The number of shares traded provides a good insight into the increas-

ing activities in the stock market: in 1919, which had been the biggest boom year of the century until then, a total of 317 million shares were traded. In 1927, the New York Stock Exchange traded 577 million shares, and in 1928, a full 920 million shares were traded. In 1929, traders on Wall Street made 1.1 billion share transactions. By the beginning of 1929, new **investment trusts** emerged at a rate of one a day, doing nothing but selling paper shares in paper portfolios.<sup>16</sup>

#### ***Irrational Exuberance? Buying on Margin***

American consumers had learned from car dealers and department stores how easy it was to “buy today and pay later.” So, when stockbrokers offered similar deals on their products—paper shares in investment portfolios—it required no giant leap to understand the appeal of **buying on margin**. With \$100 down and a \$900 loan from one’s broker, a buyer could purchase one hundred shares of a company such as Commercial Solvents at \$10 apiece. Assuming that the company’s share price rose to \$20 in half a year—something that happened frequently in the booming market of 1928–29—the investor could reap a profit of \$1000 on his or her \$100 investment, minus interest payments on the loan and commission fees. Spectacular gains in stock prices made it increasingly difficult for investors to resist margin buying. Buying on margin became so popular, that commercial banks began to loan money to brokers, and corporations, too, pumped their own money into brokers’ loans. By October 1929, brokers owed \$6.6 billion to lenders such as Bethlehem Steel, Standard Oil, and Chrysler Corporation, as well as \$1.8 billion to regular banks.<sup>17</sup>

Many economic indicators at this time suggested that stock prices were increasing for good reasons. Gross national product and per capita income were growing steadily, productivity was increasing, and corporations were reporting profits. But after 1927, the stock market surge was driven by fantasy and speculation rather than by economic facts. Floor traders on Wall Street designed “**pools**”—schemes to artificially inflate prices by selling shares back and forth among each other to create the allusion of intense market activity around an attractive stock. When buyers outside the pool bought the stock and their demand drove the price higher still, members of the scheme sold quickly and made handsome profits while the manipulated stock fell into a slump. Investors who wanted to make informed decisions had only limited access to information, since Wall Street required very little disclosure from listed companies, and investment bankers produced brochures that were good for advertising rather than for careful assessments of potential investments. Amidst the general exuberance, voices of caution dissipated. American business, with free rein from the federal government, seemed to offer the solution to the economic and social problems reformers and unions had struggled with for decades. Expressing



A crowd gathers outside the New York Stock Exchange following the market crash in 1929.

the confidence typical of this time period, John Jacob Raskob wrote an article in the *Ladies Home Journal* titled "Everybody Ought to be Rich."<sup>18</sup>

### **Failed Intervention: The Federal Reserve and Large Investors**

The Federal Reserve had been concerned with the irrational exuberance on Wall Street for some time before 1929, believing that speculation drained capital from more productive investments. Fearful of taking more drastic measures such as limiting banks' access to credit, which would have curbed both broker loans and legitimate business loans, the Fed tried the strategy of "moral suasion"—with little effect. In December 1928, it increased the discount rate, the interest rate at which banks could borrow from the Federal Reserve, from 4.5 to 5.5 percent. This increase did not make the broker loans unprofitable, but it signaled future restrictions in credit. Other central banks in Europe followed this example. The stock market's following remained loyal to the bubble. Powerful bankers like Charles A. Mitchell of National City Bank balked at the Federal Reserve policy and promised to pump additional money into the broker's loan market. In the summer of 1929, the Index of Industrial Production headed downward, largely because homebuilding slumped farther for the third year in a row. The Federal Reserve decided to cool the heated stock market by increasing its bond sales on the **open market**. This meant that money in circulation increasingly went into Treasury savings bonds rather than into stocks.<sup>19</sup>

### **The Market in Decline**

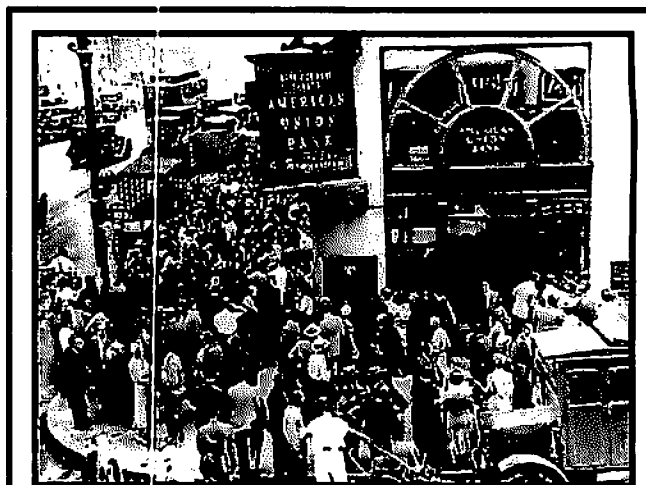
The Standard & Poors Composite Stock Index peaked on September 7, 1929, after the first break in the stock price rally. From September to October trading volumes increased dramatically, and overall prices declined slowly. On October 24, 1929, panic selling hit the market: 13 million shares changed hands that day, and the ticker technology was so overwhelmed that buyers and sellers did not know the prices of their afternoon trades until 7 p.m. that night. A group of bankers, including Charles A. Mitchell and J. P. Morgan & Co., tried to stem the tide of selloffs with a \$20 million buying pool, assuming that this would send a calming signal to nervous investors. The Rockefellers similarly tried to keep up the price of their Standard Oil stock with a \$50 million purchase. It was to no avail. National City Bank's and Standard Oil stocks dropped precipitously.<sup>20</sup>

Trading and the panic resumed on October 28th (**Black Monday**) and October 29th (**Black Tuesday**). On those two days, an average stock lost a quarter of its value. The market's decline continued until mid-November, by which time stock prices had fallen to half of what they had been in August. Like an avalanche, record numbers of stock sales triggered ever greater numbers of trades the following day. Much of this had

to do with the panic selling of stocks that brokers had purchased on margin. News from Wall Street raced around the world and triggered crashes at the London exchange, then in Berlin, in Paris, and finally in Tokyo. President Hoover, economist Fisher, and other market experts assured the public that the American economy stood on solid footing. Such frequent incantations tried to separate the stock market from the American economy like froth on a drink, but they could not prevent the decline. News that industrial production in the United States had declined in the third quarter and that foreign economies were collapsing pushed more investors to cut their losses and bail out of the stock market.

## **THE CRISIS DEEPENS: THE PROCESS OF ECONOMIC DECLINE**

Well into 1930, most stock prices remained above the levels reached in 1926. In the past, observers would have described such market behavior as a technical adjustment. But in the 1920s, Americans had come to believe that they had entered a "New Era," and the stock market was one of its most illustrious symbols. Thus, falling stock prices hurt the optimistic view of the future and the power of capitalist enterprise. Pessimism spread rapidly. This crippled consumer spending and confidence, without which few were willing to buy goods on credit on the installment plan, the new American custom.<sup>21</sup> Previous market crashes had also produced bankruptcies and unemployment, but their effect had always been most pronounced on the fringes. In 1929 and the ensuing years, the economic



A crowd gathers outside the American Union Bank in New York during a bank run early in the Great Depression.

plight unseated those who had thought themselves most firmly in the saddle.

### BANK FAILURES

Bank failures were nothing new in the nation's history. Bank failures had triggered one of the nation's worst economic crises in 1837. Lacking strong federal regulation, American banks often issued loans and banknotes that far exceeded their reserves in gold and other assets. If a business defaulted on its loan and caused a bank a serious loss, its savings account holders began to worry and rushed to the bank to retrieve their savings, either in gold or in notes not issued by their home bank. The result was a **bank panic**. As more and more customers put their savings in gold, the one denomination they trusted, the bank became certain to fail. A bank panic meant more than the drain of savings and assets, since banks always make money by lending more than their vaults hold in capital. Banks were profitable because they banked on the fact that their customers would not all cash in their savings at the same time. Bank panics were self-fulfilling prophecies, and they rippled through the nation's economic infrastructure in almost every recession.

### An American Tradition: The Dynamics of Bank Panic

The 1920s, too, had seen its share of bank closings. Each year hundreds of small institutions, mostly in rural areas, declared bankruptcy as their clients—farmers—defaulted on their mortgages. Prohibited from branch banking, small rural banks could not diversify their loan portfolios beyond their traditional customers in agriculture. In 1926, there were a total of 975 failures in the country. When 1930 began with a rise in bank closings, observers initially saw nothing new.<sup>22</sup> In October 1930, however, a surge in failures in the South and Midwest raised alarm about the banking system nationwide. A Nashville-based holding company with significant stakes in manufacturing companies, publishing enterprises, investment trusts, as well as banks, had become insolvent and was unable to liquidate assets quickly enough to meet claims. As *Caldwell and Company* fell, so did most of its associated banks. Americans began to convert bank deposits into cash. In December 1930, the **Bank of United States** in New York, which held the deposits of thousands of Jewish immigrants, closed its doors. Not only was this the largest bank failure in American history up to that time, its name also led many to assume that the bank played an official role



A crowd of depositors gathers outside the Bank of United States after its failure.

for the U.S. government, even though it did not. This further stimulated the panic.

Americans began to hold on to currency rather than depositing their money into bank accounts. Following a few months of calm, the crisis resumed in March 1931, and the overall volume of deposits in American banks began to shrink significantly. The ruin of a major Vienna bank, the **Kreditanstalt**, in May 1931 worsened the crisis, as people worldwide began to think that their savings were only secure if they converted them from paper into gold. To prevent the complete drain of its gold reserves, Britain responded by leaving the gold standard in September 1931. This, in turn, produced a new demand for the exchange of pounds sterling into dollars, which people took to the bank to exchange for gold. Between 1930 and 1932, over five thousand banks with more than \$3 billion in deposits closed their doors and opened their vaults. Weakened by the deflation of the past two years, uncertainty about the future under a new president, and worries that the United States was also going to leave the gold standard, another four thousand banks suspended operations between December 1932 and Franklin D. Roosevelt's inauguration on March 4, 1933.

### **The Role of the Federal Reserve Bank**

In 1907, the last flood of bank panics before the great crash had been curbed only with the imposition of bank holidays—periods of time in which banks ceased to pay out cash in any form. This had made the need for significant reform of the financial system evident. The result was the establishment of the **Federal Reserve System** with twelve district banks, all of which were to serve as lenders of last resort. Membership for banks was compulsory, and their deposits into the Federal Reserve were meant to protect their own institution as well as others from the effects of the panic. In other words, the Federal Reserve System was specifically designed to withstand the kind of economic crisis that occurred in 1929–30.

As the financial crisis spread in late 1930, however, experts at the Federal Reserve still believed that banks failed first and foremost because of poor management, and that the bankruptcies were part of the healthy process of competitive selection in the financial marketplace. Federal Reserve officials thus failed in their most important role, and the collapse of banks continued unabated. Historians like John Kenneth Galbraith have chastised the Federal Reserve for their “startling incompetence” at the time. As compelling as this judgment may be in retrospect, it is worth keeping in mind that until then the Fed, like central banks elsewhere in the industrialized world, had mostly been concerned with the dangers of inflation. Selling bonds on the open market to drain liquidity from the money supply or raising discount rates to banks to slow down credit were the techniques with which bankers were familiar, and these were the tools the Federal Reserve

employed only two months before the great crash. To turn around six months later and float generous loans or buy on the open market would have required unusual intellectual agility.

Another observation by John Kenneth Galbraith deserves attention, however. Members of the Reserve could have spoken up against the expansion of call loans—loans with no maturity date for which the lender can demand full payment at will—through margin buying—the purchase of securities with borrowed money in which the stocks themselves are collateral. They could have warned against the incestuous relationship between conventional commercial banks and the new investment bankers, such as Goldman & Sachs. Because of the fear of political repercussions and possible overreaction in the market, no one spoke up. The result was not only financial turmoil, but also a long-lasting erosion of public confidence in financial institutions. Bankers and brokers became the butt of jokes for at least a decade to come.<sup>23</sup>

### **The Spread of Bankruptcy**

As banks shut their doors and left their clients out in the cold, small and large businesses, too, lost their assets and had to declare bankruptcy. Research done by Ben Bernanke, now himself chair of the Federal Reserve Board, has shown that bank failures particularly affected the credit available to small businesses; many saw long-term relationships with their lenders end for good. Other banks approached these small businesses far more cautiously and could not evaluate the creditworthiness of new clients easily.<sup>24</sup> Even businesses with access to credit became cautious. Gross investment in the U.S. declined by over a third between 1929 and 1930, and did so again the following year. By 1932 total investments by businesses had shriveled from the pre-depression level of \$16 billion to a modest \$800 million. At such low levels of investment, the depreciation of existing capital goods meant that the country's economic stock was deteriorating. For example, 60,000 to 80,000 tons of steel was required each year to replace worn out rails in one of the nation's major railroad networks, the Baltimore & Ohio Railroad, but the company only replaced 15,000 tons in 1931.<sup>25</sup>

For a while many businesses followed the request of President **Herbert Hoover** and maintained wage levels. But in the absence of overall investment in their productive capacities, this did little good. As demand fell, businesses saw no choice but to cut production and lay off workers. Americans' overall purchasing power was shrinking. Even those who still received a paycheck decided to either save their money in a bank account or—more wisely—put it inside their mattress. The sanguine spending spree based on consumer credit was a thing of the past.

**TABLE 1: UNEMPLOYMENT AND WAGES (ADJUSTED FOR CHANGES IN PRICE LEVEL) IN THE 1930s<sup>27</sup>**

YEAR	UNEMPLOYMENT RATE (PERCENT)	REAL WAGE INDEX (1940=100)
1929	3.2	69.4
1930	8.7	75.7
1931	15.9	83.2
1932	23.6	80.8
1933	24.9	79.5
1934	21.7	84.3
1935	20.1	80.4
1936	16.9	81.1
1937	14.3	85.5
1938	19.0	93.9
1939	17.2	97.3
1940	14.6	100

### UNEMPLOYMENT

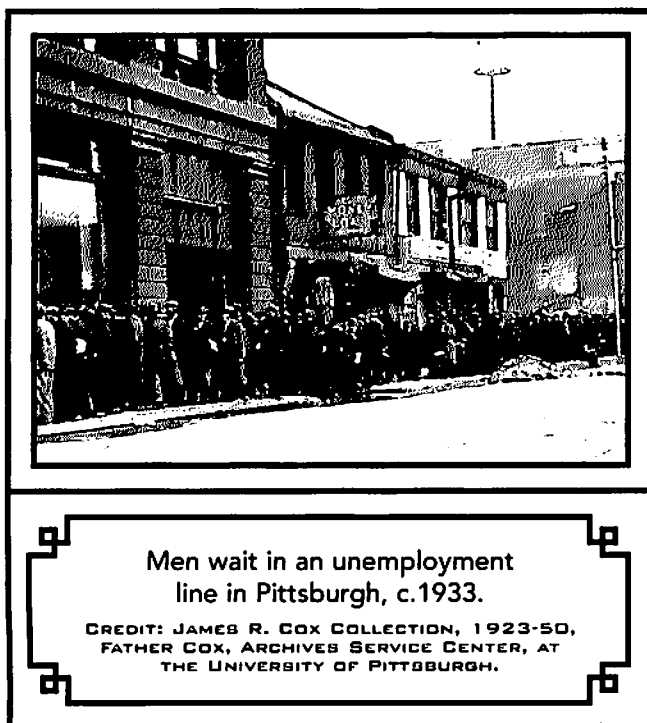
The dissolution of wealth in the stock market affected many Americans. The loss of savings accounts in failed banks hit even more people, especially those who had been cautious in their financial dealings. The Great Depression's broadest impact on Americans, however, came through unemployment. Across the country, unemployment rose from 3.2 to 24.9 percent between 1929 and 1933. Well over 10 million Americans

pounded the pavement in search of work, and 2.2 million had little but low-pay emergency jobs provided by state and local governments and the federal government. If we include extensive part-time employment, then fully half of the nation's breadwinners found themselves either without work or in circumstances of significant hardship.<sup>26</sup> These numbers cannot convey the anguish of millions wandering from one office to the next, and from one factory to the other, only to gather up rejections after hours of fruitless job searching.

Not only were levels of unemployment high in this time period, the 1930s also witnessed the emergence of persistent and widespread long-term unemployment that lasted longer than one year. This created significant hardships for laid-off employees and their families, and it also severely undermined workers' confidence in their ability to provide for their families and compete in the marketplace. Having grown up with the belief that hard work was the path to prosperity, and that employment was a matter of personal perseverance and virtue, unemployed men and women saw themselves confronted with an unfamiliar world. A large fraction of unemployed expected never again to make a living without government assistance. It is thus hardly surprising that the Great Depression became the most serious challenge to the political and social order in the United States since the Civil War.

#### *The Toll on Industrial Workers*

Few mass production workers had been able to avoid seasonal instability in their industries; most experienced "rush" and "slack" seasons during the 1920s. In the needle trades and manufacturing related to



Men wait in an unemployment line in Pittsburgh, c.1933.

CREDIT: JAMES R. COX COLLECTION, 1923-50, FATHER COX, ARCHIVES SERVICE CENTER, AT THE UNIVERSITY OF PITTSBURGH.

agriculture, the ups and downs of employment at the best of times were particularly pronounced. In the early years of the depression, however, declining orders hit manufacturing and heavy industry particularly hard. By 1932, manufacturing had declined to 54 percent of its 1929 levels. The automobile industry operated at 20 percent of its pre-depression capacity, and the auto plants in Detroit, as well as the steel furnaces that provided the raw material for these plants, lay idle. Steel plants across the country operated at 12 percent of capacity, while freight shipments were cut in half.

As a result, there were 660,000 jobless in Chicago, and 1 million in New York City. In even more heavily industrialized cities, the toll of the depression read like casualty lists of a devastating natural disaster. In Ohio, for example, half of all workers in Cleveland were unemployed; so were six out of ten in Akron and eight out of ten in the steel town of Toledo. By September 1931, businesses could no longer maintain the wage rates that they had promised President Hoover. As wages fell, child labor witnessed a revival; one factory in the Northeast reportedly paid its thirteen-year-old packing girls no more than \$.50 a day.<sup>28</sup>

#### **Unemployment in the Middle Class**

White-collar workers continued to be employed at higher rates than those workers in manufacturing. Over the course of the depression, however, unemployment among salaried employees and professionals increased. Drastic cutbacks in the construction industries and the related production of capital and durable goods meant that architects and engineers were among the first professionals to suffer. Lawyers in large cities like Philadelphia and New York experienced significant drops in income and employment. In the medical profession, declining income was more common than unemployment. The average physician had earned \$5,224 in 1929, but earned only \$2,948 in 1933. The depression only reached the nation's colleges in 1932, and the drop in faculty income was a relatively modest 15 percent. Engineers saw their salaries decline by 62 percent, and even the clergy earned 26 percent less in the depression than they had in the 1920s. Teachers at first seemed secure in their employment, and education seemed to live up to its reputation as a secure profession. But by 1933, schools teaching over 300,000 children were closed. In May 1932, teachers in Chicago had been paid only five out of the preceding thirteen months, and in New York City, estimates of unemployed teachers ranged from 5,000 to 15,000.<sup>29</sup>

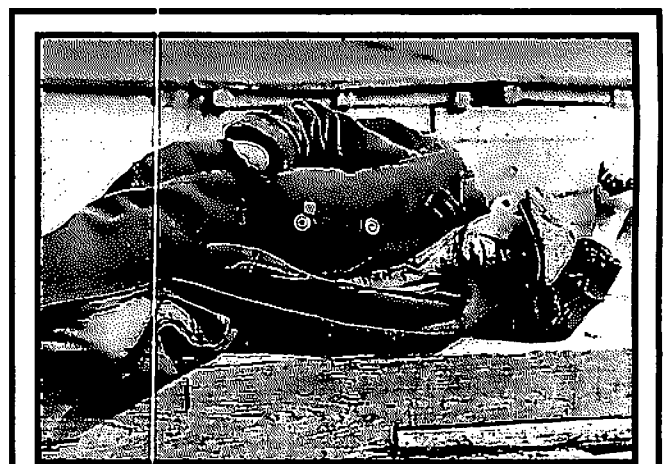
In academia, as in other middle-class professions, it was the young who bore the brunt of unemployment. New Ph.D. graduates had virtually no chance at academic employment. The academy's loss was the government's gain, however. During the New Deal, the best and brightest were more likely to find work in Washington, D.C., than on a college campus.

## **DEFLATION**

Outside of agriculture, where falling prices had caused farmers hard times since the 1870s, few Americans had worried too much about **deflation**, a progressively declining price level. From a consumer's perspective—and most wage workers had also come to adopt this perspective in the twentieth century—falling prices were a most welcome development. Every dollar earned would buy more in terms of real goods. For producers, such as businesses, farmers, and independent professionals who sold their services, declining prices meant lower profits and pressure to cut costs. These included the cost of raw materials, wages, and the cost of credit, or interest. Deflation thus meant economic decline. It was one of the most vexing problems that businesses and governments faced during the Great Depression, and it has also stirred the liveliest controversy among scholars.

#### **Contractions in the System: The Declining Flow of Money**

According to economic historians, there are two explanations for the deflationary trends during the Great Depression. **Monetarists** argue that at the root of deflation was a decline in the stock of money. This happened because of the withdrawal of currency from the banking system, and because banks increased their reserves in order to protect themselves against the dangers of a bank panic. According to this theory, with such a contraction in the stock of money, a smaller number of dollars chases the same amount of goods, and prices fall. Other economists have argued that the sequence of events was exactly the reverse: People decided to hold onto their money, and spending collapsed. As a result, the national output decreased, profits declined, workers lost their jobs, and businesses



A man rests on a pier in New York during the Great Depression.

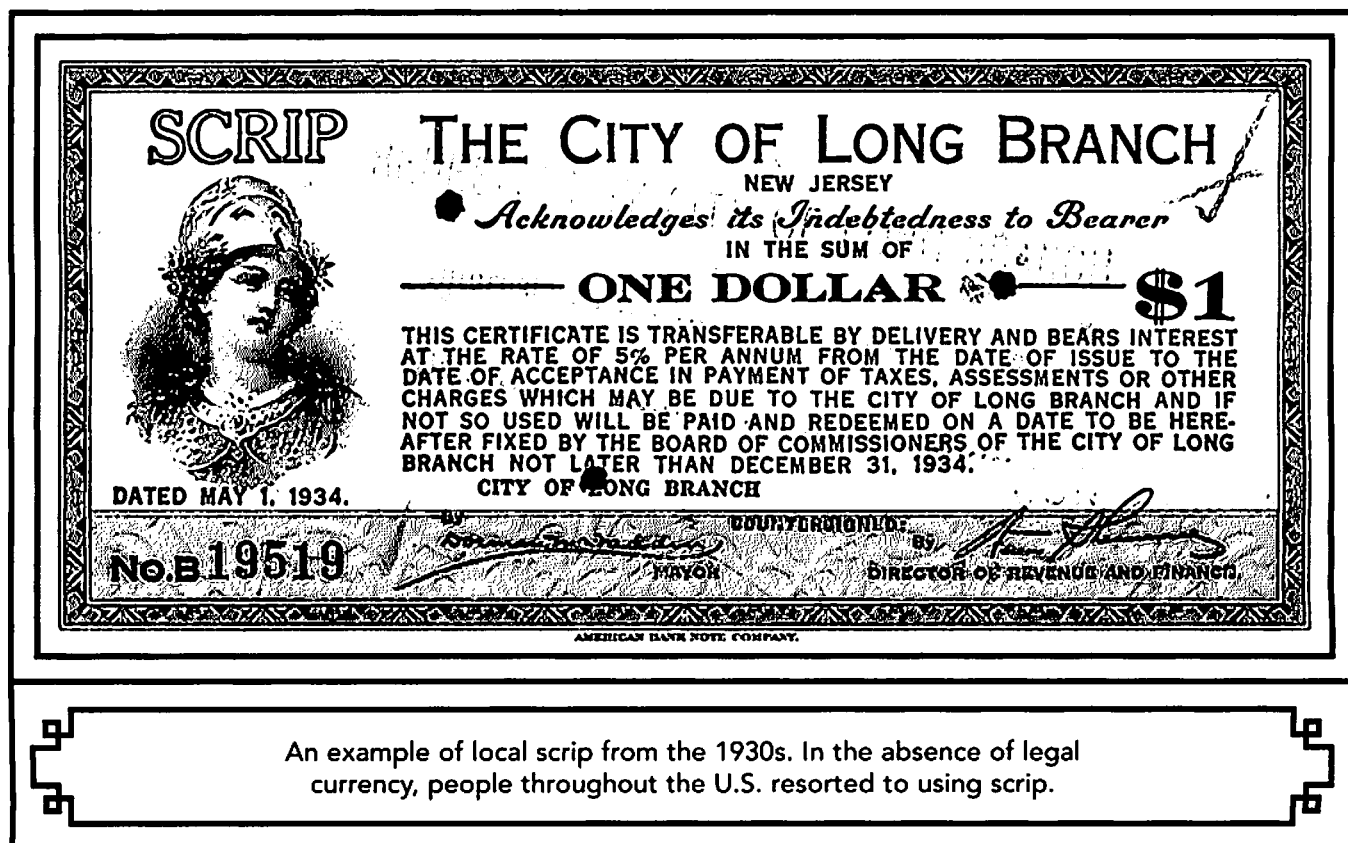
and individuals defaulted on their bank loans. This in turn triggered bank failures and the decline in the money stock.

Most students of the subject today believe that the monetary collapse played at least some role in the ensuing economic decline, and that it was not just a symptom. There is one more way, however, in which the financial crisis exacerbated the economic downturn. During periods of deflation, the real value of a loan increases over time. In other words, even with an interest rate of 0 percent, falling prices meant that the real value of debt—translated into actual goods—increased. In such a “liquidity trap,” as economists call it, businesses are only likely to loan money if the expected profit is significantly higher than the interest rate plus the rate of deflation. Milton Friedman and Anna Schwartz have calculated that real interest rates moved from 5.9 percent in 1929 to 28.15 percent in 1930, 15.5 percent in 1931, 16 percent in 1932, and 3 percent in 1933. Thus, at the height of the depression, the real cost of credit to businesses was prohibitively expensive. Add to this the fact that existing debt burdens only became heavier, and that the declining value of stock market certificates and land meant that businesses had fewer assets to offer for collateral, and it becomes clear that deflation played a significant role in the dramatic drop in business activity.<sup>30</sup>

### Private Hoarding and Dwindling Circulation

The contraction of the stock of money happened as a result of banking policy, but it was also the result of the actions of millions of individuals. During the banking crisis, Americans turned massive amounts of bank deposits—which were part of the money stock even if they only existed as numbers in a checking account—into cash. This cash was not newly printed, but had to come out of bank vaults and cash registers. One could hardly blame these individuals, when one remembers that a third of the people of New York City had suffered losses as a result of the failure of the Bank of United States, which had held the life savings of thousands of recent immigrants. Millions of Americans who in 1929 had looked at banks as pillars of prosperity now preferred to hide their savings inside mattresses or stuff it into cookie jars.<sup>31</sup>

As a result, cash became scarce, particularly in rural parts of the country. Local currencies emerged, and in the absence of legal tender, people resorted to the use of scrip. In Oklahoma more than two dozen communities created some form of their own currency scheme. The small town of Tenino, Washington, responded to the closing of its local bank with the production of wood money. The city of Grand Rapids, Michigan, issued relief and paid city workers with scrip. Often in the shape of stamps, scrip put money in the hands of consumers, permitted local spending, and strengthened citizens’ local civic pride in their ability to adjust to economic crisis. These local emergency responses



to the dwindling circulation of dollars also had the support of the eminent, if somewhat discredited, economist Irving Fisher. In the end, however, local forms of money did not allow for inter-regional trade and could only provide temporary localized relief.

### CAUSES OF THE GREAT DEPRESSION

There exists no universal agreement on the causes of the Great Depression. In fact, there seems to be no greater puzzle in economic history than the malaise of the 1930s. This should hardly be surprising, since the economic downturn from 1929 to 1933 was not only exceptionally steep, but also marked the entry point into an unusually long period of mass unemployment and low investment levels. Causation theories for the Great Depression can be grouped into three categories. Short-run theories have mostly focused on the collapse of the stock and financial markets. Another set of theories has concluded that the economic calamity of the 1930s was the product of poorly conceived and politically distorted government actions. A third group of theories has tried to place the Great Depression into a broader perspective, suggesting that the origins of the slump predate and transcend the turmoil of the final three months of 1929.

#### Stock Market Speculation

Not surprisingly, economists have paid significant attention to the stock market crash as a cause of the economic decline. The work of John Kenneth Galbraith in the 1950s first established the unique features of the 1929 stock market crash, explaining that financial innovations and changes in the operation of an unregulated market made the collapse inevitable and particularly severe. A new generation of investment trusts marketed its own stocks to small-scale buyers who depended entirely on the expertise and advice of their brokers. These often were not disinterested finance professionals, but simply salesmen driven more by their interest in accumulating transaction fees than by the buyers' interest in medium- and long-term investment growth. The number of such trusts expanded from forty in 1921 to 750 in 1929. The rapid expansion of these new stock investment methods was aided by the practice of low-margin buying. This high-risk practice relied on a "best case scenario" that assumed a steady growth in stock prices. Through the investment trusts, large corporations and commercial banks diverted capital from credit markets for legitimate businesses.<sup>32</sup>

#### The Federal Reserve Board

Galbraith's work on the dynamics of the great crash remains convincing to this day, but it does not explain the continued three and a half years of downturn that followed, or the six years of stagnation after 1933. A number of scholars have assigned the nation's central banking system this responsibility. While economic historians generally agree that the Federal Reserve Board failed in its responsibilities in the economic crisis, there

are different schools of thought on what exactly it did wrong or failed to do. As indicated earlier, Nobel laureate Milton Friedman and fellow researcher Anna Schwartz have criticized the Federal Reserve for doing too little too late. Re-discount rates—the interest rates at which banks borrow from the Federal Reserve—never went low enough to make credit affordable in times of deflation. And, it was only after the second wave of bank failures that the Feds began large-scale purchasing on the open market, which released cash out of the Federal Reserve vaults into public hands in return for paper certificates.

Another school of thought—now labeled "neo-Austrian" to identify its proponents as disciples of the Austrian economist **Friedrich von Hayek**—has argued that the Federal Reserve Board actually did too much and inhibited the adjustment of a free market to its natural equilibrium. According to this view, a dramatic and severe but brief recession without any interference would have let the natural laws of supply and demand adjust the money market. Neo-Austrians have extended this critique to the New Deal, arguing that the Roosevelt administration's efforts to reform the economy and relieve the pain of economic distress only made matters worse. However, this view assumes a healthy shrinkage, ignoring the fact that panics threatened not just overextended financial institutions, but healthy ones as well, and that the victims of these panics were not only high-risk investors, but also cautious and frugal holders of savings accounts. Even if recovery would have been quicker in the absence of government intervention, it would likely have distributed the cost of readjustment less fairly, and its pains would likely have been far more severe. Moreover, govern-



A photograph of the renowned economist John Kenneth Galbraith, who in the 1950s first established the unique features of the 1929 market crash.

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ment inaction—such as that modeled by presidential administrations in the 1920s—had little to recommend it, since this had led the nation into its worst economic calamity in history in the first place.

### ***Under-Consumption and the Maldistribution of Wealth***

A number of historians have argued that the increasing inequality of wealth over the course of the 1920s had a disastrous effect on the national economy. Farmers' living standards eroded during the 1920s, and though wages for nonagricultural workers rose substantially, they did not keep pace with corporate profits. People with lower incomes tend to spend virtually all their money quickly on food, housing, and consumer goods, while even the most lavishly wasteful rich were more likely to save or invest. The maldistribution of wealth meant that Americans' rates of consumption in the 1920s did not keep pace with their increasing ability to produce goods. The problem of under-consumption began to emerge in some industries as early as 1926, but was concealed for a time by the emergence of credit buying. When credit dried up as a result of the stock market crash and the ensuing bank panic, the full dimensions of the problem became apparent.

Nobel laureate Simon Kuznets—the father of national income accounting—contributed to this **maldistribution thesis** by demonstrating that the richest one percent of the population increased their share of the nation's disposable income from 11.8 percent in 1920 to 18.9 percent in 1929, while the proportion of the national income shared by the bottom 60 percent declined by 16 percent. This was the result of lowered tax rates for the wealthy during the administration of President Calvin Coolidge (president 1925–29). The transformation of the U.S. into a consumer society in the 1920s without a matching distribution of spending power led to a problem of under-consumption.<sup>33</sup>

The economist Joseph Schumpeter first suggested that structural changes in the American economy during the 1920s produced the under-consumption that led to the Great Depression. Wages during that time did not keep up with labor productivity, so Americans' ability to produce goods exceeded their ability to purchase them.<sup>34</sup>

### ***Instability and Growth: Birth Pains of a Consumer Economy***

**John Maynard Keynes** first propounded the idea that it was under-investment first and foremost that triggered the depression. Private businesses had invested at extraordinarily high levels through most of the 1920s—an average of 16 percent of the Gross National Product was spent by businesses on the means of production. Investment rates had peaked in 1926, and the decline in residential construction, in particular, meant an overall decline in investment. From 1929 to 1933, net private investment levels—by which we mean the share

of private investment in the overall Gross National Product after deducting replacement of wear and tear and accounting for changes in inventory—were actually negative. In fact, the virtual absence of business demands for new machinery and tools, and the resulting shrinkage of productive capacity, explains most of the drop in the overall demand for goods between 1929 and 1933.<sup>35</sup>

An important reason for the fall in investment levels was the drop in residential construction in the second half of the 1920s. Population growth was slowing down as young people in the new urban America married later and had fewer children. After the enactment of immigration restrictions in 1924, far fewer immigrants arrived. Immigrants had played a big role in the high demand for housing, household goods, and furnishings in the past. An entire school of so-called stagnation theorists have argued that the characteristics that seemed to give America its particular economic vibrancy had dissipated by 1929. Not only had population growth slowed, but the United States no longer added new acreage in western territories to its productive capacities and had been limited in its international export business by protective tariffs.

Stagnation theory suggests fundamental barriers to economic growth. Economic historian Michael Bernstein has offered an alternative thesis, rooted in his examination of the uneven fate of manufacturing industries in the 1930s. He argues that one reason for the length and depth of the Great Depression was the fact that the U.S. economy was entering a new era. The five biggest industries in America prior to World War I were machinery, lumber, printing, iron and steel, and malt liquors. By 1960, the five biggest industries were machinery, motor vehicles, steel, aircraft, and basic chemicals. According to the **Bernstein thesis**, the creation of new products, techniques, and employment opportunities necessary for cyclical economic recovery were not impossible but lengthy because they ushered in a different economy.<sup>36</sup>

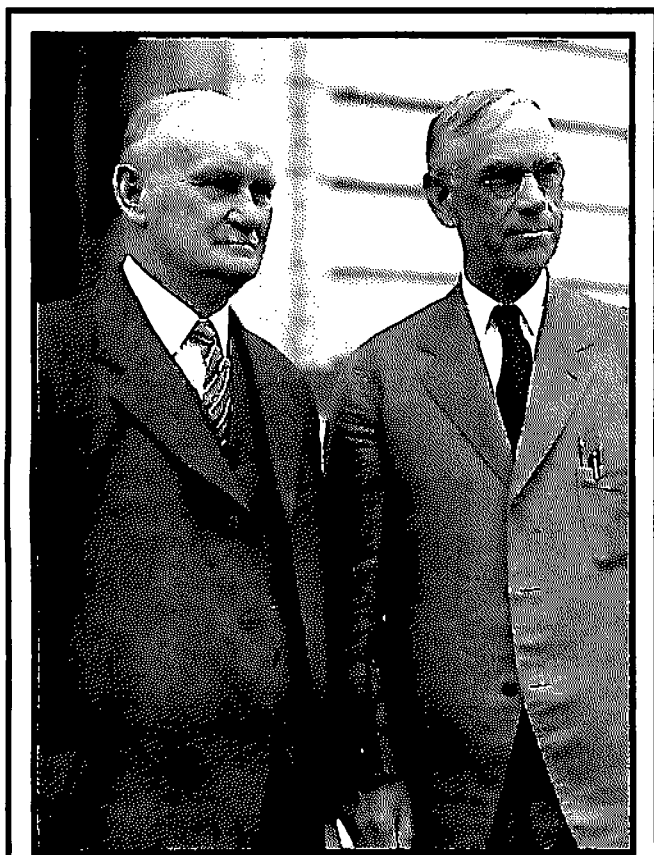
### ***Nationalist Trade Policies***

Most scholars today agree that the United States led the world into the Great Depression. Within the first year, American industrial output declined further than the industrial output of Germany, Great Britain, France, or Japan. Although peak unemployment in other countries far exceeded that in the U.S., averaged across the decade the unemployment rate in the U.S. was the highest among all industrialized nations. The United States' economic contraction was the result of its own national economy, but foreign trade policies and a nationalist monetary policy that secured domestic economic advantages at the expense of international stability further exacerbated an already bad situation.

America had exported more than it imported throughout the 1920s, and this trade surplus reached its peak in 1928 with a total export value of \$5 billion

compared to imported goods in the amount of \$4 billion. By 1929, European demand for American goods began to weaken because of international payment difficulties. When returns on Wall Street became more attractive than the dividends one could earn from foreign investment, the well that had lubricated the international trade between Europe and the United States dried up.

Another force shaping foreign trade relations was a revival of nationalist trade policies. American farmers, who were suffering from foreign competition, lobbied for tariffs on imports, and a larger segment of American industries followed suit. This artificially raised prices for foreign goods, rendering them less competitive. By the time the comprehensive **Smoot-Hawley Tariff** had moved through the House and Senate, the world was deep in depression. If nationalist trade and monetary politics did not cause the economic crisis, they certainly aggravated it.



Willis C. Hawley (left) and Reed Smoot in April 1929, shortly before the Smoot-Hawley Tariff Act passed the House of Representatives. The act raised tariffs on numerous imported goods and is blamed by many for worsening the Great Depression.

## DIMENSIONS OF ECONOMIC DECLINE

### GLOBAL DECLINE: THE DEPRESSION WORLDWIDE

Although there is little doubt that the global economic crisis had its roots in the United States, it started in most countries at around the same time. In many other parts of the world, the first year of the depression looked like a normal bad year. By 1931, however, it was clear that this economic crisis was going to be more severe than those of the past. For the largest players in the world economy—the United States and Great Britain—the incentives for foreign cooperation were small. France and Germany were in strongest need of an internationally orchestrated response to the crisis, but since agreement on the issue of tariffs was difficult, an agreement on even broader more far-reaching issues—something the industrial nations attempted at the 1933 London conference—was not possible at all.

#### *Rising Barriers to Trade: The Smoot-Hawley Tariff*

Although the tariff of 1930 was meant to protect American industries from foreign competition, Americans themselves were divided on the merits of this new law. There were vigorous protests against the bill. The leading economic thinkers of the time, along with almost a thousand signatories sent a petition to President Hoover strongly recommending a veto of the Smoot-Hawley tariff. Reducing imports of foreign goods meant that other countries would not be able to earn the money they needed to buy American goods in return. In other words, curbing one side of international trade would mean curbing international trade overall. There also was the risk that other countries would raise tariff barriers against American imports out of anger over the trade restrictions they faced in American ports. The Smoot-Hawley Tariff turned out to be America's last high "protective" tariff. It is not clear how much the Smoot-Hawley tariff damaged the American economy, since exports made up only about 6 percent of gross national product, and the goods subject to tariff made up a large minority of imports. The bill did, however, signal economic pessimism to the world and affected the economies of other countries significantly.

#### *Poverty and Instability in Europe*

European countries first witnessed a slowing down in the trade of farm goods and coal, a slowdown that later extended to other products. At the root of the European experience of the Great Depression, however, were the fragile financial arrangements set up after World War I. For one, the restoration of the British Pound Sterling to its prewar role as the main international currency of the gold standard no longer made much sense when the British economy had surrendered its role as global leader to the United States. Second, the shift of American credit from foreign investment to the stock market had already weakened the European economy. Europeans had relied on American capital

transfers since 1924, when the Dawes Plan secured American loans for German economic recovery and its reparations payments to Britain and France – money that in turn allowed these former allies to pay off their debts to the United States.

The financial panic prompted a hasty withdrawal of American funds from Germany, weakening Germany's banks. Finally, the Smoot-Hawley tariff spelled ruin for many Eastern European farm economies, which had been financed by banks such as the Vienna Kreditanstalt. The collapse of that bank in May 1931 triggered doubts about the stability of closely related German banks and currency, and foreign holders of large quantities of German Marks sold them for gold, U.S. dollars, or Pounds Sterling. Hoover's moratorium on Germany's World War I reparations payments could not block this trend. It did, however, strengthen the resolve of Germany's ultra-right national-socialists to stir up resentments over the Treaty of Versailles that had ended World War I.



An unemployed man in Germany wears a sign reading "Diligent young man seeks work."

In Great Britain, the impact of the depression was less severe than in the United States, and varied regionally. The south and east remained relatively prosperous, while the north and west of the country suffered a devastating industrial decline. When speculators searched for safety during the financial turmoil of the summer of 1931 in the Pound Sterling and exchanged that currency for as much gold as possible, it drained Great Britain's gold reserves, and the British government had little choice but to leave the gold standard. The dream of an international banking system based on gold had died for good.

The international financial crisis meant real economic change. In 1932, 25 percent of British workers were jobless. In Germany, there were over 6 million without work, which meant an unemployment rate of 40 percent. The paradox of unemployed hungry people in countries with unprecedented productive capacity was baffling. Men stood in bread lines, while farmers could not afford to sell their grain because of the abysmally low prices. Women and children lived in poverty, while store owners despaired over overflowing inventories of goods that no one could afford even at slashed prices. The perplexing nature of this vast economic failure proved fertile ground for radical politics and opened the door for communist movements in Europe, as well as fascist regimes in Italy, Germany, and Spain.

#### ***Suffering Commodity Producers in Latin America and Asia***

By the 1920s, the fate of national economies in Latin America had been hitched to the economic powerhouse of the United States. Throughout the region, U.S. foreign policy had promoted close cooperation between ruling regimes and American businessmen and investors. This led to the expansion of the region's major agricultural industries, such as coffee, fruits, beef, rubber, and cotton, as well as extractive industries such as lumber and copper-mining. These exporting industries had produced a growing class of landless laborers and low-wage industrial workers, but also produced an internationally oriented middle class and elite heavily dependent on international trade.

When the economic crisis hit, U.S. demand for agricultural products and other raw materials dried up, causing prices for virtually all commodities to plummet. Meanwhile, the Smoot-Hawley tariff restrictions hit farmers in the Western hemisphere particularly hard. With their economic and political clout in the U.S. limited, producers of Cuban sugar and Argentine beef suffered disproportionately. Finally, the implosion of the U.S. stock market and the ensuing financial crisis also weakened Latin America's banks and currencies. In Latin America as in Europe, economic insecurity produced political instability, expelling some authoritarian leaders while bringing others to power, feeding populist revolutionary movements, but also fostering fascism. This was the case in Brazil where a discon-

tented middle class supported a military coup to install pro-industrial nationalist Getulio D. Vargas to the presidency. Vargas built a regime modeled after the fascist government of Italy's Benito Mussolini and its concept of nationalist state capitalism.

While falling commodity prices laid plantations fallow and left farm workers without cash, many subsistence farmers in the developing nations of Latin America and Asia were not as dependent on a cash-driven market economy. They often maintained alternative forms of production on the side, such as the raising of chickens, vegetables, and grains on home garden plots or on squatted land. Others fell back on a cashless local bartering economy that offered few modern comforts, but nonetheless helped people survive.

### **The Soviet Union: Immune from Crisis**

The Great Depression was a crisis of the worldwide market economy. It hit hardest at the prosperous center of this market—the United States—and had the least impact on those on the fringes of this global network of finance, labor, and goods. A good illustration of this principle is the history of the Soviet Union during the Great Depression. Shunned by the U.S. and most of Europe since the Russian Revolution of 1917, the Soviet economy had almost no ties to international markets. This produced incredible hardships for the people of the Soviet Union and made industrial development more difficult, but it also made the country immune to the shockwaves of the market. While capitalist economies everywhere ground to a halt in the 1930s, the Soviet Union engaged in forced and rapid industrialization. Industrial production in the Soviet Union more than tripled, while unemployment was virtually

nonexistent. Although these results depended in part on mass repression by the Stalinist regime, they nevertheless impressed many outside observers, adding to the allure of communism in the U.S. and elsewhere.

### **Japan: Desperation and the Search for National Autarky**

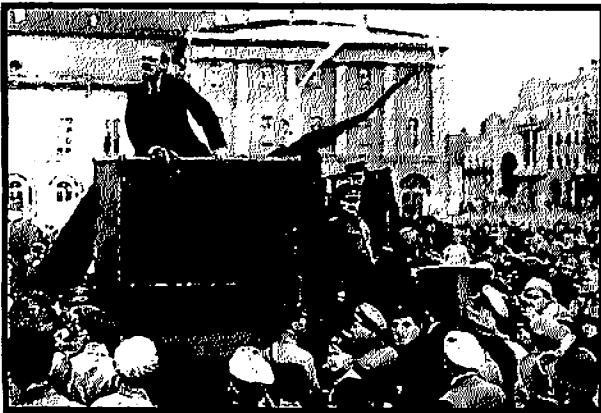
While the Soviet Union remained largely immune to the economic crisis, developing nations that heavily relied on exports suffered more disproportionately. Japan was a newly industrializing country that relied heavily on the export of silk to finance the import of the fuels and raw materials needed for further industrialization. Technological advances and the production of artificial silk by the American chemical industry had already endangered the Japanese export trade. The contraction between 1929 and 1931 made peaceful industrial expansion seem unlikely and fueled Japan's militarization and aggression against China. Japanese politicians were convinced that the white imperialist Western powers had forced an inferior political and economic status on Japan. They believed that the acquisition of agricultural lands beyond Japanese borders would produce **national autarky** and provide protection from foreign capitalists. (The German national-socialist movement later blended this nationalist economic ideology with its anti-Semitic hatred in the concept of *Lebensraum*, an ideologically charged reference to "living space" that implied the elimination of native populations and the settlement of a supposedly growing German population.) Japanese civilians thus cheered the military occupation of *Manchuria* in 1931, which was Japan's first step out of the **League of Nations** and toward the invasion of remaining China in 1937. Thus, on the Asian continent, economic crisis quickly opened the first chapter of World War II.

### **URBAN POVERTY**

The effect of economic disruption was omnipresent, from east to west, north to south, in cities, and in rural regions. In Pennsylvania for example, miners not only lost their jobs, but also found themselves evicted from the company towns where they had lived. Crowded into one-room shacks with two or three other families, they sometimes lived on dandelions and weeds and many became ill. But the shock of changing fortunes was particularly pronounced in the industrial cities. These had attracted immigrants and migrants from the country with promises of wage work, modern amenities such as electric light and warm water, leisure activities, and new consumer goods.

### **Hardship in the City**

America's Northeastern cities were the center of the country's industrial production and thus were most severely affected by the rise in unemployment. While exact figures are hard to come by, there is little doubt that urban African Americans and other racial minorities in cities suffered even more severely during the



Lenin speaking at a meeting in Sverdlov Square in Moscow on May 5, 1920. With a command economy, the Soviet Union was largely able to avoid the impact of the Great Depression.

depression than did the population as a whole. By early 1931, the jobless rate among urban blacks was at least 50 percent higher than among their white counterparts. Black women were two and a half times as likely to be unemployed as white women. African Americans were the first to be let go, in part because of deeply ingrained racial discrimination and in part because they were often employed in the service sector, which was hit particularly hard. Household domestics and restaurant and hotel workers were as easily fired as hired.

Economic decline also made it difficult for those in the urban middle class to move to the suburbs, as they had done in the preceding decade. The construction of residential properties declined by 95 percent between 1928 and 1933, and 250,000 households lost their homes to foreclosure in 1932—four times the number of an average year in the 1920s. By the time of Franklin D. Roosevelt's inauguration, half of all American home mortgages were in default, and the rate of foreclosures had increased to a thousand per day. For many home-owning middle-class families, this was a new encounter with poverty.<sup>37</sup>

Without the means to pay rent or mortgages, families lost their homes. Homeless men and families migrated to the edge of cities where they constructed crude shelters from packing crates and metal scraps. Larger urban centers saw entire neighborhoods of such "Hoovervilles." These slums were the most obvious signs of urban poverty, but a walk through an American city in 1932 would have offered any visitor a number of clues that the nation was in crisis. Main Streets, once the busy shopping centers of urban America, were

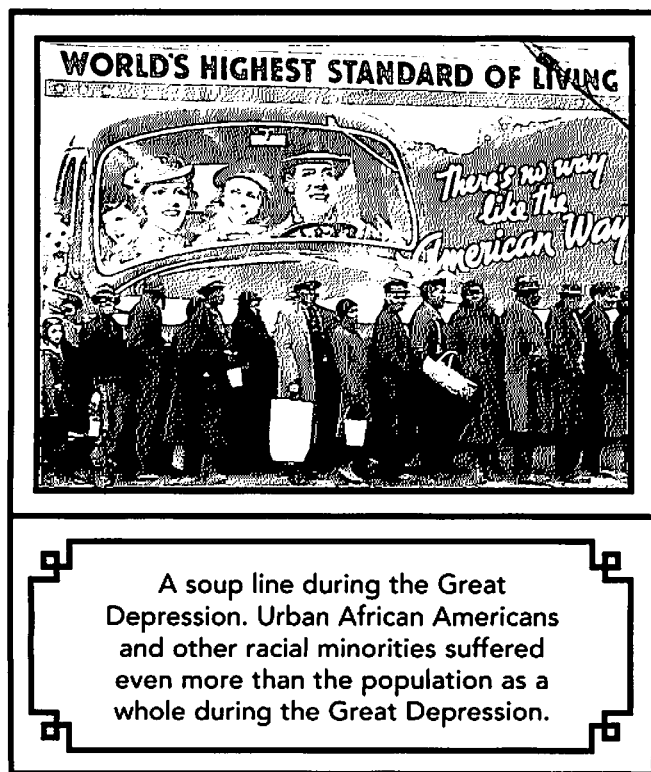
now riddled with abandoned, untenanted storefronts with "For Lease" signs in dusty windows. The air was cleaner, as fewer factory chimneys pushed their smog into the air. In poor districts, bread lines snaked around city blocks. Streets were not as jammed up with the traffic of trucks and delivery vans. Instead, beggars and panhandlers crowded the sidewalks. In doorways and on park benches, homeless people made their beds. Those who could no longer stand life on the streets hit the road: a huge army of drifters passed through cities in the South and Midwest that had previously seen a busy traffic in goods. By 1933, an estimated 1 million Americans were transients. 45,000 of them passed through the city of El Paso within just six months. About 1500 of them passed through Kansas City every day.<sup>38</sup>

### **The Limits of Local Government and Charity**

The depression dislocated not just businesses, but also churches, museums, schools and colleges, sports organizations, theaters, and charities. Memberships declined and donations shriveled, even as the need for services and support jumped. What little welfare services existed prior to the New Deal came almost exclusively from state and municipal governments. But as the crisis worsened, cities had very limited resources to address their citizens' plight. New York gave its unemployed families \$2.39 a week. In the South, city halls and community leaders remained committed to balanced budgets and spent little on relief. Dallas and Houston refused any help to Mexican-American or African-American families. New Orleans refused new applicants. To receive bank loans, cities had to agree to cut relief roles and further reduce unemployment benefits. In Detroit, thousands of auto workers were unemployed, but since the auto plants of Ford and Chrysler were beyond the city line, Detroit could not tax the companies to finance unemployment benefits. In the end, Detroit had to drop more than one-third of its families off relief. St. Louis simply cut half of its families from the rolls, and more than a hundred cities had no relief appropriations at all for 1932.<sup>39</sup> Local governments from east to west added to the crisis by firing public employees and postponing construction plans.

### **Ethnic Communities Besieged**

Poles, Italians, and Czechs, who provided most of the unskilled industrial labor in cities like Chicago and Detroit, were shunned by unions, which struggled to hold on to their existing membership. Because members of these immigrant communities had had poor experiences with government services in the past, they were less likely to approach city or county officials for public welfare. In the past, they had relied on their own community organizations to help them weather seasonal unemployment and to provide the amenities that made life in big cities like Chicago feel more like home. Ethnic banks funded small business ventures, and ethnic building and loan associations offered immigrants



A soup line during the Great Depression. Urban African Americans and other racial minorities suffered even more than the population as a whole during the Great Depression.

opportunities for homeownership. Similarly, ethnic neighborhood stores permitted Italians or Germans to maintain consumer habits from the old country. Mutual benefit societies offered social insurance policies that provided income assistance in case of sickness or death and paid for funerals. They also offered opportunities for sociability and daily companionship at picnics, on feast days, and at dances. These benefit societies offered immigrants and their children an important social network to fall back on in hard times. At the same time, they maintained common ethnic identities and a sense of home and belonging for immigrants.

When the depression put thousands of immigrants out of work, they did what they had done in the past: they called on their local churches and charitable associations for money, jobs, food, and clothing. These private charities, however, had seen their financial resources dwindle as a result of bank failures and declining contributions. With the number of destitute so large, they could not meet the demand. Rather than asking for state-administered welfare, immigrant communities and organizations hoped for state and county funds that would help them maintain their close-knit ethnic networks. Such public subsidies failed to keep private charities afloat, and the new importance of

labor unions and federal government assistance in the New Deal would forever change these community institutions and alter the role of ethnic working-class Americans in politics, economy, and society.<sup>40</sup>

### **Survival Strategies in the City**

Middle-class families faced a different set of challenges. More often, those with white-collar employment had recourse to other assets and had built their own economic bulwarks against the calamity of joblessness.<sup>41</sup> Most first exhausted all their savings and credit, and then turned to relatives, neighbors, and their churches. But the economic crisis was so pervasive that many of these familiar paths to economic assistance and self-help did not reach far enough. Even families' willingness to sell off real estate did not always offer a solution since there were hardly any buyers. Stories circulated of wealthy families sitting hungry in large mansions.

Many city-dwellers discovered that there was strength in numbers. Consider the crowd of African-American neighbors in Chicago who packed themselves so tightly around the entrance of a tenement house that the landlord's agents were unable to evict a family that was late on its rent payments. Another example of newfound solidarity were rent parties in Harlem, where tenants invited musicians to play at their home, asked guests for voluntary contributions, and split the revenue with the band to use their share to pay for rent.

Other coping strategies involved the use of the land outside city boundaries. In Minneapolis, for example, the Organized Unemployed Inc. (1932) set up a headquarters in an old girls high school and organized the jobless of the city to make clothing, build shelters, and harvest, process, and can produce, which they then sold and distributed in stores and cafeterias.<sup>42</sup> Home gardens emerged in vacant lots and backyards. Private corporations, like U.S. Steel and the Pennsylvania Railroad, and the city of Detroit offered land to the unemployed for cultivation. Other city-dwellers moved to the countryside for good, often moving in with grandparents and other family members. Over the course of the 1930s, the populations of several large cities that had been growing steadily since the late nineteenth century actually declined.

### **LAND AND THE CRISIS IN THE WEST**

The decline in international trade particularly hurt farmers and agro-businesses. Farm prices, which were already low, dropped 55 percent between 1929 and 1932, further increasing the burden of fixed debt. As farm foreclosures became increasingly commonplace, farm families in the country's interior increasingly headed west to California.

### **Surging Bankruptcies**

Westward migration to California out of the southwestern states of Oklahoma, Texas, Arkansas, and



This iconic photo ("White Angel Breadline") by Dorothea Lange shows a man waiting in a soup line in San Francisco during the Great Depression.

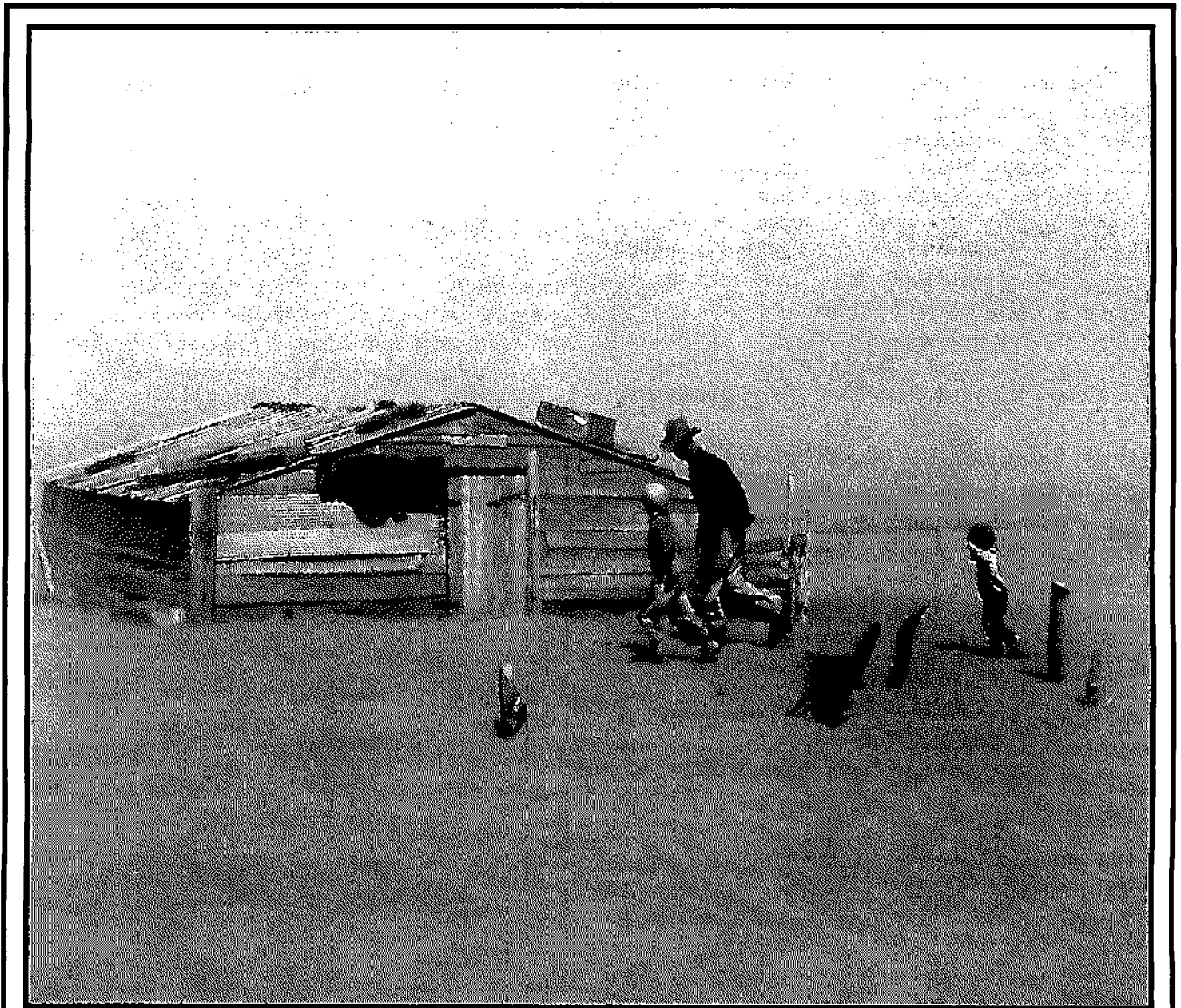
Missouri had been going on since the 1910s. Prior to 1930, the number of farmers and agricultural workers in this region had declined by 341,000. Most of those who moved West in the early decades responded as much to the hardship of farming in the southern plains as to the appeal of life in California. After 1930, however, economic failure at home was the primary factor driving the migration of an additional 300,000 to 400,000 southwesterners.<sup>43</sup>

After 1929 the business depression hit the regional economy, adding to the toll already taken on the agricultural sector. Oil, transportation, and construction all declined. Meanwhile, the banking panic and improved technologies put additional pressure on the poorest

farmers and sharecroppers, those tenants who paid the rent for their land with a share of their crop. The first wave of bank failures was particularly devastating to the southwestern region. Between 1931 and 1933, 10 percent of the farms in Oklahoma changed hands in bankruptcy sales in part because of powerful competition from large-scale commercialized farmers who used gasoline engine tractors rather than draft animals.

#### ***Dust Storms: The Erosion of Soil and Livelihoods***

As if all this was not bad enough, a severe decade-long drought further eroded economic prospects for farmers across the plains states. Semi-arid conditions in Oklahoma, northern Texas, New Mexico, Eastern Colorado, Arkansas, and Kansas had always meant a



A farmer and his sons walk during a dust storm in Cimarron County, Oklahoma, in 1936.

certain risk of drought. The 1930s, however, witnessed the worst drought in U.S. history. This was not just the result of limited rainfall. To reap the profits brought by rising wheat prices during World War I, farmers had tilled the soil of even the most marginal cropland and had severely interfered with the ecological balance of the plains. The winds that followed several dry months could easily pick up the loose soil. The dust was so fine that it seeped through shut windows and settled around the heads of sleeping residents and on their cups and plates in locked cupboards. Dirt billowed in huge clouds so dark that they caused streetlights to switch on. In May 1933, dust clouds became so large they could be seen all the way on the East Coast in New York and Washington, D.C. At the center of the storm, Oklahoma farms turned into dunes of shifting sand.

The main area of serious soil erosion became known as the **Dust Bowl**, an area that included the Texas and Oklahoma panhandles, southeastern Colorado, southwestern Kansas, and northeastern New Mexico. But the drought affected a much larger region stretching from the Rio Grande to North Dakota. Farmers who were already struggling with their mortgages heard that California growers were looking for fruit and vegetable pickers at attractive hourly rates. They took to the road—particularly to Route 66—and headed west to California. Farmers weren't the only ones who moved west. White-collar workers, professionals, and business owners made up about 15 percent of the travelers on Route 66.

### **No Great Exception: The Depression in California**

Despite the depression hitting California as hard as any other state, California enjoyed a higher per capita income than most states, roughly 40 percent above the national average. During the worst years of the depression, between 1930 and 1934, per capita income in California averaged \$635 a year, down dramatically from the 1920s, but much higher than Texas, for example, where the average was \$298.44

Agriculture in California looked decidedly different from agriculture in the plains states. In California, the introduction of factory methods of farm production had worked out handsomely for absentee owners—banks and corporations in control of huge farms. Employing massive irrigation systems, “growers” raised specialty crops like citrus, grapes, nuts, and lettuce. Prior to the Great Depression, California growers had relied on migratory labor from abroad: Families from Japan, India, the Philippines, and more recently Mexico picked cotton, peas, or fruit for minimal wages and lived in camps with temporary shelters and with limited access to clean water or proper sanitation. Homeless, transient, and unwanted except during the harvest, migrant workers lived a life apart from the rest of California. As the economy worsened, racial animosity toward foreign workers increased. Local relief agencies refused them

assistance, and work became scarce. These factors—plus local, state, and federal deportation campaigns aimed at Mexican migrant workers and their American-born children—prompted about a third of the Mexican-American population to return to Mexico.

Migrants from Oklahoma, Texas, Arkansas, and Missouri (often known collectively as “Okies”) took their places. While the state of California sought to discourage migration inside its borders, tourism interests and the film industry created an appeal that many found impossible to resist.<sup>45</sup> The so-called “Okies” were devastated to find that they too faced open hostility from “native” Californians despite the fact that they were white and Protestant. Celebrated in John Steinbeck's *The Grapes of Wrath*, the much derided “Okies” nonetheless made their place in rural California culture and established southern religious and musical traditions, especially in agricultural cities like Bakersfield and Stockton. Unlike the Joads, however, most migrants to California moved to places where they had friends or relatives.<sup>46</sup>

In California's coastal regions, the Great Depression struck just as powerfully, and the economy of greater Los Angeles crashed as hard, if not harder, than any in the West. Southern California led the nation in bankruptcies, and half of the state's almost 350,000 unemployed lived in Los Angeles. Since Los Angeles was home to a particularly large commercial and service economy, white-collar employees suffered more



Many migrants, like this mother and her child, left their homes during the Great Depression to travel West in search of a better life.

severely there than elsewhere. In addition to the large number of local unemployed came many migrants who arrived daily by train. In fact, native Californians began to feel so overwhelmed by the migration of poor farming families and young single men that the Los Angeles police department felt justified in sending 125 policemen to patrol the state's major border crossings, including the one with Oregon eight hundred miles north of the city.<sup>47</sup>

### THE DEPRESSION IN THE SOUTH

Despite steady black migration to northern cities since the years immediately preceding World War I, 75 percent of African Americans still lived in the South during the 1930s. More than sixty years after the end of the Civil War, the so-called Jim Crow South continued to hold onto the principles of white supremacy and a plantation economy. There had, however, been some changes, too. Heavy industry—railroads, steel, and coal—had made their place in states like Alabama and Tennessee, and several cities were growing as com-

mercial hubs and manufacturing centers, particularly in the textile industry. The urban South began to feel the effects of the Great Depression as early as February 1928, when the Birmingham Trade Council reported an unemployment rate of 18 percent. In Alabama's Jefferson County, relief roles had more than doubled between 1926 and 1928. African-American workers had already suffered steady economic decline since the postwar recession of 1921–22, but the share of white workers on relief roles also doubled between 1926 and 1930. When unemployment spread among urban wage workers, southern cities and counties cut their relief spending, concerned that such aid might enable black sharecroppers and field hands to abandon the cotton fields and leave white landowners without a labor force.

### *Sharecroppers and the Crisis of Land and Capital*

Legal slavery was a thing of the past, but strict racial segregation, extra-legal violence against African Americans in the form of lynch mobs and a powerful



A family of sharecroppers works in a cotton field in Georgia.

Ku Klux Klan, and local laws that stripped voting rights from black citizens were not. Approximately 80 percent of African-American farmers worked as tenants, sharecroppers, or farmhands and rarely earned more than 25 percent of an average factory worker's wage. Their economic fate often depended on wealthy white landowners who charged them excessive prices in stores they owned, and charged them not just for land, but for draft animals, seed, feed, and fertilizer. Sharecroppers were paid with a fraction of the crops they raised, which was most often cotton—although some raised tobacco, corn, or other crops. This system not only kept most tenants in debt, but also perpetuated intolerable living conditions in simple two-room shacks without water or sanitation. Poor diets caused nutritional deficiency diseases such as pellagra and rickets.

As was the case with farmers in the Southwest, falling prices and overproduction had made southern agriculture a stagnant and declining economic sector. The crash of 1929 stripped much of the cash from the southern rural economy. Landowners once again enforced a cashless exchange system with their tenants, which robbed them of the ability to "take their money" elsewhere as they tried to shop for better deals in food, housing, or supplies. By 1931, the tenancy system seemed on the verge of collapse. As opportunities in the cities dwindled and news from the North discouraged migration, southern sharecroppers increasingly turned to local resistance and found a partner in the U.S. Communist Party. For them, the plight of the South was one of racial apartheid, unmitigated agricultural capitalism, and the virtual absence of a government invested in the working people's welfare.<sup>48</sup>

### ***Sold Down the River Again: The Mississippi Flood of 1927***

One of the many instances that illustrated to African-American southerners the need for a national government capable of offering quick and just relief was the **Mississippi Flood of 1927**, a disaster no less severe than the dust storms that would follow a few years later. The flood started with heavy rainfall upstream in the summer of 1926, which by January 1927 filled up northern tributaries to "the big muddy." The Mississippi River surged over the levees in dozens of places, flooding thousands of square miles up to thirty feet deep and killing over 240 people. As the river moved south, it began to threaten the city of New Orleans. On April 21, the levee collapsed twelve miles north of the town of Greenville, Mississippi, turning the region into an inland sea. On the remaining levee, 13,000 mostly black Greenville residents were left stranded without water, sanitation, or shelter. Planters in the region opposed rescue plans, fearing that refugees would leave the despairing conditions in the South for good. While thirty-three white women and children were rescued from the tiny island, the local white relief committee forced the black refugees into labor gangs to distribute

aid to local whites. National guardsmen were called in to patrol the refugee camps, and charges that they were robbing, assaulting, raping, and even murdering African Americans held on the levee abounded.

As word of the horrid conditions in the refugee camps of Greenville reached the national press, secretary of commerce and future president Herbert Hoover, who was in charge of flood relief, ordered an investigation of the alleged abuse. Investigators confirmed the allegations, but Hoover—with his eye on the 1928 presidential election—convinced African-American leaders in the region to help him suppress the findings in return for future land reform and civil rights improvements in the South. Once in office, however, Hoover abandoned his promise, turning large parts of the southern African-American community against him. Disillusioned with their Republican president and with life in the Mississippi Delta, African Americans in the region began to head north in droves. Many would soon cast their first democratic vote, switching their allegiance from the party of Lincoln to the party of Franklin Delano Roosevelt.<sup>49</sup>

### ***Depression Poverty, Jim Crow Punishment: The Scottsboro Boys***

Unhappy with their prospects in the Jim Crow South, young African-Americans across the South started to move. In March 1931, nine black youths between the ages of twelve and nineteen boarded a freight train from Chattanooga to Memphis in search of work. There, they met white youths, including two white young women. A fight ensued between the white and black hobos while the train was passing through



The Scottsboro boys with their attorney and two national guardsmen assigned for their protection.

Alabama, and the African Americans forced all but one of the white boys off the train. Upon hearing of the incident, the local sheriff deputized a posse of several dozen white men to arrest the African-American teenagers. The two white women then claimed they had been raped by the black youths. In a hastily arranged trial in the town of Scottsboro, Alabama, eight of the nine were quickly convicted and sentenced to death by an all white jury, despite weak evidence and many indications that the girls had made up the accusations. The case of the nine **Scottsboro boys** became an international sensation. The case became a rallying cause for the American Communist Party, which had been one of the few organizations committed to the fight against white supremacy in the South and was the first group to come to the aid of the Scottsboro Boys. Eventually the **National Association for the Advancement of Colored People (NAACP)**, the most respected civil rights organization in America, also joined the defense. It took several retrials and appeals over the course of six years to get sentences overturned or reduced. The last defendant was released from prison in 1950.<sup>50</sup>

### **BESIEGED: FAMILY LIFE AND MARRIAGE IN THE DEPRESSION**

Studies have shown that the Great Depression amplified the strengths as well as the weaknesses of families. If husband and wife, parents and children, had worked well together in the past, they were most likely to pull together even closer in this time of crisis and overcome new obstacles. On the other hand, families who had suffered under marital strains or strong generational conflicts saw an already bad situation get worse. Most families stuck together even then, but the stress of economic hardship became visible nonetheless. The legal costs of a divorce became unaffordable, and the divorce rate during the Great Depression declined, but young couples also tied the knot less often. The marriage rate fell almost 23 percent between 1929 and 1932. Couples postponed child-rearing until better days, and the birth rate in that same time period fell by 14 percent. Such a dramatic change was only possible because access to contraception had been on the rise throughout the 1920s. Still, many women found themselves in circumstances so dire that they opted for illegal abortions, often under unsafe and unsanitary conditions. This caused the deaths of 8,000 to 10,000 women each year.

### **Stress at Home: Changing Family Roles in Poverty and Uncertainty**

The experiences of men and women in the Great Depression were shaped in important ways by their gender roles, by which we mean the social expectations that govern male and female behavior. Boys learned from early childhood that the role of breadwinner was an essential part of being not just an adult but a man. While millions of men lost their jobs, women rarely lost their position as homemakers. In fact, their responsi-

ties generally increased, since it was often up to them to make up for the income loss of their husbands. They watched every penny, made do with smaller household budgets, grew garden vegetables, cooked more frugal recipes, and sewed their own clothes. Some also found work to make up for the money their husbands no longer brought to the family; the proportion of married women in the paid labor force grew by about 25 percent in the 1930s.<sup>51</sup> When women did work outside the home, their domestic responsibilities rarely changed. Men's unemployment and sense of idle uselessness thus often correlated with women's overwork. This often strengthened women's sense of self and importance, at the same time that men felt increasingly helpless. While many men adjusted to their wives' expanded responsibilities over time, others chose to leave behind their families and their sense of failure. Some left with hopes to begin a new life, others to return home with newly earned cash.

### **Trouble at Work: Gender Differences in Unemployment**

Women stood in unemployment lines and participated in strikes like men, but women workers felt the impact of the depression in different ways from men. Women of different races also had different experiences in the labor force. Wage work had been common for African-American women, both single and married, at least since the turn of the century. Most of their work had remained restricted to domestic service and



This photograph by Dorothea Lange shows a young migrant woman who worked as a pea picker in California.

agriculture, and the same was true for the Mexican-American women in the Southwest. Over the course of the Great Depression, these women often lost their jobs, which were frequently their families' sole source of income. The rate at which nonwhite married women participated in the labor force thus declined in the 1930s from 33 to 28 percent.

At the same time, many white married women joined the labor force to make up for lost family income. By 1940, twelve out of a hundred white married women worked for wages, compared to just eight out of a hundred in 1930. White women worked predominantly in clerical, sales, service, and trade occupations. These fields suffered less from the economic contraction than did heavy industry, which employed almost entirely men. Many white women also willingly sought out jobs in domestic service, which had previously been the domain of nonwhite women. Many employers would promptly fire their existing help in favor of a new white applicant.

At work, both white and nonwhite women often encountered public disapproval. According to a Gallup Poll in 1936, 82 percent of respondents agreed that wives should not work if the husband had a job, and many thought that any employment of married women blocked opportunities for male breadwinners.<sup>52</sup> Moreover, some Americans held onto the notion that women's income was an "extra"—pin money they called it—that their households could do without. The reality, however, was that women generally worked out of necessity. In some cases, their husbands did not earn enough, had gotten laid off, or had deserted the family. In other cases, working women were widowed or divorced. Women did not take jobs away from men, since workplaces were strongly segregated by gender, and most people had as hard a time imagining a woman coal miner as picturing a male nurse or secretary. Nevertheless, public disapproval often led to open discrimination. Women generally faced low pay, poor working conditions, and limited opportunities for advancement.

### **HELD BACK: YOUTH IN THE DEPRESSION**

Urbanization and industrialization had changed American perspectives on youth and childhood and transformed the actual experiences of young people. First the streets, then the schools, and finally amusement sites and sport arenas brought masses of youth together, allowing them to form a youth culture and making them visible as a separate demographic group. Urban youth were less important economically to their families than their peers in the countryside, and their growth from child to adult was marked less by work than by the dangers and lures of the city. The concept of adolescence was the immediate by-product of an urban consumer culture. It is thus no wonder that the Great Depression raised fears about the welfare

of youth, the dangers poverty posed to them, and the danger they posed to society as vagrants and delinquents.<sup>53</sup>

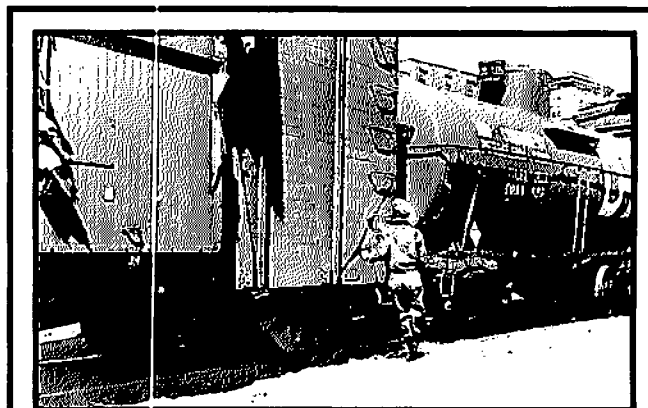
### **Growing Up Fast: Youth Poverty and Vagrancy**

Unemployment and poverty affected the young generation in particular. As the childhood memories of people born in the late 1920s and early 1930s tell us today, small children rarely experienced hard times with a sense of deprivation and sacrifice. Nonetheless, malnutrition, disease, and homelessness were common among the urban working class and in historically poor regions of the country such as the mining regions of Appalachia, on Native American reservations, and in the rural South and Far West. Even in New York City one in five children suffered from malnutrition. The Great Depression had an even more powerful affect on the nation's 21 million older children and adolescents. It meant they had to grow up fast and give up many youthful dreams of quick careers and success. Both children and adolescents continued to work as shoe shiners, as scavengers, and street traders, and in odd jobs for neighbors and business owners.<sup>54</sup>

During the 1930s, about 250,000 youngsters were sufficiently disillusioned by the realities at home and in their communities that they took to the road as hobos. Female vagabonds were called "sisters of the road." For kids who experienced life away from home together with other youth for the first time, this often involved a sense of adventure. But as they encountered hunger, cold, crime and violence, and apprehensive communities, their time as transients grew increasingly dire.

### **The Future Postponed: The Making of a Depression Generation**

Other young people decided to stay in school longer and to postpone their entry into the labor market. The rate of high school attendance among the



A teenage boy hops a freight train in Iowa during the Great Depression.

nation's youth rose from below 50 percent in 1932 to approximately 75 percent in 1940. College remained a privilege, however, and only about 7½ percent of eighteen- to twenty-four-year-olds attended college in that time period. College life was hard in the Great Depression. Most students worked after their studies, and the financial sacrifice of a poor student life required exceptional commitment and perseverance. Fewer students participated in the social life of fraternities or sororities, while more became involved in politics. Despite the extended time in school and college, the depression limited the prospects of most adolescents. Men who were in their twenties during the Great Depression on average had less successful careers than their predecessors or the generation that followed.<sup>55</sup>

Few parents were in a position to give their children opportunities better than the ones that they had when growing up. This was painful to both generations. It was probably for this reason that MGM was able to make a small fortune between 1936 and 1940 with a series of nine movies about the Hardy family starring Mickey Rooney as the teenage Andy Hardy. The Hardy family seemed to encounter little of the outside world's trouble with crime and poverty. Andy's father, a small-town judge, was always able to resolve the adolescent troubles of his son.

#### **CULTURE AND CRISIS: MOVIES, LITERATURE, AND RADIO**

Popular culture offered people a way to temporarily escape the trauma of the Great Depression, but Americans also looked for intellectual stimulation and a creative way to process their experience with economic uncertainty, injustice, and sacrifice. Young middle-class Americans who could not afford to form families changed the nation's approach to sex. Taking their cues from intellectuals, artists, and musicians, they took sexual liberation seriously. A survey by *Fortune* magazine in 1936 revealed that half of the men and one-quarter of the women in college had already engaged in premarital sex. It also found that university and college campuses had mostly abandoned their efforts to control students' sexual behavior.<sup>56</sup>

#### **The Death of Horatio Alger: Literature in the Depression**

American literature during the 1930s contained some references to this new attitude toward sexuality, but much of the decade's most gripping literary work dealt with the hardship of the times. No one produced a more devastating indictment of the cruelty of the depression and the capacity of regular people to weather its storms than John Steinbeck in *The Grapes of Wrath*. Although the book made him a pariah among California's agricultural elite and prompted book-burnings in his hometown of Salinas, Steinbeck's celebration of agrarian values and family solidarity struck a chord with many Americans. The southern writer William Faulkner offered a national audience an

honest but complex insight into the historical burdens and crippling cultural wounds that southerners carried as a result of their history of slavery and defeat. Some literature of the Great Depression challenged established American values of individualism and the benefits of hard work. Such writers often engaged readers by describing the many forces working against these American creeds, be they California grape growers, southern whites, or deceitful politicians. The rags-to-riches mythology, which late-nineteenth-century author **Horatio Alger** had packaged and sold to young boys in countless novels, made little sense in a world where riches had, indeed, turned into rags.

#### **A Dark Picture: Cinematic Views of the Depression and Mass Culture**

Over 30 percent of the nation's movie theaters had to close their doors between 1929 and 1933, but the movie industry itself boomed. About 60 percent of Americans regularly sought out this low-cost form of entertainment and went to the movies each week. In the early 1930s, the scandalous Mae West distracted many from their worries with her sexual innuendos. The public outcry against immorality and a campaign led by Protestant and Catholic churches pushed the movie industry to introduce a system of self-censorship that eliminated such racy films. Instead, moviemakers produced musical comedies with stars like Fred Astaire and Ginger Rogers who moved effortlessly through opulent sets.

Hollywood was not just churning out merry distractions from social reality, however. A good many of the five thousand movies produced during the decade criticized authority, commenting on political corruption and the dubious morality of the rich and powerful. The director Frank Capra, for example, captured the national sentiment in his movies *Mr. Deeds Goes to a Town* and *Mr. Smith goes to Washington*, in which decent, upstanding, common sense heroes from small-town America confront a conniving urban elite of corporate leaders, lobbyists, and politicians.

#### **A Breath of Fresh Air: The Radio in a Time of Crisis**

Radio had been the chief engine of a new commercial national culture in the 1920s, and it grew even more important to popular culture in the 1930s. Regardless of unemployment and lack of cash, American households expanded their ownership of radios from 13 million in 1930 to 27.5 million in 1940. Sitting in front of their radios, which were often as big as a piece of furniture, Americans became familiar with big band swing music and followed daytime dramas in which agonizingly slow plots allowed characters to ponder and negotiate many issues that listeners themselves faced every day. Paid for by corporate sponsors, radio entertainment was an important vehicle for the marketing of household goods. In the process, it created a national culture of entertainment. Millions of listeners from Maine to

California followed the adventures of Superman or Dick Tracy and laughed about the same jokes by Jack Benny and George Burns. Just as importantly, Americans began to listen to the news on the radio, and after the election of Franklin D. Roosevelt, countless Americans heard the president's voice address them directly.

### **CONFORMITY AND REBELLION: CRIME AND SOCIAL NORMS IN CRISIS**

#### ***Fables of Defiance: Public Enemies and the American People***

With rising levels of poverty and unemployment, many Americans feared a crime wave, assuming that it was poverty and idleness that caused young men to break the law. In reality, the Great Depression did not cause a major increase in crime, but it did heighten people's sense of insecurity and vulnerability. It was for this reason that Americans were both fascinated and horrified by news about a new generation of bank robbers.



Photograph of Clyde Barrow and Bonnie Parker, taken sometime between 1932 and 1934. The pair were involved in numerous crimes in Arkansas, including murder, robbery, and kidnapping.

Bank robbers like John Dillinger and stick-up artists such as Clyde Barrow were known as auto bandits since they stole cars, committed their crimes, and then escaped at high-speed on the nation's new highway system. Unlike the more urban and ethnically charged term "gangster," bandits were of southwestern and midwestern origin. Dillinger, Barrow and his partner Bonnie Parker, "Pretty Boy" Floyd, and Alvin Karpis reminded newspaper readers of old frontier outlaws who, although dangerous and violent, allegedly followed a moral code, targeted rich elites like the much-hated banks, and sympathized with the down-and-out. Unlike urban gangsters, they did not mingle with businessmen and politicians, but were tragic heroes who illustrated to the public a radical version of individual triumph over social injustice.<sup>57</sup>

#### ***The Exploits of Organized Crime***

There was, however, a far more serious crime problem than the auto bandits. The 18th amendment to the Constitution, which was ratified in 1919 and took effect in 1920, had prohibited the sale and distribution of liquor nationwide. This created a booming underground economy in alcohol smuggling. A legacy more of the 1920s than of the Great Depression, organized crime continued to boom between 1929 and 1933. The success of the Mafia in the nation's major metropolitan centers was not just evidence of criminal cunning, but also was a glaring indictment of the corruption and inefficiency of state and local police forces. Others identified the success of organized crime as a symptom of declining public morals and the demise of the respectable citizen, since a large number of Americans continued to consume alcohol in speakeasies and dance halls run by the gangster-bosses of the underworld. Instead of a principled opposition to crime, critics protested, the new culture of leisure and consumption condoned the likes of Al Capone, boss of a crime organization called the Chicago Outfit.

With the escalation of the financial crisis and growing news about the widespread financial fraud and manipulation on Wall Street and in the executive board rooms of respectable banks, moral outrage over mafia organizations became even less common. Prior to the New Deal, the gangster became respectable among middle-class consumers embittered with the political and economic elite. After all, as radio journalist Arthur Reeve pointed out, governments were "the greatest racket of all."<sup>58</sup>

#### ***Federal Intervention: The Birth of the F.B.I.***

For a brief moment in March 1932, another event pushed the grim news of the Great Depression from the front pages. The infant son of Charles Lindbergh, a national hero since his nonstop flight from New York to Paris in 1927, was kidnapped from his family's two-story home in New Jersey. Despite the payment of a ransom, the child was found dead six weeks later. The Lindbergh

kidnapping galvanized the nation throughout the spring of 1932, and again in 1934 and 1935 when the kidnaper was caught, arrested, and convicted. More than an isolated incident, it highlighted Americans' anxieties and sense of insecurity in troubling times.<sup>59</sup> The sense of economic vulnerability increased the overall feeling of insecurity, leaving Americans feeling exposed to predatory criminals.

The federal government had had a Bureau of Investigation in its Department of Justice since 1908, but the bureau's failure to suppress the illegal liquor trade and crack down on violent criminal organizations—and its limited success in curbing interstate bank robbers and kidnapers from World War I until the Lindbergh case—sparked the reform and professionalization of the modern federal police. With the support of Franklin D. Roosevelt, the Bureau was transformed from a disgraced unit of Red-baiters and blackmailers into the nation's leading professional, armed surveillance and crime-fighting force. By the mid-1930s, the agents of the bureau had begun to replace the much famed "bandits" of the first half of the decade as national

icons. Called **G-Men** (for Government Men), they rid America of the criminal heroes at the same time that the federal government under Roosevelt reclaimed its legitimacy as the source of social and economic order.<sup>60</sup> Hollywood star James Cagney played the leading role in the crime drama *Public Enemy* in 1931; in the 1935 movie *G-Men*, he switched sides. The sordid tale of greed and disillusionment had turned into a morality tale of law and order.

## THE FAILURE OF FREE MARKET CAPITALISM

### HOOVER: FALL OF THE SELF-MADE MAN

Few political leaders have been as vilified and ridiculed during their time in office as President Hoover. The term "Hooverville" for the new slums on the edges of towns and cities implicitly blamed the president for the Great Depression. Other similar words also entered the American vocabulary: "Hoover-blankets" were newspapers that people used to cover themselves when they



Charles Lindbergh testifies on the witness stand in 1935. The Lindbergh kidnapping shocked the nation and highlighted Americans' fears and insecurities during the 1930s.

slept in doorways and on park benches. Empty pockets pulled out of one's pants were called "Hoover flags." In recent years, historians have developed a more balanced view of the thirty-first president. In fact, Hoover's reputation has grown over time, and most scholars now agree that he carried little culpability for the economic collapse. While his political philosophy limited his ability to lead in this time of economic crisis, he also introduced a number of innovations during his years in the White House that helped set the tone for the New Deal. One of the most qualified men to ever have entered the White House, Hoover had the misfortune of entering office only seven months before the great crash and of being succeeded by one of the nation's most popular and dynamic leaders.

### ***The Best President at the Worst of Times***

If Americans in the 1920s could have chosen a leader to help them through an economic depression, they would most likely have chosen the engineer from Iowa. Born in 1874, Hoover became an orphan at age nine and without family support or parental guidance got himself through high school and to Stanford University, where he earned his degree in geology. Hoover went on to make a fortune as a mining engineer in Australia and in China. Along the way, he learned Mandarin and produced a standard textbook for mining engineers. In 1914, at the age of forty, Hoover retired and turned his talents to public service. During World War I, he solved the logistical problem of moving Americans out of the war zone, organized food relief for German-occupied Belgium, designed successful voluntary food conservation efforts as head of the U.S. food administration, and organized food distributions to millions in postwar Central Europe and even Russia. In 1919, his humanitarian efforts put him on the *New York Times* list of the ten most important living Americans.

### ***Hoover and the Republican Ascendancy***

Hoover had contemplated joining the Democratic Party and following in the footsteps of President Woodrow Wilson, who thought him an ideal successor. As Americans were disenchanted with the outcome of World War I, however, the prospects for the incumbent party were low, and so Hoover ran for president as a Republican. He lost the primaries, and despite his justified doubts about the qualifications of Warren G. Harding, Hoover supported Harding's candidacy. This earned him a cabinet position as Secretary of Commerce, a position that had been created only eight years earlier. Hoover effectively invented the role of the modern Secretary of Commerce during his time in the Harding and Coolidge administrations. He revolutionized relations between business and government, playing a central role in the effective regulation of radio broadcasting, aviation, and traffic. It was thus no wonder, that African-American leaders in the Mississippi Delta trusted Hoover to fulfill his promises as president

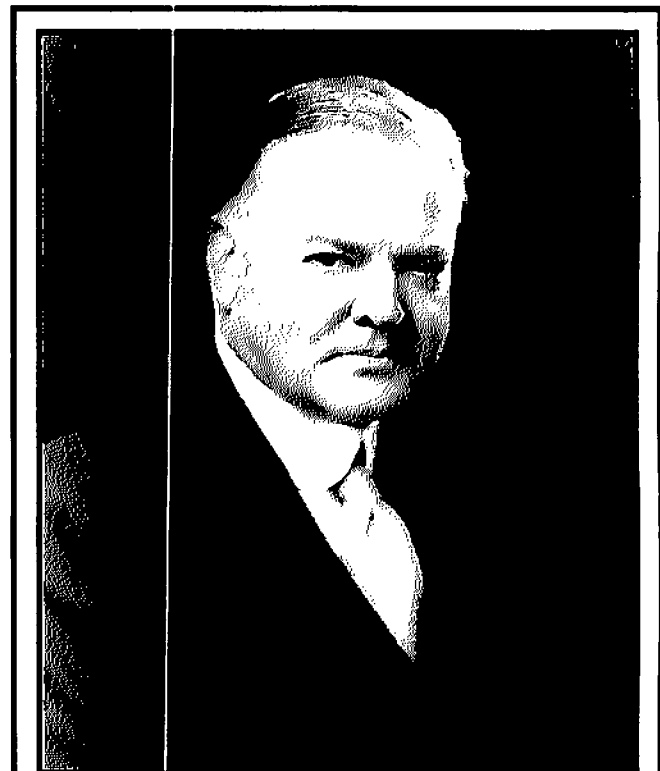
in the wake of the great Mississippi flood of 1927. Few would have doubted his capacity to master the most difficult economic crisis, and his solid record as a humanitarian might have led many to believe that Hoover would be the first president to put relief over principle.

### **HOOVER'S PROGRAM**

The crash of 1929 turned the lives of many Americans upside down, but few Americans probably saw their worldview shaken as much as President Hoover himself. Well into 1930, he insisted that the downturn was temporary, that the foundations of the economy were solid, and that the source of economic instability had everything to do with the European financial system of reparations payments and nothing to do with the American economy. It was for this reason that Hoover did not react forcefully until 1931. Although Hoover was a far more proactive president than any of his predecessors, his efforts proved to be too little, too late.

### ***The Fallacy of Self-Help and the Limitations of Voluntarism***

Drawing from his own biography, Hoover was convinced that individual self-reliance and voluntarism was the only correct approach to overcoming the crisis.



The 31st President of the United States, Herbert Hoover, held office from 1929 to 1933.

After the crash in October 1929, Hoover urged his cabinet members to act as if the panic had not occurred. He secured pledges from business leaders, governors, and mayors to keep up public spending and investment levels in return for the president's pledge to lower corporate and income taxes to stimulate consumer demand. Fearing declining consumer confidence, businesses reneged on the pledge and began lay-offs. Quickly, the remaining parties involved in the voluntary pact retrenched.

The **Federal Farm Board**, which Congress created under Hoover's guidance, tried to stem falling prices in agriculture by buying up surplus crops, but did not restrict production. The Board ended up owning several hundred million dollars worth of wheat, and prices continued to decline. In October 1931, Hoover created the National Credit Corporation (NCC) which recruited private bankers to use \$500 million for buying up the questionable assets of troubled banks, maintaining their liquidity, and reining in the bank panic. But the bankers at the NCC simply could not bring themselves to buy dubious assets and never made use of the corporation's capital; almost 2300 banks failed right in front of them. The President's Organization of Unemployment Relief tried to aid existing charities in their efforts, and Hoover tried to lead by example with generous donations. But he balked at more comprehensive federal aid, arguing that this would create a class of dependent citizens. He insisted that Americans were sufficiently protected from hunger and cold, but the rising hospital statistics of malnutrition-related deaths said otherwise.

### **The Reconstruction Finance Corporation**

In 1932, Hoover's **Reconstruction Finance Corporation (RFC)** marked the first significant departure from his voluntary principles. Modeled after government agencies established during World War I, the RFC was authorized to use \$2 billion in taxpayer money for loans to banks, the boldest federal anti-depression measure in U.S. history to that point. However, when most money went to big institutions, labor advocates complained that the very economic elite that decried unemployment relief as socialist corruption depended most heavily on government assistance. Hoover still refused emergency funds for food, clothing, and shelter, but he eventually agreed to let the RFC loan money to states for profitable public works projects. Hoover also began to rethink the labor issue and signed into law the Norris-La Guardia Act, which severely restricted the use of injunctions against strikers, something Republican administrations had made ample use of throughout the 1920s.

The impact of federally funded public works on the national economy during the Hoover administration was negligible. If these projects put additional money into workers' pockets, the administration took it out again with the largest peacetime tax-hike in American

history. The **1932 Revenue Act** illustrated the conventional political wisdom of fiscal responsibility: that the government could not spend more than it received in revenue.

## **A NEW LOOK AT SOCIALISM**

Over the course of the preceding decade, rising prosperity and a political right-turn under succeeding Republican administrations had weaned middle-class Americans from the cooperative values they had embraced during the Progressive Era before World War I. It also pushed workers out of unions. However, the immense social and economic forces of the Great Depression led many Americans to rethink popular notions of the American Dream and the viability of capitalism.

### **Disillusionment with the Market**

Like their president, many Americans strongly believed in upward mobility through hard work. This basic American tenet floundered, however, in a society and marketplace that no longer rewarded them for work. Old values that prized competitive individualism and assumed that a set of natural laws steered the marketplace toward harmony and equilibrium foundered in the face of the harsh realities of the time. Many people blamed themselves for their misfortune, something that shone through in thousands of letters that Americans sent to Franklin D. Roosevelt and his wife Eleanor.

In their study of Muncie, Indiana, however, the sociologist couple Robert and Helen Lynd also learned that more and more people tried to understand the events that surrounded them. One businessman told the researchers: "big things were happening that were upsetting us, our businesses, and some of our ideas, and we wanted to try to understand them. I took a lot of books out of the library and set up nights reading them."<sup>61</sup> Public libraries reported an increased interest in nonfiction literature and politics. Americans were also attracted to the ideas of **Karl Marx**, who had predicted the economic collapse and offered an explanation for it.

### **A New Look to the Left: The Appeal of Socialism**

To many intellectuals, the depression confirmed that an economy based on acquisitiveness and competition was destructive not just socially and psychologically, but also economically. Capitalism, the writer Sidney Hook explained, degraded people and ideas alike "by setting a cash value on them." Some Americans joined the Communist Party, or endorsed its candidates. A host of accomplished writers and academics endorsed the Communist presidential candidate in 1932. Students and young idealists volunteered to work for the party. Some travelled to the South in order to organize black sharecroppers, pioneering a civil rights activism that would bring many more young activists to the South in the 1960s.<sup>62</sup>

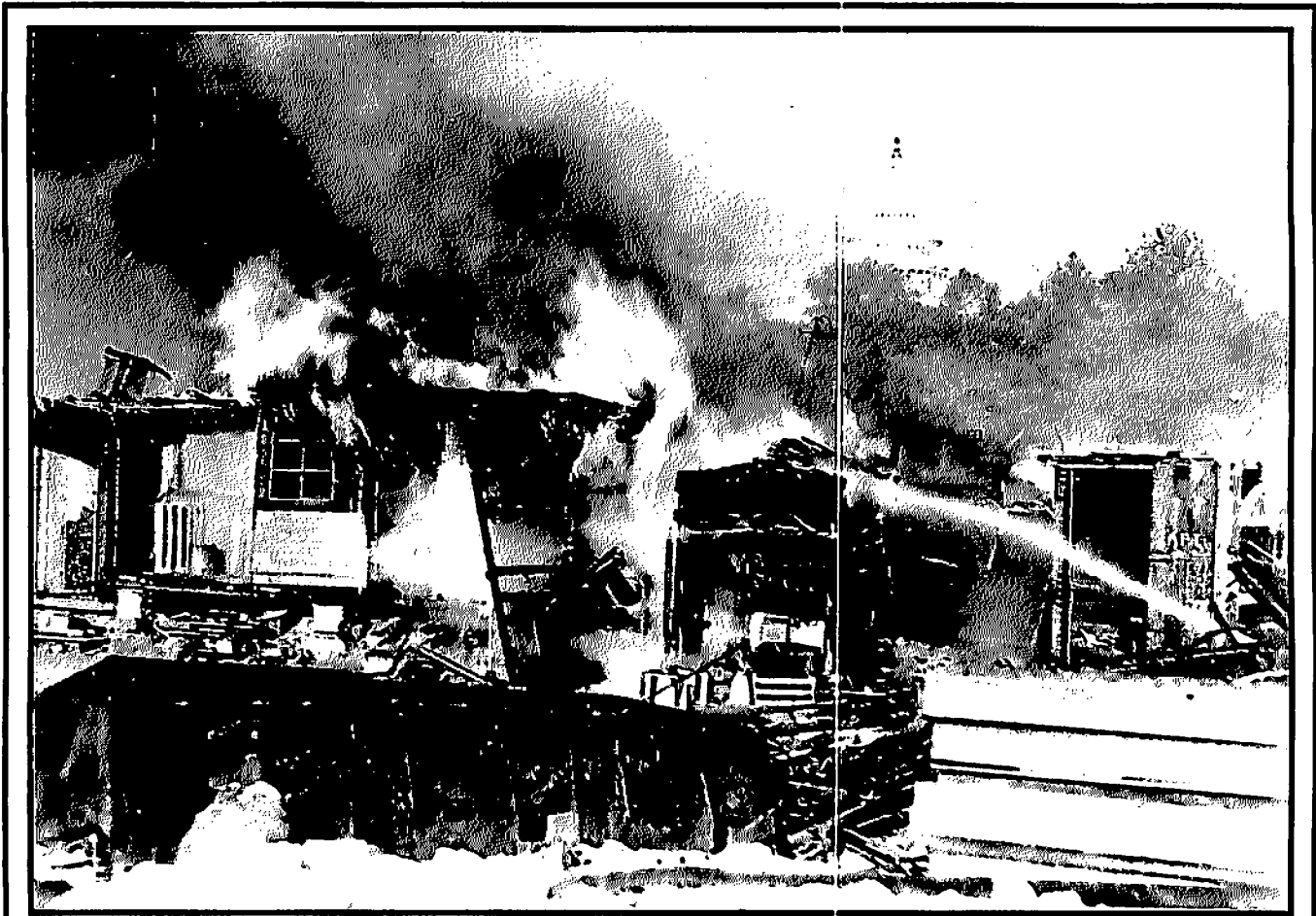
Americans also expressed a new interest in the Russian experiment. In 1931, for the first time in U.S. history, more people left the United States than entered it; meanwhile, officials in the Soviet Union claimed that about three hundred Americans per day were applying for jobs there.<sup>63</sup> Conservatives like the publisher William Randolph Hearst feared a Soviet-controlled communist conspiracy and sent spies to university campuses to seek out "red" professors. In reality, the Communist Party never gained as much importance in the United States as the conspiracy theories suggested. Still, fears about "reds" in society and government bloomed into a Cold War Red Scare in the 1950s that targeted many of those in Hollywood, academia, and elsewhere who had sympathized with the party in the 1930s.

### THE BONUS ARMY

#### *Breadwinners, Heroes, and Beggars: WWI Veterans and the Depression*

Two weeks after passing the Revenue Act, Congress committed another act of fiscal responsibility. It refused

to pay out "adjusted compensation certificates"—bonuses—for World War I veterans ahead of their due date in 1945. Congress had granted veterans this bonus in the form of twenty-year savings bonds in 1925. Veterans' benefits had been virtually the only form of government assistance in the United States prior to the New Deal and had first been provided to Civil War veterans after 1865. There were two reasons for veterans' exceptional status as welfare recipients: They had served their country and had risked life and limb in times of crisis. Heroes during war, they also were a tight-knit group with military experience. Veterans usually returned to civilian life and work, but they also posed a potential threat of revolt. Confederate veterans had formed the Ku Klux Klan in the South after 1865 to fight local governments. Elsewhere, in Germany for example, disgruntled veterans had re-armed themselves and taken to the streets in the revolutionary upheaval following World War I. Veterans, it seemed, deserved government assistance more than most. But granting them benefits was also politically wise.



Shacks put up by the Bonus Army on the Anacostia Flats in Washington, D.C., burn in 1932 after the battle with the military. The U.S. Capitol can be seen in the background.

## The March on Washington

Outraged over Washington's thrift at the same time that the government spent public funds on farmers, banks, and railroads, approximately 20,000 veterans from across the country converged on Washington, D.C. Members of this **Bonus Expeditionary Force**, as the veterans called themselves, gathered on the Capitol plaza while Senators renewed their debate over the request. But only a third of the Senate was willing to pass a "bonus bill" for early payment. President Hoover refused to meet with delegates from the Bonus Army at the same time that he received courtesy visits from sports stars and student fraternities. Veterans waited patiently until the adjournment of Congress in the middle of July. They had set up camps in vacant federal buildings and in an open space called "Anacostia Flats" where they governed themselves with good order, organizing cooking and sanitation, and even printing their own camp newspaper.

In an effort to disband the mass protest in the heart of the nation's capital, Hoover offered an advance payment of five to twenty dollars per veteran to support their travel home. At the same time, his Secretary of War Patrick Hurley announced the clearance of several occupied buildings. When veterans hurled bricks and garbage at the police in an effort to repel them, one officer tripped and accidentally fired his revolver, which prompted a barrage of gunfire from his colleagues. Two veterans were killed.







## The Burning of Anacostia Flats and the End of the Hoover Administration

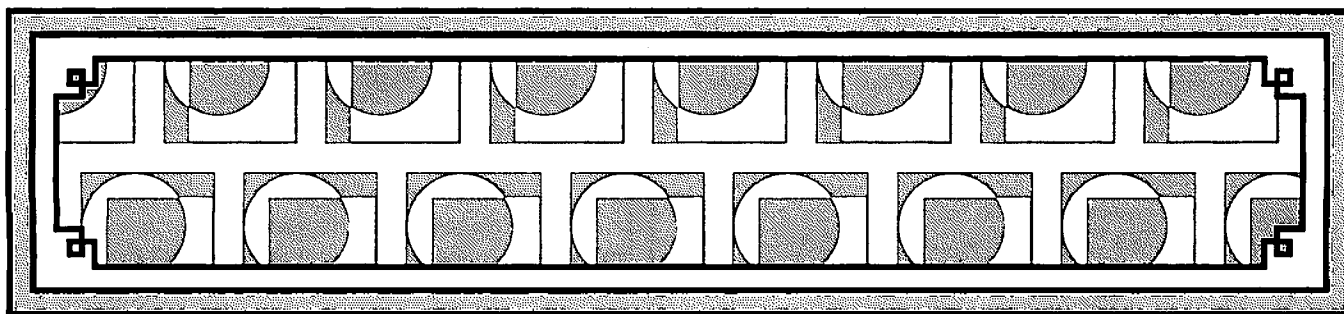
President Hoover then ordered the complete removal of the protesters by federal troops under the command of **General Douglas MacArthur**, who would later become a celebrated but controversial national hero for his campaigns in Southeast Asia during World War Two and the Korean War. With tanks, machine guns, cavalry, and soldiers with guns and bayonets, the army moved into the Anacostia Flats and set fire to the encampment along the Potomac. Most veterans and their accompanying families fled this show of overwhelming force and the tear-gas attacks. Still, one child died from the acrid fumes.

President Hoover defended his general's actions without reservation, convinced that the veterans had

threatened the very existence of government. The War Department derided the protesters as a "mob of tramps and hoodlums," and "Communist agitators," and claimed that MacArthur had acted with "unparalleled humanity and kindness."<sup>64</sup> Those who saw the photographs of the event did not agree, and Veterans groups—hardly organizations with Communist sympathies—expressed bitter resentment over the red-baiting. At a time when authoritarian regimes moved with military force against poor and destitute civilians in the waning democracies of Europe, Hoover's harsh reaction to the Bonus Army, more so than any blunder in fiscal and economic policy, was unforgivable to most Americans.

## SECTION I SUMMARY

-  The stock market crash of October 1929 brought down with a vengeance hopes for a prosperous new consumer society.
-  The multiple theories on the causes of the Great Depression involve the national and international economy of the 1920s, as well as politics and market behavior after 1929.
-  A worldwide economic catastrophe, the Great Depression hit Americans hard, causing mass unemployment, deflation, and the destruction of lifetime savings.
-  While most Americans tried their best to lead their lives as normally as possible, the Great Depression changed families, urban neighborhoods, and rural America, as well as national culture.
-  Race, gender, age, geography, and social class decisively shaped the experiences of Americans in the Great Depression.
-  Although generally seen as the best qualified and boldest candidate for president, Herbert C. Hoover nevertheless pursued policies that illustrated the limits of traditional federal government approaches to the economic crisis. Both through what it did and through what it did not do, his administration paved the way for Franklin D. Roosevelt's New Deal.



SECTION II:  
**FRANKLIN D. ROOSEVELT  
AND THE NEW DEAL**

## FRANKLIN DELANO ROOSEVELT

*"The only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance."*

When Franklin D. Roosevelt spoke to a large crowd in front of the Capitol and to millions in front of their radio receivers at home at his inauguration on March 4, 1933, he revealed the essence of his political life—hope for change. Convinced that the only thing worse than the depths of the depression was inaction, the new president—held up on his paralyzed legs with steel braces—promised no deep economic philosophy, and no simple solution, but the commitment to try. That, in fact was the "New Deal," Roosevelt promised. For a man generally considered one of the greatest presidents since the founding fathers, this does not seem like much. In fact, when he was elected, condescending and derisive judgments of the <sup>second</sup> ~~sixth~~ president abounded from the left, the right, and the center. Why then does Roosevelt still capture our imagination and deserve our attention?

The first part of the answer is easy: Roosevelt was in the White House longer than any other president in American history. During his four terms the nation moved from the depths of depression and isolationism through troubling economic times and a devastating world war to economic prosperity and the status of a military superpower with new responsibilities in global leadership. But Roosevelt also enlarged the role of the presidency in significant ways, expanded the domain of the federal government, and launched the modern welfare state in the U.S. Most Americans had expected little, if anything, from Washington prior to the Great Depression. By the end of World War II, however, there were few Americans who had not seen their life change as a result of federal reforms—some historians have even called the New Deal "the Third American Revolution." Roosevelt also reshaped American politics by mobilizing those on the fringes of public life and creating a political coalition that ensured Democratic Party dominance for more than thirty years. Above all,

his humanity and his deep bond with the American people made him a president like no other and a role model for presidents since. It is for that reason that William E. Leuchtenburg, one of the most eminent historians of the New Deal and Roosevelt, called him "the first modern president."<sup>65</sup>

### THE ELECTION OF 1932

The year 1932 was an important turning point in American history. In international affairs, the Smoot Hawley Tariff had initiated a new era of national



Herbert Hoover and Franklin Delano Roosevelt as they are driven to Roosevelt's inauguration in 1932<sub>3</sub>