**Cambridge IGCSE Depth Study D: The USA, 1919-41**



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**Overview**

During the 1920s most Americans were able to enjoy the highest standard of living ever seen. Many new consumer goods were available and many people had more time to enjoy expanded leisure industries such as cinema, radio and sport. America appeared affluent and unstoppable. Yet alongside new riches there was poverty, intolerance and unprecedented levels of organised crime. America was a country of stark contrasts.

The economic bubble burst in 1929 with the Wall Street Crash which signalled the beginning a nationwide slump which spread worldwide. Unemployment soared and the hopes of the the post-war generation were dashed. Roosevelt’s New Deal was a daring attempt to rescue America from this economic catastrophe. It proved only partially successful. Full economic recovery was not achieved until the second world war.

**The economy in the 1920s**

America’s boom of the 1920s had solid foundations. By 1900 America was already a leading producer of oil, coal, iron, steel, engineering products and textiles. These thriving basic industries provided an excellent platform for later economic growth.

The first world war presented the US with increased opportunities for export as the warring European nations were unable to trade with their colonies and required supplies of food, raw materials and military equipment. Whereas Germany, Britain and France were exhausted by the war, the US economy emerged strong and reinvigorated. Further causes of the boom included:

**Invention and innovation:**

* The building industry benefited from new machines such as concrete mixers, pneumatic tools and power shovels
* Communications were speeded up by automatic switchboards, dial phones and teletype machines
* Advances in chemicals and synthetics brought rayon, Bakelite and cellophane into common use

**Electrification**

* The widespread availability of electricity meant homes and industry how had a clean, cheap and efficient source of power
* Domestic appliances powered by electricity such as fridges, washing machines and vacuum cleaners became affordable to ordinary Americans

**Mass production**

* This was made possible by adapting the line production techniques of a Chicago slaughterhouse
* Henry Ford used assembly line production in the manufacture of cars and the same techniques were applied to the production of many other items from radios to cigarette lighters
* Mass production led to a fall in prices

**The motor industry**

* The motor car was central to Americas economic success
* By 1929 one American in five owned a motor car
* The car industry employed up to ½ million workers and stimulated road and hotel construction, the building of filling stations and the development of suburbs and holiday resorts
* It also boosted associated industries – oil, glass, rubber, steel, leather and upholstery

**Mass-marketing (advertising)**

* Mass production required ways of mass-selling and advertising became a major industry during the 1920s
* Commercials were devised for the radio and the cinema while giant posters on billboards were used along highways. Magazines, newspapers and mail order catalogues were also used to promote new merchandise

**Hire purchase**

* Customers who could not afford to buy a product outright were able to pay by instalments under a hire purchase agreement
* Since the cost of living was falling for many Americans, with wages rising and both food and manufactured goods becoming cheaper, this seemed a sensible way to buy

**Government policy**

* The Republican governments of the 1920s – led by Presidents Warren Harding (1921-23), Calvin Coolidge (1923-29) and Herbert Hoover (1929-33) – followed financial policies considered favourable to business: low taxation, high tariffs (taxes on imports used partly to raise money and partly to protect home industries from foreign competition) and laissez-faire – an absence of regulation and government intervention

**Mass production of cars and consumer durables**

The motor industry was very successful in the 1920s. The industry was dominated by Chrysler, Ford and General Motors. Henry Ford led the field, reducing the cost of his Model T from $850 in 1908 to $290 in the 1920s. This was made possible by high volume sales. 15 million Model Ts had been made by 1927. Workers at Ford’s Detroit factory were paid high wages, but they had to sign agreements to say they wouldn’t join unions.

In total there were 26 million cars in America by 1929.

Other mass produced goods included:

* The number of radios increasing from 60,000 in 1920 to 10 million in 1929
* The number of telephones increasing from 10 million in 1915 to 20 million in 1930
* For every fridge in 1921 there were 167 by 1929

**The fortunes of older industries**

The overall growth of the 1920s affected different industries in different ways. In general, new industries flourished and traditional ones declined. For example, the increase in car ownership and road building had a negative impact on numbers travelling by train and train-freight. However, the old industries of steel, oil and construction all continued to expand.

**Building and construction**

The 1920s was a golden age of building and construction in America as new businesses required factories, offices, shops and showrooms connected by new roads. Many skyscrapers were designed during this time including New York’s Chrysler Building and the 102-storey Empire State Building, both completed by the early 1930s. Many new homes, schools, hospitals and other public buildings were also constructed during this time.

**Cotton and woollen textiles**

The general increase in the standard of living and the increase in the number of shops and department stores meant there was increased demand for clothes. But since these were often made from synthetic fibres such as rayon and celanese (artificial silk) there was actually less demand for cotton and woollen textiles. Problems for the traditional textile industry was also made worse by the change in fashions – shorter hemlines for skirts and dresses meant less material was used. Textile operatives in the cotton and woollen industries were among the lowest paid factory workers.

**Steel**

The car industry used 20% of steel output and there was further demand from the building industry which used steel girders. Most new industries were equipped with machinery that made use of steel or used steel components in their products.

**Coal**

The coal industry suffered from overproduction. Oil, gas and electricity were increasingly used in homes and factories. The coal industry was plagued by wage cuts, pit closures and strikes.

The Decline of agriculture

The most striking example of an industry unable to share in the prosperity of the 1920s was agriculture. It employed more than a quarter of the working population. During WW1 agriculture had boomed as grain from the Midwestern and southern states had been exported to Europe. With the aid of new machinery such as combine harvesters production increased, prices rose and US farmers were able to make large profits. But the end of WW1 brought the good times to an abrupt end:

* Farm workers in Europe returned to their farms and began producing food again so American imports were no longer needed
* US tariffs made selling to Europe even more difficult. European countries found it hard to sell in US markets and get dollars to buy US products with
* US agriculture began facing competition from Canada and Argentina
* The increasingly prosperous US population preferred more luxurious foods such as fresh fruit and vegetables to cereal products
* Prohibition led to a 90% reduction in consumption of barley for making beer

This all led to overproduction and falling prices. Many small farmers could no longer afford their rents or mortgage payments. Evictions and forced sales followed. There were one million fewer farms in 1930 than 1920.

Small farmers and labourers suffered most. Larger operators with modern machinery were still able to make profits. These included some fruit growers of California and Florida and large-scale cereal farmers of the Midwest.

The plight of farming was bad for the whole economy. Nearly half the population lived in rural areas where livelihoods depended on the well-being of the farming community. As agricultural incomes dropped so demand for manufactured goods dropped, creating unemployment in the industrial areas.

**Other Americans not benefiting from the boom**

As well as the unemployed, those on low wages – a significant part of the workforce – did not share in the new prosperity. Female cotton operatives could be paid as little as $9 a week at a time when $48 was considered to be the minimum required to maintain a basic standard of living. Some estimates say 60% of US families lived below the poverty line in the late 1920s. These included significant numbers from three further particular groups:

**Black Americans**

Until the end of WW1 the population of black Americans was concentrated in southern states such as Texas and Louisiana. They worked as labourers or sharecroppers – agricultural workers passing a share of their crops to landowners in return for land to farm. The agricultural slump of the 1920s saw approximately ¾ million of these laid off by white landlords. Those who remained experienced poverty and extreme racial discrimination.

Many tried to find work in northern cities. Many of the jobs available were in the lowest paid sectors – domestic service, casual labouring and building work. Most of the new industries which offered higher wages operated a whites-only employment policy. Blacks met with considerable discrimination, especially with regards to housing where they were segregated into slum areas such as Harlem in New York.

**Native Americans**

In the C19th American Indians had been gradually forced off their land and by the early 1920s they were living in reservations provided by the US government. These were in areas with poor soil. Those who remained on reservations suffered from poverty, poor education and ill-health. Those who left and tried to mix with white society met with prejudice and discrimination, finding the main job opportunities were in low paid work.

**New immigrants**

With the exception of the American Indians, America is an immigrant society. The population arrived from Europe and elsewhere over three centuries. The earliest immigrants, largely from northern Europe and Scandinavia and their descendants came to resent later waves of immigrants from southern and eastern Europe and Russia. The new immigrants found that only the lowest paid jobs were available. They also suffered discrimination because of their religion – many were Jews or Catholics – lack of education and ability to drive down wages. Unemployment rates among new immigrants remained high throughout the 1920s.

**Society in the 1920s**

**The ‘Roaring Twenties’**

For a minority America in the 1920s was not just a land of economic prosperity but also a country of glamour, glitz and partying. This life of excess and frivolity was projected across the nation through the mass media so most Americans knew of the new age and daring new ways of the younger generation. This was the decade of shorter skirts and dresses, make-up, bobbed hair, cocktail drinks, nightclubs, the Charleston, the saxophone, jazz and Hollywood. It saw rebellion against the starchiness of earlier standards of dress, morals and social behaviour. But millions of Americans were envious or disapproving spectators of the racy lifestyles enjoyed by young, rich city-dwellers. The ‘Roaring Twenties’ was more an image than a reality for most of the population.

Some of the most significant social changes of the 1920s were:

**Movies**

Cinema provided an opportunity for escapism for many Americans and audiences more than doubled during the 1920s, reaching 95 million in 1929. Hollywood launched stars such as Charlie Chaplin, Mary Pickford, Douglas Fairbanks and Rudolph Valentino who became some of the world’s first celebrities.

‘Talkies’ arrived in 1927, with millions seeing and hearing Al Jolson in *The Jazz Singer*.

Hairstyles, clothes, make-up, perfumes and mannerisms of the stars were copied by impressionable Americans. However, there were concerns that films were corrupting public morals so the industry introduced the Hays Code which limited the length of on-screen kisses and banned nudity (although this wasn’t adopted until 1930 or seriously enforced before 1934).

**Jazz**

The popularity of Jazz has led to the 1920s also being known as ‘The Jazz Age’. Along with blues it originated in the African American community of the south. It was often performed by black musicians who had migrated to the northern cities of New York, Philadelphia and Chicago.

Jazz was linked to dance music and led to the formation of many nightclubs such as the Cotton Club of Harlem, New York which launched the career of Duke Ellington.

Jazz appealed to young whites who found it exciting, dynamic and modern. Older Americans found it threatening as it broke with tradition and was seen as a corrupting influence.

**Radio**

By 1930 40% of US households had radios. The first national network, the National Broadcasting Company (NBC), was set up in 1926 following the establishment of more than 500 local commercial radio stations.

Radio was used to broadcast light musical entertainment to a mass audience, producing the age of the great dance bands. Orchestras led by Joe Candullo, Meyer Davis and Jean Goldkette would play tunes such as Swanee River Blues, Black Bottom or Gimme a Little Kiss, Will Ya, Huh?

Radio also provided a fresh start for some of the artists such as comedians, impersonators, instrumentalists and vocalists of the declining vaudeville or variety theatres.

**Cars**

The car made possible much of the activity that characterised the period by giving many Americans a freedom of movement they had never known before. It provided an easy means of visiting clubs, cinemas, restaurants, sporting events and taking day trips and other holidays.

**Prohibition and gangsterism**

Nationwide prohibition was introduced by the 18th Amendment of the US Constitution. From 1920 it was illegal to manufacture, transport or sell alcoholic drinks. The ban was to be enforced through the 1919 Volstead Act which defined alcoholic drinks as those which contained more than 0.5% alcohol. Prohibition lasted until 1933 when the 21st Amendment repealed it.

Prohibition was introduced for a number of reasons:

* Societies such as the Anti-Saloon League and the Women’s Temperance Union had been campaigning for the abolition of alcohol since the nineteenth century. It was argued that alcohol caused much poverty, crime and ill health. Supporters of Prohibition – known as ‘dries’ – were particularly influential in rural areas of the South and Midwest. By 1914 they had persuaded several state governments to ban alcohol within their states.
* Many US brewers were of German descent. In WW1 it was claimed that alcohol was linked to German aggression and that it was unpatriotic to drink alcohol. Many also believed that grain made into alcohol could be better used for making bread
* Politicians began to realise they could win votes – especially in small-town America – by supporting Prohibition. Alcohol was banned in 18 states by 1918
* The Protestant Church supported Prohibition as it believed alcohol was to blame for a decline in moral standards and family life in the big cities
* Industrialists such as Nelson Rockefeller argued that Prohibition would be good for the economy as it would reduce absenteeism and promote hard work

**Reasons for the failure of Prohibition**

However well-motivated those who supported Prohibition may have been it soon became clear that the 18th Amendment was a disastrous mistake.

* It had only ever been supported by a small majority and that support was concentrated in traditional, small-town, rural America.
* It was not illegal to purchase or consume alcohol. Drinking also continued behind closed doors. Illegal drinking bars – ‘speakeasies’ – became commonplace in towns and cities. There were 32,000 speakeasies in New York by 1929
* Private deliveries of wines and spirits were made to the homes of the rich, whilst others produced ‘moonshine’ – home-brewed alcohol – in illegal stills
* The government appointed several thousand enforcement agents to clamp down on illegal manufacture and trading. However, these agents were too few, poorly paid and often privately opposed to Prohibition and vulnerable to threats and bribes from criminal gangs. Nearly 10% of agents were sacked for taking bribes
* The illegal sale and distribution of alcohol provided a golden business opportunity for criminal gangs. They organised the smuggling of rum from the West Indies and whisky from Canada, ensuring ‘speakeasies’ were properly supplied with ‘bootleg’ – illegal – liquor. Gang wars broke out in Chicago and New York as criminal gangs fought for control of different city blocks. Murder and corruption became common means of removing business obstacles. In 1926-1927 there were 130 gangland murders in Chicago for which the killers escaped without punishment. In the St. Valentine’s Day massacre of 1929 seven members of Bugs Moran’s gang were gunned down in a Chicago garage by members of Al Capone’s gang.
* State officials, judges, senior police officers and jury members were often bought off with bribes or threatened with their lives
* Profitable control of the liquor trade enabled the criminal gangs to extend activities into other areas such as protection and prostitution

By the early 1930s it appeared increasingly difficult to justify Prohibition and the 18th Amendment became increasingly unpopular. It appeared illogical to spend vast sums on ineffective law enforcement. It also seemed absurd to continue with a law that suppressed an industry that could have employed thousands at a time of mounting unemployment. In 1933 President Roosevelt supported the 21st Amendment which repealed the 18th Amendment and ended Prohibition.

**Intolerance**

American society in the 1920s was full of contradictions and contrasts. Rejection of old-fashioned values was fashionable among the young, but more established Americans wanted to maintain traditions and were fearful of those groups who were thought to threaten the American way of life: new immigrants, communists, anarchists, trade unionists, Catholics, blacks and Jews. It was the ambition of many to maintain the supremacy of the white, anglo-Saxon, Protestant community (WASPs).

**The Red Scare, 1919-21**

Most of the immigrants to the US during the first two decades of the twentieth century came from southern and eastern Europe. It was thought many of the new immigrants were infected with communist and anarchist ideas following the Bolshevik revolution in Russia in 1917. A wave of strike action during 1919 seemed to confirm these fears. Further evidence of a supposed conspiracy against the state was provided by a series of bomb blasts, one of which damaged the home of the Attorney General, Mitchell Palmer.

Employers and government authorities responded firmly. Strikers were faced with lock-outs and heavy-handed tactics. The bombings led to the rounding up of suspected anarchists in what was known as the ‘Palmer Raids’. Arrests and deportations followed.

The Red Scare was stoked up by hysteria in the press and the readiness of local politicians to see plots and conspiracies behind every protest in favour of improved wages or working conditions. No evidence of a serious threat to the state was ever uncovered.

**Religious intolerance**

Fundamentalist Christians, concentrated in the rural areas of the south and Midwest, believed in a literal interpretation of the Bible. This included the belief that after making the world in five days God created man on the sixth day. More progressive, urban Christians accepted Darwin’s theory of evolution that claimed that humans had evolved from more primitive life forms over millions of years. In six states, including Tennessee, the fundamentalists succeeded in outlawing the teaching of evolution.

The differences between the two sides came to a head in what became known as the Monkey Trial. A Tennessee biology teacher, John Scopes, deliberately broke state laws by teaching evolution. His trial took place in July 1925. It became a showcase for the arguments before and against evolution. Scopes was defended by the leading lawyer Clarence Darrow. The prosecution was led by a Fundamentalist, William Jennings Bryan. While Scopes was found guilty and fined $100, the trial was widely regarded as a triumph for the evolutionists as Bryan was ridiculed when he tried to defend the Bible’s version of the creation of mankind.

**Immigration policy**

In order to preserve the supremacy of white, northern Europeans a series of immigration laws was passed during the 1920s which restricted entry to the US. These served as a form of government-sponsored discrimination against certain national groups.

The 1921 Emergency Quota Act passed in 1921 set a total annual limit for immigrants of 357,000. More controversially it also set up a quota system whereby the annual number of immigrants from any one country was restricted to 3% of the numbers from that country living in the US in 1910. This reduced the numbers of immigrants from southern and eastern Europe by 75%.

The 1924 National Origins Act reduced the total annual limit to 150,000 and the quota was reduced to 2% of the 1890 figures. Immigrants from Asia were completely barred. Thereafter, about 85% of immigrants came from northern Europe. The quotas remained in place until the mid-1960s.

**The Ku Klux Klan**

The most extreme example of intolerance and racism during the 1920s was the Ku Klux Klan. It was originally formed as a secret ant-negro society after the 1861-65 civil war. During the 1920s the Klan revived and expanded, claiming to have 5 million members in 1925. Members included high-ranking politicians and government officials. It attracted those who felt that crusading action was necessary to protect American values against the dangers of blacks, Jews, Catholics and foreigners. Many supporters came from small towns and rural areas that had largely been excluded from the new prosperity. The Klan devised secret codes and elaborate rituals, sometimes burning crucifixes. It had a uniform of white, hooded robes. More extreme forms of persecution, mainly directed against blacks, included beatings, mutilations and lynchings. Such crimes often went unpunished because of both the secrecy of the KKK and supporters or sympathisers amongst police, local officials, judges and juries.

After 1925 KKK membership declined following a number of successful prosecutions for violent activities. A Klan leader was convicted for rape and murder of a woman on a train in Indiana. The image of the Klan was permanently damaged.

**The changing roles of women**

Before WW1 the vast majority of adult women occupied traditional roles as wives and mothers. This was a position fully supported by the Church. Most women couldn’t vote and paid work was limited to occupations such as domestic service, secretarial work and teaching. Dress was restrictive and included corsets and full-length skirts and dresses with tight waists. Women were expected to be modest, polite and discrete. They were not to smoke or drink and, if unmarried, should have no male company without a chaperone. During the war women worked in the war industries as male labour was required in the armed services. After the war most women went back to traditional types of work.

The 1920s saw what appeared to be a revolution in the role of women. Many of them were referred to as ‘flappers’

* In 1920 women got the vote in all states and made up over 50% of the electorate
* The number of women in employment increased by 25% to 10 million by 1929
* Office work and manufacturing accounted for much of the increase
* In some new industries, such as electronics, women were preferred to men
* Corsets were abandoned and women began wearing shorter, lighter skirts and dresses that were often sleeveless. New fashions and new materials, such as rayon, allowed greater movement and self-expression
* Women smoked, drank and kissed in public. Chaperones were no longer required
* Women drove cars. It has been suggested Henry Ford introduced coloured cars in 1925 as a response to the female market
* Short hair and make-up became symbols of the new freedom
* The divorce rate increased from 100,000 in 1914 to 205,000 in 1929

However, most of the ‘flappers’ were young, wealthy, middle and upper middle-class women from large towns and cities. Women in smaller communities and rural areas were less affected by the changes and continued their traditional roles and restricted lives – managing the home, bringing up children and earning enough money to ease the family budget.

In fact many women, influenced by conservative and religious values, strongly opposed the changes they saw reported in the newspapers and magazines. This group included immigrant mothers and daughters who were used to seeing the father as head of the family.

Even labour-saving devices only affected a minority of women. In 1930 70% of families did not have a vacuum cleaner; 76% lacked a washing machine.

Few women achieved power in politics or the boardroom. Women continued to be paid less than men, which is why some employers preferred a female workforce.

‘Flappers’ were a showy, noisy minority who made a considerable impact in the media and in contemporary literature – such as the writings of F Scott Fitzgerald – and film. They did not represent America as a whole.

**The Wall Street Crash**

**Background**

A common way for businesses to raise money is to sell shares. Shareholders then own a part – a share – of the business. Each year a business normally pays out a proportion of its profits – a dividend. Shares could be bought and sold on stock markets. If there are more people wanting to buy than sell the price of shares would rise. If more people want to sell, prices fall. Shareholders can make money in two ways – by selling the shares when they rise in value and by receiving a dividend when the shares are owned. If the business makes a loss or its prospects look poor then the likelihood is that the share price will fall and there will be no dividend.

America’s main stock market – or exchange – was at Wall Street, New York. In October 1929 the panic selling of shares in Wall Street led to a ‘crash’ which marked the beginning of the Great Depression. This crash had several causes:

1. **Speculation**

During the 1920s the American stock market was steadily rising. Speculators could buy shares in a growth company to sell them again a few weeks or months later in order to pocket an easy gain. From the mid-1920s many speculators bought shares ‘on the margin’. This meant borrowing money from the banks to fund the share purchase. The loan was repaid when the shares were sold. Banks were prepared to lend up to 90% of the share price. This seemed to be fine as long as the value of shares continued to rise – although it did lead to many shares being over-valued as people lost sight of the original purpose of shares and competed to buy into what seemed to be an ever-rising market. When the market fell it could leave speculators and even banks themselves bankrupt

1. **Overproduction**

By 1929 US industry was producing more consumer goods than there were consumers to buy these goods. The market had become saturated as the Americans who could afford to do so had generally bought their cars, fridges and other domestic appliances.

1. **Lack of exports/tariff policy**

America had limited opportunities to sell abroad. Potential European customers were impoverished and had not financially recovered from WW1. American tariffs also led to other countries putting tariffs on American goods making it difficult for American exporters to operate in foreign markets.

1. **Uneven distribution of income**

50-60% of Americans were too poor to take part in the consumer boom. Low wages and unemployment, especially in the farming sector, the traditional industries and among blacks and new immigrants reduced the potential of the home market. Just 5% of the population was receiving 33% of the income in 1929. Too much money was in too few hands.

1. **Signs of an economic slowdown**

There were signs that the boom was coming to an end long before October 1929. By 1927 fewer new houses were being built, sales of cars were beginning to decline and wage increases were levelling off. Financial experts were aware that stock levels in warehouses were beginning to increase, suggesting the economy was slowing down. This made investors nervous and anxious to sell their shares. The stock market began to lose value from early September 1929.

**Losses**

Losses during and after the Wall Street Crash are indicated by this table of the Dow Jones Index – this is made up of the total value of leading US shares.

|  |  |  |
| --- | --- | --- |
| Date | Stock market | % loss |
| Highest point, 3 September 1929 | 381.17 |  |
| Black Thursday, 24 October 1929 | 299.47 | 21 |
| Black Tuesday, 29 October 1929 | 230.07 | 40 |
| End of first wave of selling, 13 November 1929 | 198.69 | 48 |
| Lowest point, 8 July 1932 | 41.22 | 89 |

**The impact of the Wall Street Crash and the Great Depression**

Losses on Wall Street caused many individuals and some banks to go bankrupt. As loss of confidence set in there was a further fall in demand, loans were recalled, new loans weren’t made, businesses closed and a vicious cycle set in whereby more people becoming unemployed or having their wages reduced led to ever greater reductions in demand as fewer people could afford goods. The Wall Street Crash was not the primary cause of the Great Depression but it certainly contributed to it.

America was the largest capitalist economy in the world and when it went into recession the other major capitalist economies were dragged down too. This was because Americans could no longer afford to buy foreign goods and US lenders recalled their overseas loans. The rising unemployment in Europe and Japan also further reduced demand for US goods so made unemployment in the US worse.

By 1933 nearly ¼ of the potential US workforce was unemployed. There were no welfare benefits to assist households that were suddenly without an income. But rents and mortgages still had to be paid. Some survived with the help of families, friends and neighbours. Others were evicted and were reduced to begging on the streets, scavenging rubbish dumps for food and sleeping on park benches.

Shanty towns of makeshift huts and tents were constructed on the edges of towns and cities and became known as ‘Hoovervilles’ after the President, Herbert Hoover. Desperate people from these cardboard communities were dependent on soup kitchens and public relief schemes provided by charities or local government. By 1932 over 100 local authorities had no money left.

One of the most striking images from the time was the arrival in Washington DC of around 25,000 destitute army veterans during the early summer of 1932. They had been promised a war service bonus to be paid in 1945. They argued that in view of their desperation it should be brought forward to 1932. Following the refusal of Congress to pass a Bonus Bill the ‘Bonus Army’ began a peaceful protest camped in a Hooverville opposite the White House. Hoover regarded this as a threat to the institutions of government and requested the help of the army to clear the site. The camp was destroyed with the aid of tanks, machine guns and tear gas. Two veterans were killed and nearly 100 injured.

Other instances of protest and violence took place in rural areas. Farmers were amongst the worst affected by the Depression as the drop in city incomes made it even harder for them to sell their produce. Evictions and seizures of land were sometimes resisted with barricades and stand-offs between the sheriffs and local farmers. Most bankrupted farmers accepted their fate and took to the road in search of casual work.

**Reaction of President Hoover**

Hoover could be regarded as unlucky to have been elected President – the third Republican in a row – just as the 1920s boom was coming to an end. His Presidency was therefore associated with business and bank closures, a falling economy and rising unemployment.

Hoover’s early reaction to the Depression was, like many Americans, to see it as a normal business downturn. His first strategy was to sit it out until prosperity returned. When it became clear that the economy was in more serious trouble Hoover did try to take action to stimulate business and employment:

* In 1930 taxes were cut by $130 million to inject more purchasing power into the economy
* The 1930 Hawley-Smoot Act increased tariffs to protect US-produced food and goods
* Money was provided to finance a building programme to create more jobs. The most famous project was the Hoover Dam on the Colorado river
* Employers were encouraged to make voluntary agreements with their employees to maintain wages and production
* The 1932 Reconstruction Finance Corporation (RFC) was set up to provide loans totalling $1,500 million to businesses facing hard times
* The Federal Farm Board was set up to buy surplus produce in an attempt to stabilise prices

However, all these measures can be seen as too little, too late. Hoover was against the federal government providing welfare support for the unemployed as he thought this would undermine the American values of self-help and rugged individualism. This made him seem unsympathetic and indifferent to the human side of the Depression.

**The 1932 Presidential election**

In the November 1932 Presidential election the Democratic Party candidate, Franklin D Roosevelt defeated Hoover by a landslide. FDR polled more 7 million more votes than Hoover, winning 42 out of the 48 states. This was the Republicans greatest ever defeat at the time.

In the election campaign Hoover came across as grim-faced and thoroughly conservative, lacking the vision or willingness to experiment with new ideas. FDR was very different. There were several reasons for his popularity:

* FDR belonged to the Democratic Party which had been out of power since 1921. He had no responsibility for policies that had led to the Great Depression
* In 1928 he had become Governor of New York State. He organised schemes to help the elderly and unemployed. This gave him a reputation for understanding the plight of the poor
* He had an upbeat personality, appearing warm, charming and optimistic. Many admired the way he had fought against personal difficulties having contracted polio and become paralysed in 121
* While he was often unspecific about how he would rescue America from the Depression, the electorate were infected by his confidence and determination to fight against the odds. Public imagination was caught by his promises to remember the ‘forgotten man’ and make ‘a new deal for the American people’

**The New Deal**

The New Deal is the term applied to the various measures introduced by FDR between 1933 and 1938 to rescue America from the effects of the Great Depression. Its three main aims were:

* Relief – assistance for the unemployed and poverty-stricken
* Recovery – and rebuilding of the US economy
* Reform – to create a more fair and just society

**FDR’s inauguration**

In the ‘lame duck months’ between winning the election in November 1932 and being sworn in – inaugurated – as President in March 1933, FDR worked with his advisers on the detail of the New Deal. At his inauguration FDR famously compared the situation facing America to the emergency of war but said ‘the only thing we have to fear is fear itself’ and he promised ‘action, and action now’.

**The ‘Hundred Days’**

The first phase of the New Deal between March and June 1933 is often called the ‘First Hundred Days’. It tried to address problems in a range of areas and saw the creation of many ‘Alphabet Agencies’.

**Banks**

The banking system was close to collapse as customers were panicking and withdrawing their savings, making further bank closures more likely. FDR ordered a four-day national bank holiday while the Emergency Banking Act was passed through Congress. Unsound banks – about 5% of the total – were then closed down. The rest were helped with government grants and advice. FDR explained what he was doing in the first of his Fireside Chats – a national radio broadcast. Those with savings were asked to return their money to the banks when they re-opened. Public confidence was restored and the banking system survived.

**Unemployment**

Unemployment stood at nearly 13 million in 1933, approximately 25% of the workforce. The Civilian Conservation Corps (CCC) was set up to provide voluntary employment for men aged 18-25. They lived in government camps and carried out conservation work such as planting new forests, strengthening river banks for flood control and clearing scrubland. Wages were low – a dollar a day – but the scheme provided work for over two million men over between 1933 and 1942.

The Public Works Administration (PWA) provided jobs in major construction projects such as dams, bridges, railways, schools, hospitals and houses. It spent $7 billion between 1933 and 1939 and created millions of skilled jobs.

The Civil Works Administration (CWA) provided temporary work over the winter of 1933-34. Four million jobs were created building roads, airports and schools up to April 1934.

**Farmers**

The collapse of food prices after 1929 had left farming in crisis. The Agricultural Adjustment Administration (AAA) paid farmers to take part of their land out of cultivation and to reduce livestock. Millions of acres of sown land were ploughed up and six million piglets were slaughtered. Prices rose and farmers’ incomes doubled 1933-39.

However, farm labourers were not helped and many became unemployed.

**Industry**

The National Industrial Recovery Act set up the National Recovery Administration (NRA). It aimed to stabilise production and prices and improve working conditions and pay. Voluntary codes were drawn up for each industry. These regulated prices, output, hours and wages. Businesses that signed up were able to display the NRA Blue Eagle with the motto ‘We Do Our Part’. The public were encouraged to buy products and services from businesses displaying the Blue Eagle.

The scheme led to an improvement in working conditions and reduced child labour. It also ended price-cutting wars. However, it tended to favour large firms who sometimes forced smaller firms out of business. When the Supreme Court declared the NRA unconstitutional FDR made no attempt to revive it.

**The poor**

The Federal Emergency Relief Administration (FERA) was set up with a budget of $500 million to assist those in desperate need. It funded soup kitchens, provided clothing and bedding and set up work schemes and nursery schools.

**The Second New Deal**

While most of the best-known alphabet agencies were created during the First Hundred Days there was still much work to be done and a number of further important initiatives were introduced between 1935 and 1937. Collectively they are known as the Second New Deal. The emphasis was on helping the victims of the Depression and creating a fairer America.

Measures included:

**The Wagner Act, 1935**

This replaced part of the National Industrial Recovery Act that had been declared unconstitutional. Senator Wagner introduced the act to support the right of workers to form trade unions and bargain with their employers. It outlawed a number of unfair practices used by employers to prevent union development such as the dismissal of workers who were union members. It also set up the National Labour Board to act as a referee between the trade unions and management.

**The Social Security Act, 1935**

For the first time the Federal government took responsibility for providing old age pensions, unemployment benefit and help for the sick and disabled. Pensions and unemployment relief were based on an insurance scheme funded by taxes levied on workers and employers. If a worker became unemployed the insurance scheme provided a payment until new employment was found. This went against the belief of many Americans that individuals should provide for their own welfare.

**The Works Progress Administration, 1935**

This addressed the persistent problem of unemployment. It supported a broad range of projects and work programmes: the building of schools, hospitals, highways and a 1,600 km windbreak of trees to stop further erosion from the Dust Bowl. There were also schemes to provide employment for artists, actors and writers. The National Youth Administration, a junior section of the WPA, provided part time work and vocational training for young people.

**The Resettlement Administration, 1935**

The RA focused on the plight of farm labourers, sharecroppers and tenant farmers who had been made unemployed through the operation of the AAA. It aimed to move and resettle 500,000 families to areas of better land.

In 1937 the RA was replaced by the Farm Security Administration (FSA) which provided loans for land purchase by poor agricultural workers. Labour camps were built to help migrant workers. Nevertheless, the position of many farm workers remained extremely poor.

**Opposition to the New Deal**

The New Deal involved a major increase in state intervention, but it did not apply communist or socialist solutions to the Great Depression – there was no nationalisation or major redistribution of wealth. So, some critics thought FDR hadn’t gone far enough, whilst others thought he was too radical and interventionist. He was attacked from both left and right.

**Radical (left wing) opposition to the New Deal:**

1. **The ‘Radio Priest’ and the National Union for Social Justice**

Father Charles Coughlin from Detroit was originally a supporter of the New Deal but he soon became disillusioned. He felt that FDR was failing to tackle the problems of the poor. He broadcast his ideas on the radio every Sunday evening to a national audience of 40 million. He also founded the National Union of Social Justice which had up to 7 million members.

1. **Townsend Clubs**

Dr Francis Townsend from Illinois wrote the Townsend Plan: everyone over 60 was to receive a pension of $200 if they retired and spent the money each month. It was to be funded by taxation. It was intended to help older people, create jobs for the young and inject money into the economy. Millions of older people joined clubs which campaigned for the plan.

1. **Huey Long’s ‘Share Our Wealth’ scheme**

Senator Huey Long, a former Governor of Louisiana**,** planned amajor redistribution of wealth to stimulate the economy. His ‘Share Our Wealth’ scheme included confiscating large fortunes, giving lump sums to US families, providing pensions, the minimum wage and free education. It was claimed he had 7.5 million supporters in 1935 and he hoped to become President. However, he was assassinated in September 1935 and his plans died with him.

**Conservative (right wing) opposition to the New Deal:**

1. **Republicans**

Republicans believed in minimal government intervention, low taxation, low government expenditure, self-help and individual responsibility. The New Deal seemed to undermine these values. Initiatives such as the Tennessee Valley Authority (TVA) and NIRA were compared with Stalinist economic planning of Soviet Russia. It was also claimed FDR was too powerful, acting like a dictator.

1. **The Liberty League**

Business leaders formed the Liberty League to unite opposition to the New Deal in 1934. FDR was accused of socialism and destroying the free enterprise spirit of the USA. Businessmen particularly disliked FDR because he supported trade union rights, they had to contribute towards the unemployment insurance scheme and they found codes of the NIRA restrictive.

1. **States’ rights campaigners**

Some state governors, including Governor Kump of West Virginia, argued that the New Deal laws and regulations conflicted with the rights of state governments to manage their own affairs. Campaigners objected to schemes such as the TVA that compelled state governments to cooperate with the federal government.

**The Supreme Court**

The Supreme Court had to judge whether measures passed by the President and Congress were consistent with the US Constitution. During the 1930s most of the nine judges were old, conservative and Republican. They had a natural political dislike for the New Deal and declared both the NRA and AAA unconstitutional. After winning the presidential election FDR decided to try and sort out the Supreme Court. He wanted to appoint six more judges who would agree with his policies. This plan misfired – he was accused of trying to ‘pack the court’ and overthrow the Constitution. Nevertheless, the Supreme Court began to drop its opposition to the New Deal and upheld two key measures in 1937, including the pensions section of the Social Security Act.

**Continuing unemployment**

When FDR became President, unemployment was 128 million (25%). By the end of 1941 when the USA entered WWII it had fallen to 5.6 million. It had fallen between 1933 and 1937 but risen sharply in 1938 before resuming its downward trend. However, it never fell below 5 million. There are a number of possible reasons for this:

**The home market**

Many Americans remained on low incomes, limiting the amount that could be spent on US goods. This was especially the case in rural areas which depended on the recovery of farming. Whilst most agricultural prices rose after 1933, wheat and cattle prices didn’t reach 1929 levels until 1941.

**The foreign market**

There was a limit to how much America’s export industries could expand and take on more workers because all its overseas customers were also suffering from the Depression and high unemployment. Tariffs remained firmly in place in the US and became common practice in Europe and Japan.

**Improved production methods**

As agriculture continued to use more machinery and less labour there were reduced opportunities for employment in farming. In industry, modern methods of production involving assembly lines and automatic tools meant fewer factory workers were required.

**The business cycle**

Businesses always go through periods of growth followed by periods of contraction. FDR could not get rid of the business cycle altogether, especially since it had become a global event. The world economy improved briefly between 1933 and 1937 but then briefly fell back into recession. America’s increased unemployment in 1938 was reflected in all capitalist economies.

**Self-inflicted unemployment**

For business to survive, especially during a recession, it has to become as efficient as possible. If there is overproduction then production capacity may have to be reduced and this will almost certainly involve the loss of jobs. This happened in farming as FDR approved action which led to a loss of jobs, but the alternative would have been the collapse of the farming sector.

**The limitations of the New Deal**

FDR did not and could not have taken complete control of the economy. Congress would never have allowed this. Instead, he tried to provide solutions to the different problems associated with the Depression. The recovery of the US was at a frustratingly slow pace. It took the demands of war to complete the transformation into economic prosperity.

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**Conclusions**

Opinions differ on the success or failure of the New Deal. Critics on the right say it began the movement towards ‘big government’ and undermined the qualities that had made the US great. Critics on the left say FDR didn’t do enough. Others see the New Deal as having steered a middle course between revolution and stagnation.

Overall limitations of the New Deal

* Unemployment never fell below 14% between 1933 and 1939
* Businessmen and industrialists strongly disliked the encouragement given to unions under the Wagner Act. Some companies were prepared to use violence to break-up strikes and sit-ins. In Chicago in 1937 10 steel workers were shot dead by police whilst taking part in a strike march
* Tenant farmers, labourers and sharecroppers were forced off the land
* The New Deal did not end racial discrimination. FDR needed the support of Democrats in the South, so did not introduce civil rights laws that they would have opposed.
* Although some blacks gained employment and housing, they received less help than whites
* Industrial recovery may have been held back by the increase in rules and regulations, increased taxes and the encouragement given to trade unions
* The approach of WWII was arguably as important if not more so in tackling the Depression. Well before entering the war in December 1941 the US had increased defence spending and begun supplying armaments and other goods to Britain and France

Overall achievements of the New Deal

* Unemployment fell over 30% 1933-39
* Trade union membership increased to over 7 million following the Wagner Act, many strikes were settled in workers’ favours and working conditions and pay generally improved
* Large-scale farmers benefited from the reductions in acreages and livestock and increased prices
* Millions of Americans were protected from the worst effects of the Depression by the introduction of welfare payments and other emergency benefits such as food clothing and shelter as the US became a more compassionate society
* Much business was saved by FDR’s speedy action to save the banking system
* Future industrial development and prosperity was stimulated by the construction of schools, roads, railways, bridges and hydro-electric dams
* FDR’s policies gave Americans new hope, confidence and a sense of purpose
* The New Deal ensured the US survived the Great Depression without resorting to extremes such as communism or fascism

**Useful websites**

**BBC GCSE Bitesize**

<http://www.bbc.co.uk/schools/gcsebitesize/history/tch_wjec/usa19101929/>

<http://www.bbc.co.uk/schools/gcsebitesize/history/tch_wjec/usa19292000/>

**Spartacus Educational**

<http://www.spartacus.schoolnet.co.uk/USAprosperity.htm>

<http://www.spartacus.schoolnet.co.uk/USARnewdeal.htm>

**History Learning Site**

<http://www.historylearningsite.co.uk/america_1918.htm>

**1920-30.com**

<http://www.1920-30.com/>