

New Deal: 1932-1938

Overview

Overview

- United States in 1930
- Great Depression
 - Nature
 - Causes
 - Hoover's Response
- Franklin Delano Roosevelt
- Time Line



walker evans, view of ossining, new york, metropolitan museum of art, 1930-31









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Population

- Total:
 - 122 million (1930)
 - 302 million (2007)

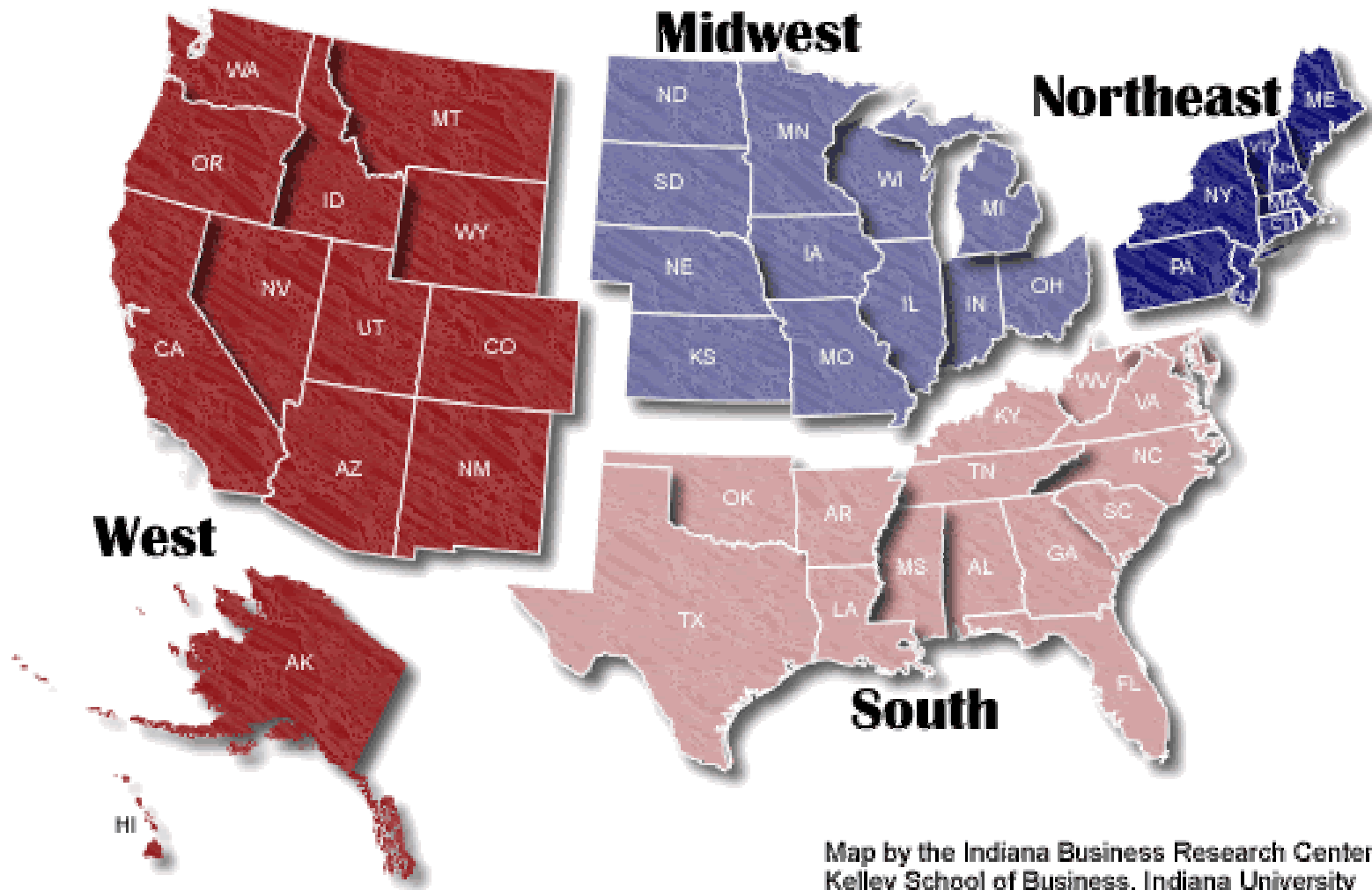
Urban/Rural

	1930	2007
Urban	68 million	222 million
	55%	75%
Rural	53 million	59 million
	45%	25%

Regions

	1930	2007
Northeast	34 million (28%)	55 million (18%)
Midwest	38 million (31%)	66 million (22%)
South	37 million (31%)	110 million (37%)
West	12 million (10%)	70 million (23%)

U.S. Census Regions



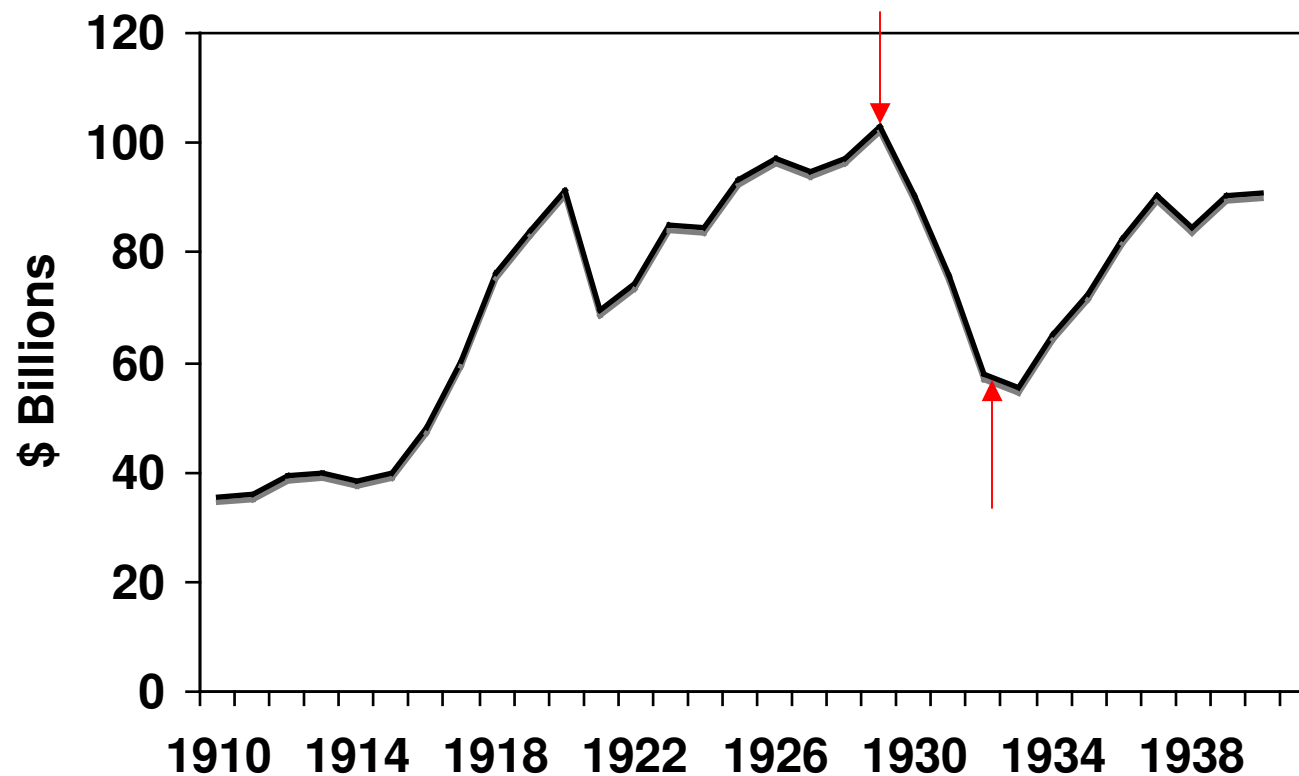
Age

	1930	2007
Median Age	26.5	36.6
Over 55 Years	14 million 12%	69 million 23%
Over 65 Years	6 million 5%	37 million 13%

Great Depression

- Sharp decline in economic activity (GNP)
- Decreased employment
- Decreased prices (deflation)

Gross National Product 1910-1940

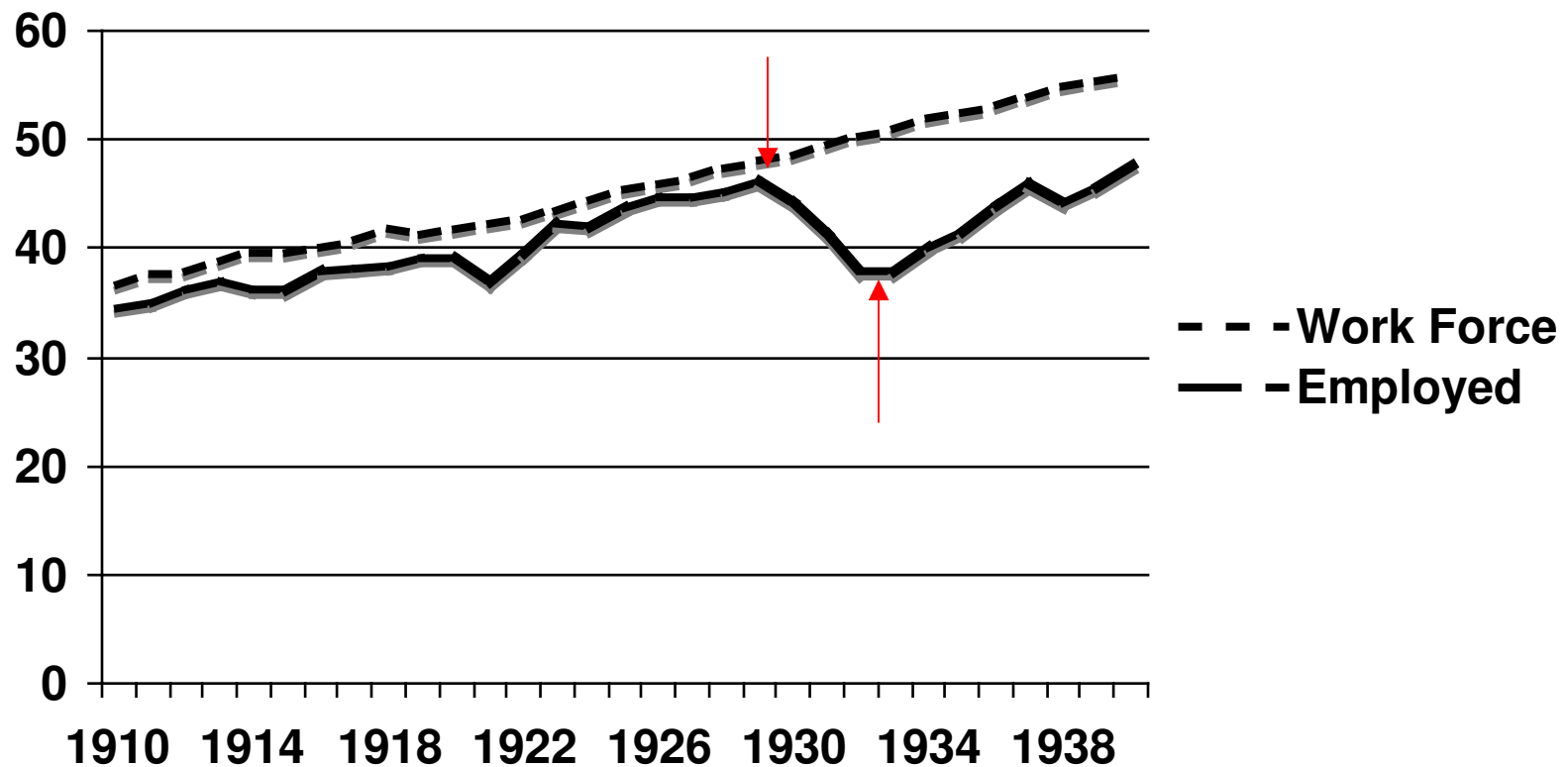


Gross National Product

- 1929 -- 103.1 billion
- 1933 -- 55.6 billion

Employment: 1910-1940

(millions of workers)



Employment

- 1929
 - Workforce - 48 million
 - Employed - 46 million (95.8%)
- 1933
 - Workforce - 51 million
 - Employed - 38 million (74.5%)

Consumer Prices

- Declined 18% 1929-1933
- Depressed corporate earnings further

Causes

- Controversies
 - One cause vs.. many
 - Domestic vs.. international
 - Supply vs.. demand
 - Human error vs.. business cycle

Contributing Factors

- Slowed population growth
 - Limits on immigration
- No new industries in late 1920s
 - Auto and radio sparked growth in early 1920s
- Growth in wage economy

Economic Causes

- Distribution of income and wealth
 - Income of top 0.1% = bottom 42%
 - Top 0.5% owned 32.4% of wealth
- Productivity rising faster than wages
- Continued heavy investment, increased productivity
- Economy increasingly tied to autos
- Easier credit & exports = temporary fix

Farm Problems

- Depressed income/buying power after 1920
 - Production expanded during WWI
 - New tools & methods
 - Reduced acreage for horse feed
- Farm debt
 - From \$3.3B in 1910 to \$9.4B in 1925
- Exports increasingly important
 - 25% of farm income in 1929

Industrial Economy

- Highly concentrated
 - 200 firms held 49% of corporate wealth
 - 22% of national wealth
- Did classic economic theory apply?

International Causes

- Bank failures in Europe
- War debts; US loans
- No replacement for Britain as stabilizer
 - Lend abroad in bad times
 - Lend at home in good times
 - US did opposite in late 1920s/1930s
- US increased exports but not imports

Speculative Bubbles

- Florida Land Boom 1924-1926
- US Stock Market 1928 -1929
 - Dow Jones:
 - 191 (early 1928)
 - 381 (Sept. 1929)
 - 50% decline: Sept. - Nov. 1929
- Speculation
- Leverage

Stock Market Crash

- Cause
 - Loss of Confidence
- Symptom
 - Economy not sustainable

Federal Reserve Policies

- Middle 1920s
 - Low interest rates
 - Maintain relationship between dollar & pound
- 1928 & after
 - Raised interest rates
 - Slow speculation
- Restricted money supply when expansion was needed

Conventional Wisdom in 1929/32

- Agreement:
 - Economy out of balance
 - International & domestic
- Disagreements:
 - Structural or Cyclical?
 - Role of Government?
 - Remedies?

Available Ideas

- Neo-classic Economics
- New Nationalism
- Example of WWI
- New Freedom
- National Planning
- Public Works
- Social Gospel

Neo-classical Economics

- Cyclical problem
- Wait until economy corrects itself
- Sound money/gold standard
- Little or no role for government
- Balanced budgets

New Nationalism

- Doubted neo-classical theories
- Accepted role of large corporations
- Promote govt/business cooperation
- Accept some govt. regulation
- Theodore Roosevelt
- Herbert Hoover

Example of WWI

- Expanded govt involvement in economy
- National planning
- Government control of railroads

New Freedom

- Suspicious of large corporations
- Break up trusts
- Government as regulator
- Promote smallness in business & farms
- Woodrow Wilson
- Louis Brandeis/Felix Frankfurter

National Planning

- Doubted capacity of markets
 - Set priorities
 - Allocate resources
- Re-create “balance”
 - Within economy
 - Between business & labor
- National plans and planning bodies
- Rexford Tugwell

Public Works

- Govt invest in infrastructure
- Traditional US view
 - Canals & railroads
- Regional flavor
 - Develop West and South
- Roads, electricity

Social Gospel

- Protestant movement
- Concern for social justice
 - Child labor
 - Wages & Hours
- Settlement houses
 - Services for immigrants and poor
- Jane Addams

Progressivism

- Other than neo-classical economics
- Available ideas = “progressive”
- Urban upper & middle class
- Reliance on experts/universities
- Electoral “reforms”
- Conservation

Common Elements

- Reform capitalism, not replace it
- Top down, not bottom up
- Economic efficiency, not social welfare
- Reaction to rise of industry & large corporations
- Reaction to popular movements
- Concern about “balance” within society

Popular Movements

- Populists
 - Rural
 - Anti-Eastern finance
 - Anti-corporate
- Labor unions
 - Urban
- 1880s & 1890s -- period of unrest

Herbert Hoover & Great Depression

- Confidence building
- Voluntary efforts to maintain wages
- Easier credit for banks
 - Reconstruction Finance Corporation
- Public works
- Balanced budget
- Opposed to Federal relief

Hoover's Failures

- Confidence building backfired
- Govt-business-labor cooperation insufficient
- No fiscal stimulus
- No relief

Franklin D. Roosevelt's Assets

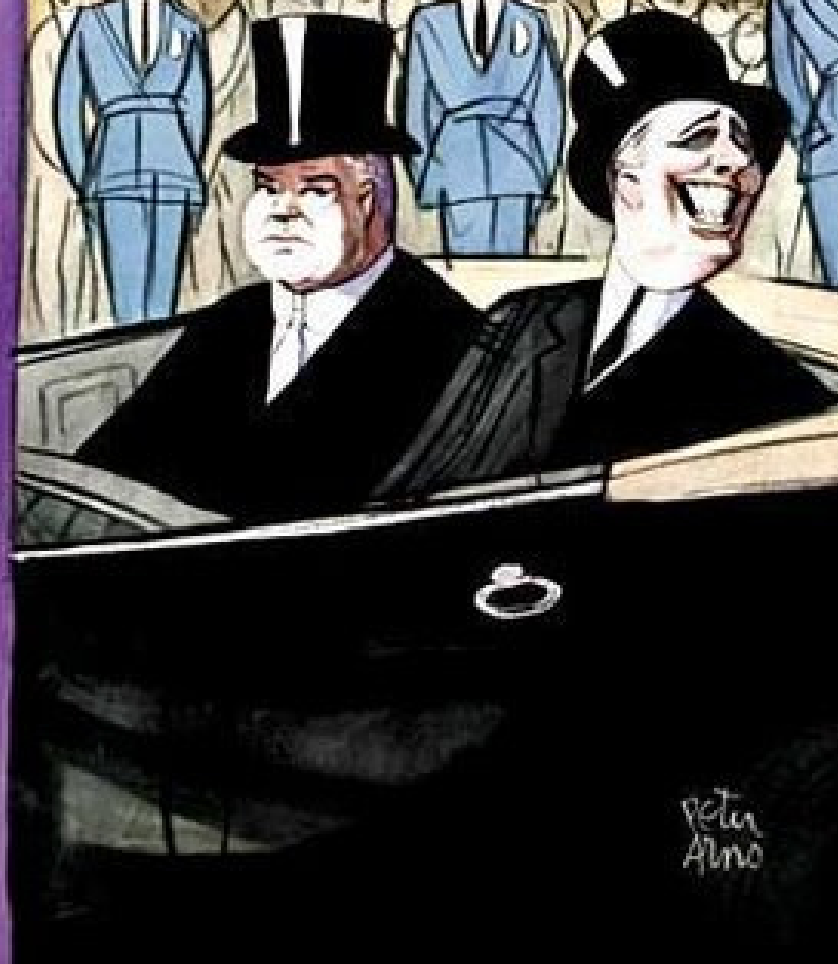
- Charisma
- Confidence
- Communication
 - Radio
 - Press
- Concern
 - Social justice through social action

Mar. 4, 1933

THE

Price 15 cents

NEW YORKER



FDR's Ideas

- No grand design
- No consistent philosophy
- Experimenter
- Opportunist
- Spontaneous
- Rural
- Pre-industrial

FDR's Style

- Thought out loud
- Kept own counsel
- Appointed officials with differing views
- Made conflicting assignments
- Gained & discarded advisers
- Made ad hoc arrangements



New Deal: Time Line

- November 1932 -- FDR elected
- March 1933 -- FDR inaugurated
- March-June 1933 -- 100 days
- April-July 1935 -- Second New Deal
- Summer 1937 -- Second Depression
- June 1938 -- Fair Labor Standards Act

Questions

- Did New Deal “end” the Great Depression?
- Did the New Deal solve the problems caused by the Depression?

New Deal Topics

- Economy
- Farms & Industry
- Social Welfare
- Public Works
- States
- Labor
- Politics