

# The 20's and 30's

Boom, Depression and Recovery

# A Booming Economy

- Between 1926 and early 1929, the value of stocks traded on the New York Stock Exchange rose from \$450 million to nearly \$8.5 billion.
- Although the average American was not involved in stock market speculation, the numbers of people buying stock on margin (on credit) increased dramatically.

# Booming Economy

- Unemployment was down from 4.27 million in 1921 to just over 2 million in 1927
- General level of wages rose - 40% of all families earned more than \$2000 a year
- **But, prosperity was concentrated at the top!**
- From 1922 to 1929, real wages in manufacturing rose 1.4% a year per capita, but stockholders gained 16.4% a year
- 42% of families made less than \$1000 a year
- 0.1% of the top earners received as much as the bottom 42%

# The New York Stock Exchange

The Dow Jones Industrial average was at 381.17 on 9/3/1929 after having increased by 500% since 1921. It was the highest point ever to that point. Then it began declining.



# Prosperity in the 1920's

The 1920's was a period of "normalcy" - with a booming economy, new entertainment, and peace in the world.



# Speculation and Government Reaction

Worried about the growing discrepancy between the value of the country's production and assets and the wildly rising value of stocks, as speculation pushed stock prices higher and higher, the Federal Reserve had tried to stop speculation by raising interest rates in the Spring of 1929.

# The Great Crash Begins



NY Times headline  
October 25, 1929

On October 24th, “Black Thursday,” nearly 13 million shares of stock changed hands, but the big banks stepped in to buy up stocks to prevent a crisis. This temporarily halted the crisis. Information was also hard to come by as the stock market ticker showing sales of stock was running hours behind “real time.”

# The Great Crash



Ultimately though, their efforts failed when on “Black Monday” and “Black Tuesday” October 28 and 29, the prices began falling again. Panicking sellers tried to find buyers for more than 16 million shares on Oct 29<sup>th</sup> alone. The value of stocks plunged and kept falling for months.



**Dow Jones Industrial Average on Black Monday and Black Tuesday** [\[15\]](#)

Date	Change	% Change	Close
October 28, 1929	-38.33	-12.82	260.64
October 29, 1929	-30.57	-11.73	230.07



# The Aftermath of the Crash

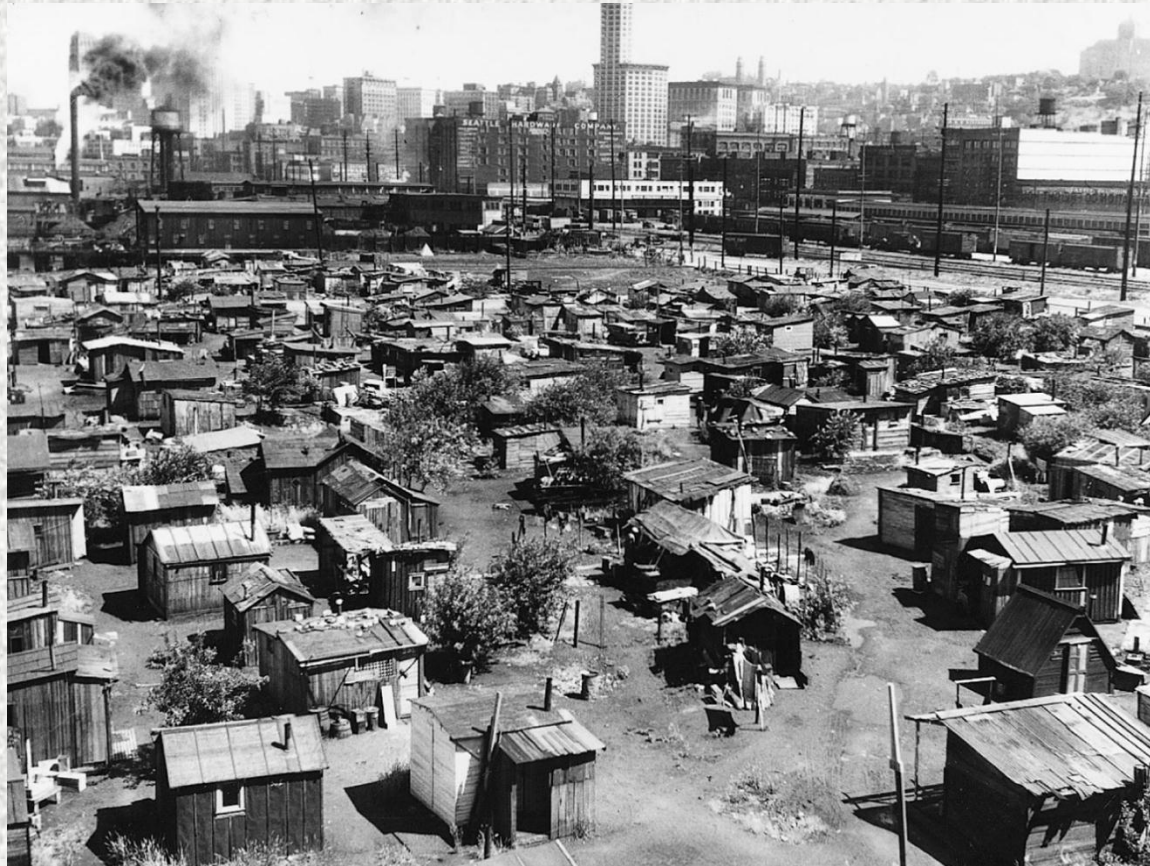
After the initial crash, stock prices continued to fall, losing more than 80% of their total value between 1929 and 1932. Millions of Americans lost their jobs and over 5000 banks closed, taking the savings of ordinary Americans with them.





## **The Aftermath of the Crash**

A brand new Chrysler model 75 that had cost \$1550 just a few months earlier was being sold for just \$100 cash, so desperate was its owner.



## **The Aftermath of the Crash**

In the early years of the depression, desperate, homeless people constructed shacks out of scavenged materials. These shantytowns sprang up in cities across the country and were nicknamed Hoovervilles, after the president who continued to endorse the idea of rugged individualism.

# The Farmer's Depression

The recovery of European agriculture, overproduction, and a series of severe droughts in the Midwest all helped drive the income of farmers down. They stopped buying equipment and other goods, defaulted on debts and had their mortgages foreclosed.



Severe drought in an Arkansas cornfield, 1936.

# Drought leads to Dustbowl

In large sections of the West, the drought was so severe that the land simply dried up and blew away.

In this photo, a farmer and his children struggle against the wind during a 1936 dust storm.





## **Drought leads to Dustbowl**

Dust storm in Texas in 1935



## **Drought leads to Dustbowl**

Aftermath of a dust storm in South Dakota, 1936

# Farm Foreclosure



Iowa farm foreclosure sale, early 1930s.

As farm income declined, increasing numbers of farms were foreclosed on by banks which held the mortgages. The farm, stock and equipment were sold at auction to reduce the bank's liabilities. Angry farmers occasionally tried to block such sales.



# Many farmers give up



If farmers were fortunate enough to still own their land, they were faced with increasingly difficult conditions. Here, dust bowl refugees flee their homes, seeking work.

<http://www.zimbio.com/watch/pNghAqcKSLs/Interview+Florence+Thompson+Mona+Lisa+Dust+Celebrating+Mom>

# Fleeing the Drought

Drought refugees often fled to other areas of the country. Many “Okies” left the dried up fields of Oklahoma for the promise of California.



© 2000 IRC



# Unemployment Looms Large

- By the Fall of 1930, nearly 4.5 million people were unemployed.
- By January 1932, there were more than 12 million unemployed.
- By the time of Franklin Delano Roosevelt's inauguration on March 3, 1933, 25% of the nation's workforce was unemployed.

# The Mona Lisa of the Depression



*You are watching*

**Celebrating Mom**  
Interview with Florence Thompson, the "Mona Lisa of the Dust Bowl"

3 minutes left

facebook tweet embed

03:35 hulu

Screen-O-Matic.com

The screenshot shows a video player interface. On the left, there is a title card for 'Celebrating Mom' featuring a woman and the text 'THE AMERICAN Scene'. The main video area shows a man in a suit and glasses speaking. The video player includes a progress bar at the bottom with a play button, a volume icon, and the Hulu logo. A watermark 'Screen-O-Matic.com' is visible at the bottom left of the video frame.

# From Hoover to Roosevelt

**Election of 1928** - Republican Herbert Hoover defeats Democrat Alfred E. Smith, 444-87 mostly due to the popularity of the Republican Party and the distrust of Smith's religion among rural areas - he was Catholic.

**Election of 1932** - By this time, the Republican Party is associated with an atmosphere of apathy and despair - the "party of hard times," which also took an ambiguous stand on the 18<sup>th</sup> Amendment

Franklin Delano Roosevelt and John Nance Garner promise a "New Deal" to fix America's problems. They defeated Hoover, 472-59.

# Franklin Delano Roosevelt

- Born in 1882 and a New York politician since 1910, he actively campaigned for Wilson in 1912 and was then appointed Asst. Secretary of the Navy through 1920.
- Ran as the Democratic Vice-Presidential candidate in 1920 but was defeated.
- Contracted polio in 1921 and left public office.
- Returned to public life in 1928 when he was elected Governor of NY and relied on the advice of the “Brain Trust.”
- Insisted that since the Republicans were responsible for the prosperity of the 1920s, they must also be to blame for the crash.

# Franklin Delano Roosevelt

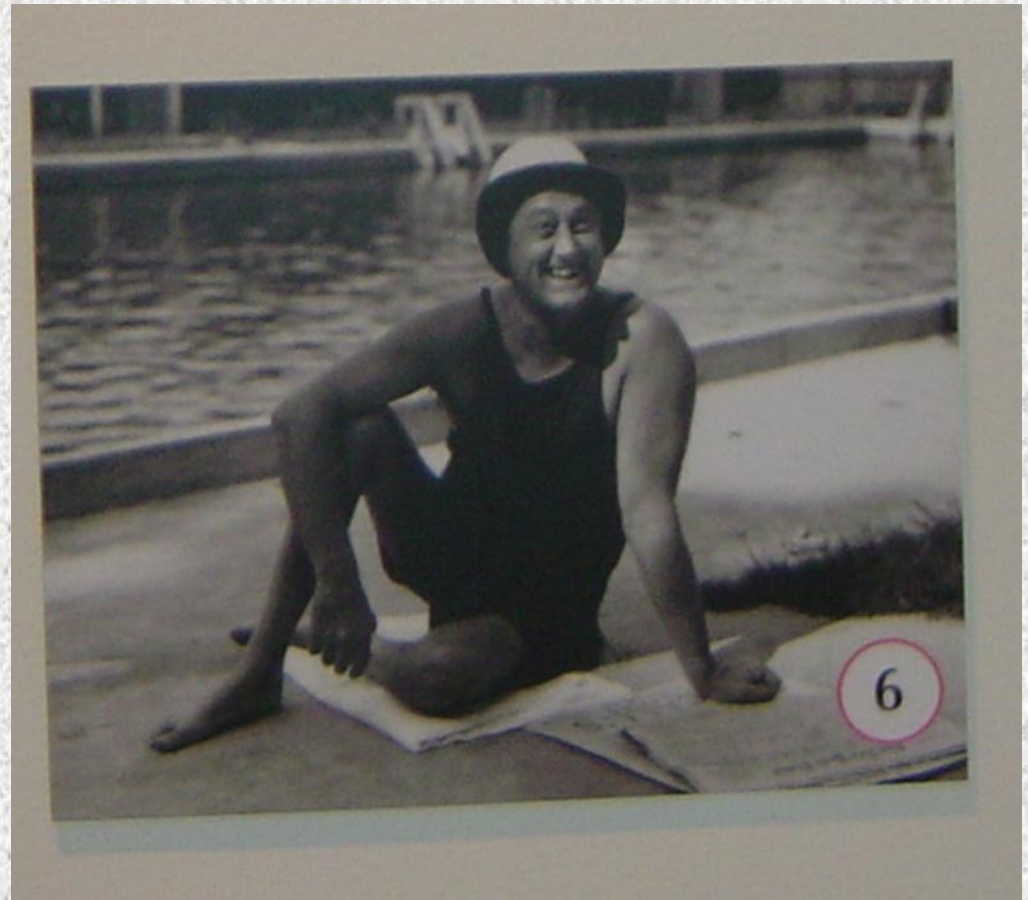
FDR had been diagnosed with polio as an adult. At the time, polio was one of the most feared diseases in the US. Even though most people would recover, a small percentage would develop muscle paralysis. FDR was one of those.

He developed the characteristic weakness of the legs and generally used a wheelchair like the one pictured to get around.



# Franklin Delano Roosevelt

Although the public knew about his polio, they did not know he used a wheelchair. Photographs of him almost always showed him seated and usually, his legs were covered. This photo of FDR poolside is unusual but does show the marked difference in muscle tone between his upper and lower body.





## Franklin Delano Roosevelt

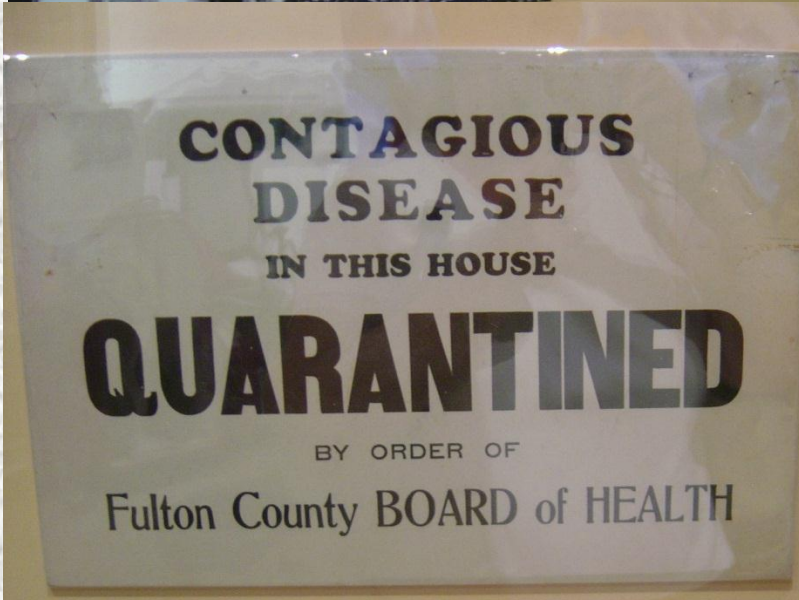
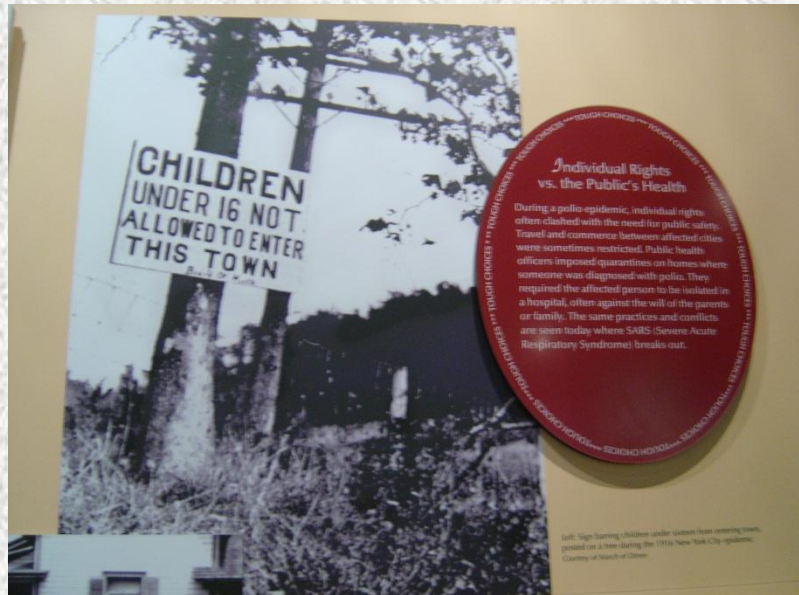
Most of the time, Roosevelt, like so many other polio sufferers, used leg braces and a cane to enable him to walk.

“Mr. Vice President, Mr. Speaker, and members of Congress, I hope that you will pardon me for the unusual posture of sitting down during the presentation of what I want to say, but I know that you will realize it makes it a lot easier for me in not having to carry about ten pounds of steel on the bottom of my legs.”

- March 2, 1945 – the opening words of FDR’s last speech to Congress



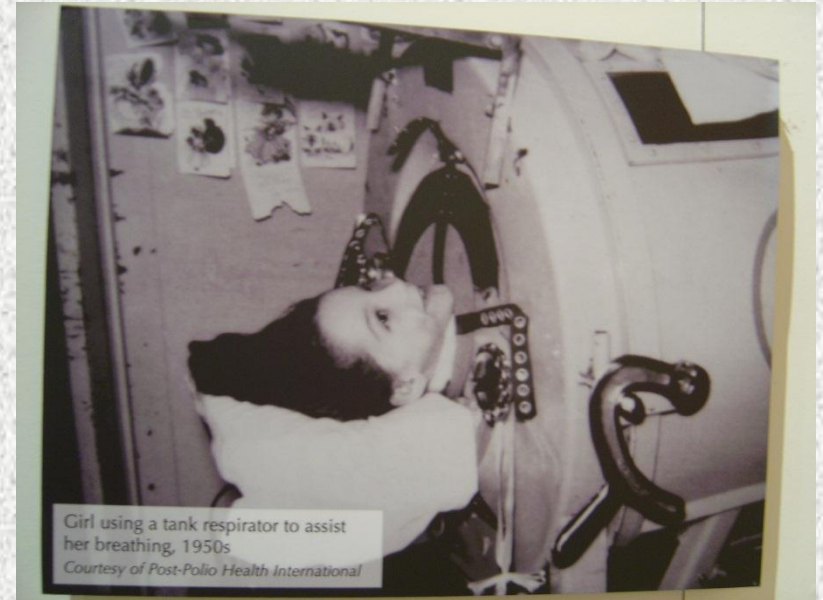
# Polio Fear



# Polio Devices



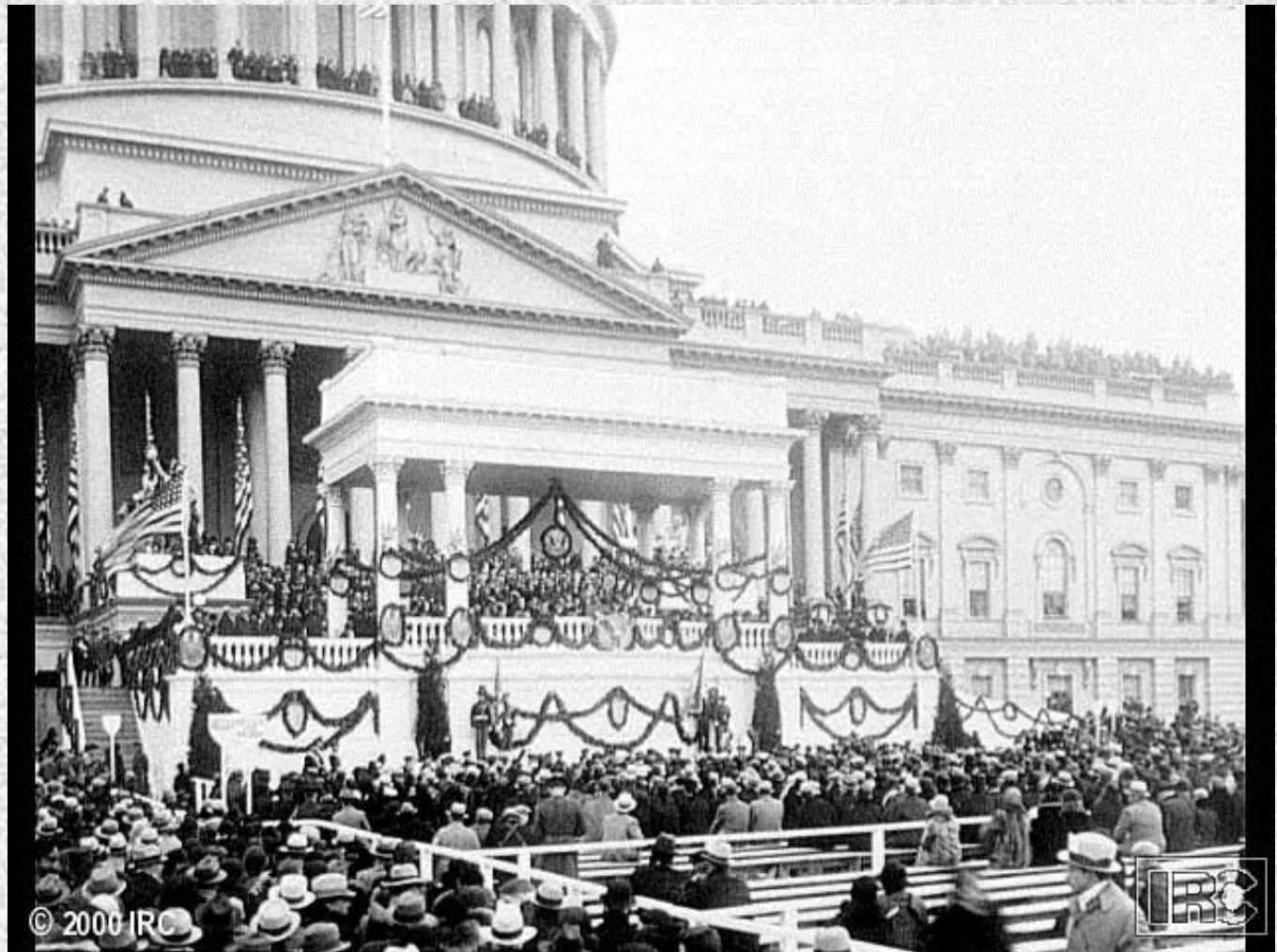
# Polio and the Iron Lung





# Inauguration of FDR

On March 3, 1933, FDR was inaugurated as the 31st President of the United States. FDR vowed to wage war on the Depression.



The only thing we have to fear...  
is fear itself...



FDR addresses the nation at his inauguration. He tried to convince them that the Depression could be brought to an end.

# Roosevelt's Plan - the 3 R's

- R - Relief (for individuals suffering from the depression)
- R - Recovery (of the economy)
- R- Reform (so that future crises would be prevented)

# New Deal Legislation

Roosevelt attempted  
to address a variety  
of issues from farm  
credit to labor  
issues to  
unemployment



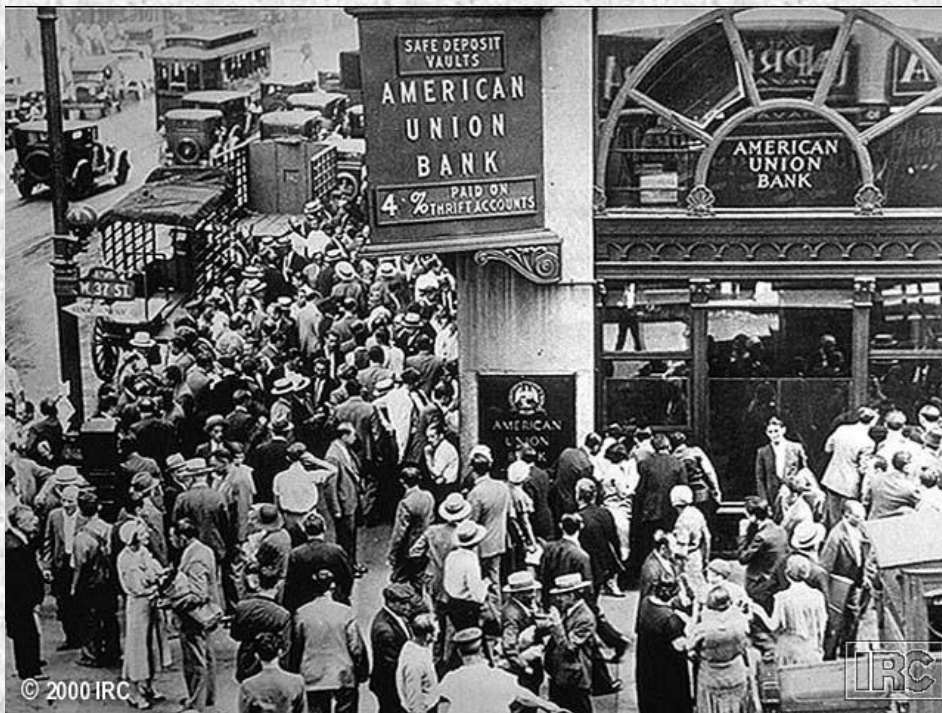


# The First Hundred Days

## Banking Reform

- March 6, 1933 - Banking Holiday - all banks closed
- March 9 - Congress passed the **Emergency Banking Act** which allowed the largest and soundest banks to reopen beginning March 13. Less solvent banks had a conservator appointed to help them. Depositors were assured that all the resources of the Federal Government stood behind them.

- Summer 1933 - the Banking Act of 1933 (Glass-Steagall Act) established the **FDIC** (Federal Deposit Insurance Corporation) to protect money deposited by Americans into banks.



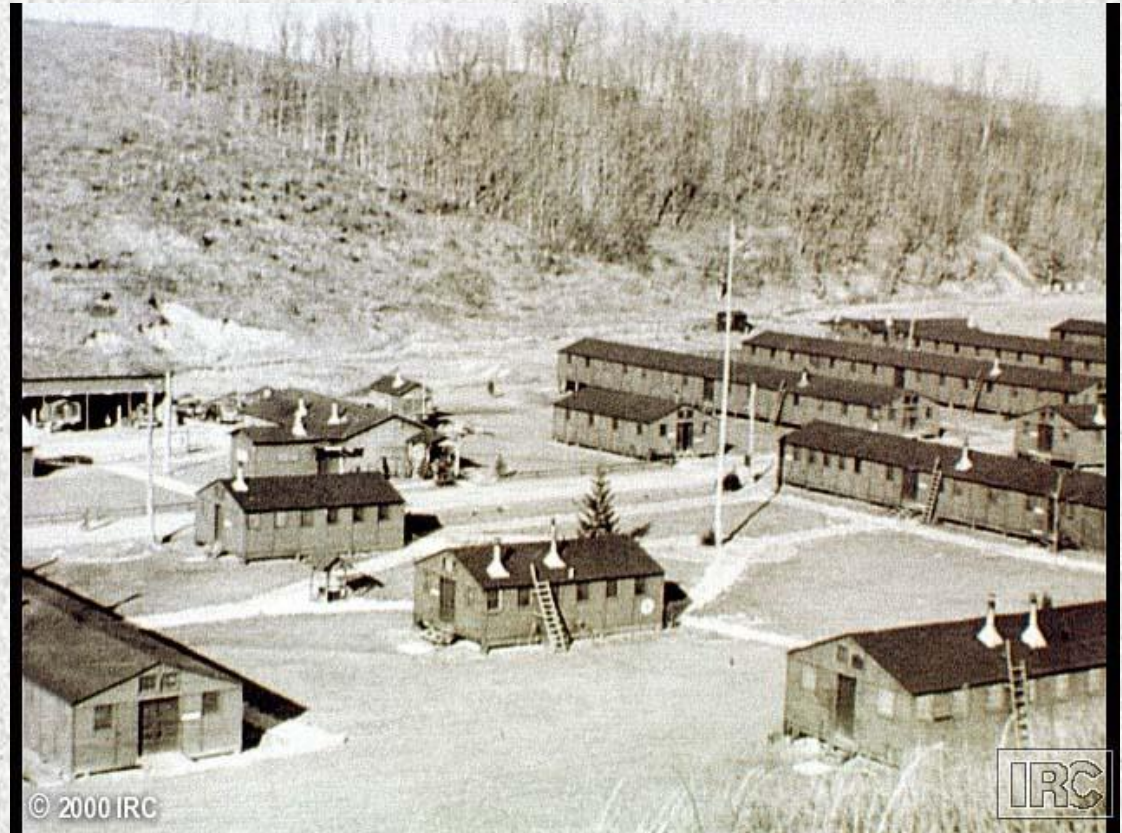
After the banks reopened, more people deposited money than took it out. Over the next several weeks, more banks reopened and the banking crisis was over. Here a crowd waits for a bank reopening.

# Problem of Debt

- Economy Act - March 10, 1933 - allowed President to reduce salaries of federal workers, pensions, and veteran's benefits (saving \$500,000,000 per year)
- Farm Credit Administration - May 1933 – refinance agricultural mortgages at 4% then 3% and loan \$ to other farmers who had already lost their land
- Home Owner's Loan Corp. - formed in 1933 to refinance existing home loans. Led to the creation of the FHA and FNMA.

# Relief Measures

- **CCC** – (April 1933) Civilian Conservation Corps – employed young men from destitute families. 2600 camps employing 2.5 million youths protected natural resources, built parks and the like.



Tygart CCC camp in West Virginia

- **FERA** – (May 1933)  
Federal Emergency Relief Administration  
– provide states with relief funds until federal relief could begin working.  
Between 1933 and 1935 gave \$3 billion to the states for the unemployed



Harry Hopkins, head of the FERA and later the WPA

# More Relief

- **CWA** – (1933) Civil Works Administration – gave temporary work relief through the winter (Nov 1933 – May 1934) to 4 million jobless
- **WPA** – (1933) Works Progress Administration – gave jobs to millions of Americans building schools, parks, etc and also included jobs for artists, musicians, etc.

These relief measures represented direct assistance to the people and were designed as temporary solutions until the economy recovered.

# Agricultural Recovery

**AAA** - Agricultural Adjustment Act (1933) provided several mechanisms to help raise agricultural prices including limiting production, but the one most extensively used provided for government payments to farmers who destroyed or did not grow surplus crops.

At a time when economic hardship was leaving people in other areas in need of food, the act invited criticism. The AAA was declared unconstitutional by the Supreme Court in 1936.



An AAA display

- **Commodity Credit Corporation** - created to stabilize, support, and protect farm income and prices and to help maintain balanced and adequate supplies of agricultural commodities

- **United States v. Butler** (1936) - concerned a New Deal policy of using federal taxing powers to regulate the economy. The challenge was brought against the AAA, which taxed food processing to pay for farm subsidies, thereby discouraging the planting of certain crops. The Supreme Court ruled it invalid on the grounds that it taxed with the purpose of regulating agricultural production

- **2nd AAA** – same purpose as the original but was voluntary and did not depend on a special tax therefore, it survived



# Industrial Recovery

**PWA** - Public Works Administration (June 1933) – under Sec of Interior Harold Ickes – heavy construction projects – waterworks, schools, dams, bridges, etc.

An arc welder reinforces concrete conduits for the water system in San Francisco created by PWA funds.



**NRA** - National Recovery Adm. - provided for two major recovery programs—a vastly expanded public works effort, carried out by the Public Works Administration, and a complex program to regulate American business and ensure fair competition. The NRA approved and enforced a set of codes for each industry to help ensure fair competition in each.

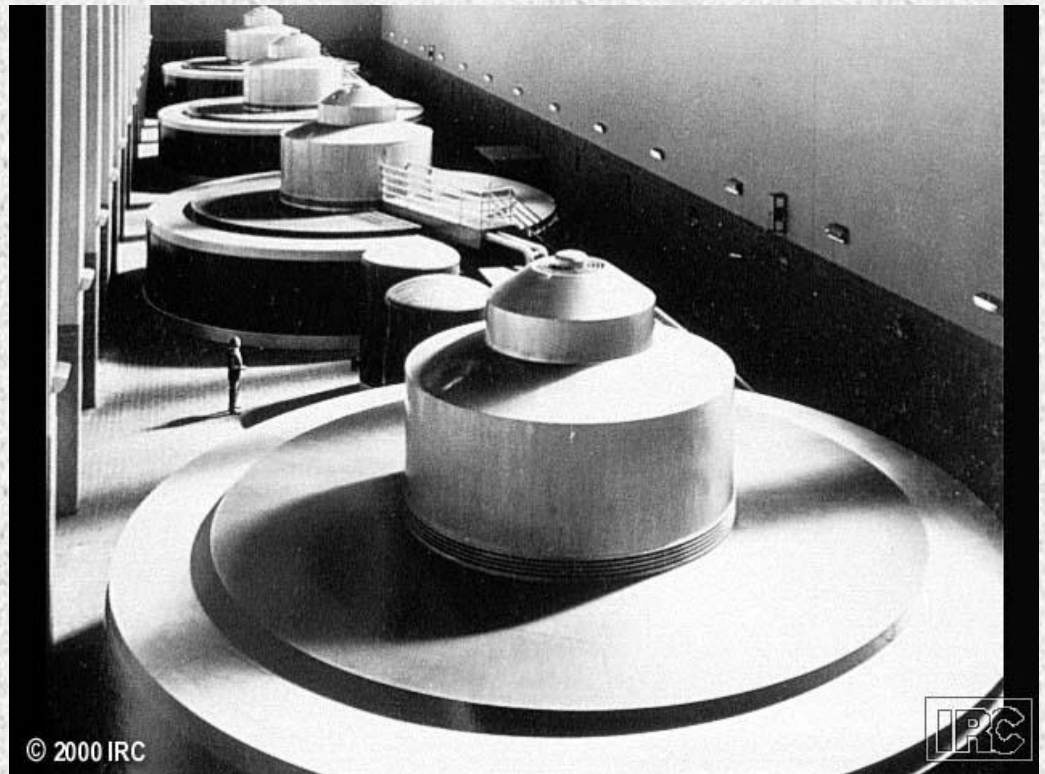
An NRA poster encouraging Americans to buy to stimulate recovery.



# Tennessee Valley Authority

Goal was for regional development of hydroelectric power and industry in a depressed area where jobs, electricity and flood control were desperately needed.

Generators in the powerhouse of TVA's Pickwick Dam



# Prohibition Ends

The increasingly unpopular 18th Amendment had led to the rise of bootlegging, corruption and organized crime during the 1920s.

Here, Chicago women collect signatures for the repeal of prohibition. Hoover had spent millions on enforcement and very little on depression relief.





Active, organized objection (and publicity for such activism) helped achieve the end of prohibition. The 21st Amendment was ratified in 1933. Although technically not a part of the “Hundred Days” legislation, it was one of the most popular aspects of the New Deal.

# Opposition to the New Deal

**Huey Long** – felt the government did not go far enough – Governor of Louisiana 1928-1932 and Senator until death in 35. Proposed “soak the rich” and “share the wealth” tax schemes to equalize income.



# Opposition: Thunder on the Left

**Francis Townsend** – proposed the Townsend Plan which would give \$200/mo to all citizens over 65 as long as they spent it all to boost the economy

**Reverend Charles Coughlin** – denounced policies in weekly radio sermons and revealed anti-Semitic and



Coughlin, the Detroit “Radio Priest” had initially supported the New Deal, but increasingly attacked FDR for not nationalizing banks. His Sunday afternoon radio program drew millions of listeners



# Opposition: the Court on the Right

Struck down NRA (created by the NIRA) draft a set of codes for each of more than 500 industries. The act suspended relevant antitrust regulations, and representatives of each firm in an industry joined with NRA officials in writing the codes. Agreements, which were supposed to attest to a restored confidence in the economy, contained maximum hour and minimum wage provisions. Thus, in 1935, when the Supreme Court nullified the codes as an unconstitutional delegation of legislative power to the executive, the NRA was abandoned. The PWA continued, under Ickes, until 1939.



# Opposition: the Court on the Right

In 1936, the Court ruled the AAA unconstitutional as well. FDR responded by proposing to add 1 additional justice for each over 70 years of age (6 of the 9 were 70+)

But after the Democratic victory in 1936, most of the Republican justices changed their support to the Democratic side to avoid possible impeachment or the court packing plan.



# Second New Deal

- Beginning in 1935, because of the opposition of the courts and big business, Congress began a new flood of legislation at FDR's request
  - Higher taxes on the wealthy
  - Strict regulation of private utility companies
  - Subsidies for rural electrification (REA)
  - Essentially a bill of rights for organized labor

# Social Security (SSA)

- The Social Security Act contained three major programs
  - Retirement fund to encourage older workers to vacate jobs so younger workers could work
  - Unemployment insurance
  - Welfare grants, particularly for dependent children
- Financed through taxes on income

# Social Security

- Made up of 11 “titles” of which 6, contained specific programs
- The six original program titles were
  - Old-Age Assistance,
  - Old-Age (retirement) Benefits,
  - Unemployment Compensation,
  - Aid to Dependent Children (ADC),
  - Maternal and Child Welfare,
  - Aid to the Blind

# Social Security

- Once the taxes went into effect, combined with a reduction in government spending in other areas, the act triggered a new drop in the economy (depression/recession)
- The government would keep track of people's wages and earnings through the use of "social security numbers"
- Current workers payments into the "social security fund" paid for the benefits of current retirees

# Rural Electrification

- In 1935, the Rural Electrification Administration, (REA) was created under the US Dept of Agriculture
- Goal was to make electric and telephone service available to rural areas so that it was comparable with urban areas
  - Used low cost loans to rural electric providers to pay for equipment, etc
  - Expanded to include telephone service in 1949

# Slump of 1937

- Sharper than the crash of 1929 but not as long lasting due to quick government involvement
- Reasons for the slump
  - reduced government spending
  - new social security taxes
- To combat this new slump, the government began a new round of spending

# NLRA, NLRB & FLSA

- National Labor Relations Act (1935) – (aka the Wagner Act) created a National Labor Relations Board that gave federal protection to the bargaining process for workers (unions) and set fair employment standards
- Fair Labor Standards Act (1938) – FDR's last major domestic program – mandated maximum hours before overtime pay and minimum wages (30 cents) for most workers



# Labor and the New Deal

- The Wagner Act, which created the NLRB, guaranteed employees the “the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities for the purpose of collective bargaining or other mutual aid and protection” – in other words to form unions
- It also made sure that employers did not interfere with employees’ right to join such a union or try to coerce them into not joining.

# Labor and the New Deal

- In 1938, the Fair Labor Standards Act (FLSA) helped employees have a minimum standard of pay
  - 25-30 cents an hour
  - Overtime at a rate of “time and a half” for hours over 44 in a week
  - Prohibited “excessive” child labor
  - Later it was expanded, hours per week reduced (40 before overtime), minimum wage increased (40 cents), and more people covered

# Legacy of the New Deal

- FDR and the Democratic party - and it stimulated the growth of the Democratic Party.
- Southern Democrats and conservative Republicans
- FDR's efforts to cleanse the Democratic Party

# Legacy of the New Deal

- The emergence of broker state - Although in itself the New Deal failed to stimulate full economic recovery, it provided the federal government not only with increased controls over money supply and Federal Reserve policies but also with increased understanding of the economic consequences of its own taxing, borrowing, and spending.

# Legacy of the New Deal

- National government was vastly enlarged - The New Deal changed the relationship between the government and the people of the United States. In addition to increasing the involvement of the government in people's lives, the New Deal created a number of agencies that still exist

# Legacy of the New Deal

- FDR had taken a path between laissez-faire and socialism
- Rise of government whose role was that of broker, mediator, or referee among the interest groups. – In addition, the New Deal coalition dominated the electorate and the nation for years thereafter