

UNIT TEN READINGS

The Golden Twenties and the New Deal

CHAPTER
31 **A Decade of
Prosperity
Ends in a
Crash**
(1920-1932)

195 **Stock Market
Fever**

READING FOCUS

1. Why was the author critical of the great increases in buying and selling stocks?
2. Did the author invest in the stock market? Why or why not?

In days of not so very old
Bores did I know a million fold.
They used to tell me this or that:

From Christopher Columbus and Other Patriotic Verses by Franklin P. Adams.

How cheap—or dear—they'd leased a flat;
They used to tell me of That Kid—
What little Elsie said or did;
They used to tell me of the trains
Between New York and Tiger Plains,
And of how fast they made the trip
From house to office—zippety zip!
Of girls they used to talk—and boast.
Of games, perhaps, they talked the most;
Of fights and baseball games they'd seen;
Of single strokes from tee to green;
Of backhand drives and passing shots;
Of hands that won stupendous pots.
They used to tell, with silly pride,
How yesterevening they were Fried.
They used to tell, the bores supreme,
Of this or that Uncanny Dream.
But nowadays the bores I find
Are of a single, standard kind:
For every person I may meet
At lunch, at clubs, upon the street,
Tells me, in endless wordy tales,
Of market purchases and sales;
Of how he bought a single share
Of California Prune and Pear;
Or how he sold at 33
A million shares of T. & T.
How McAvoy and Katzenstein [stock market
brokers]
Told him to sell at 99;
Of thousands lost and millions made
In this or that egregious trade;
How bright he was to buy or sell
EP, GM, X, or GL.
In herds, in schools, in droves, in flocks
The men and women talk of stocks.
They talk in couples and in crowds,
And I, whose head is in the clouds,
Who hold that Mind is more than Matter,
Am bored by all this market patter.

How long can any land be sane
 With all its mind on moneyed gain?
 And whither, prithee, do we drift
 Whose port is Gain instead of Thrift?
 It makes me ill, and even sicker
 To see so many watch the ticker.
 To Mammon bends the national knee;
 What fools these stock-mad mortals be!
 Ill fares, as Goldsmith [a British writer of
 the 1700's] used to gab it,
 The land where everyone's a Babbitt [a per-
 son who strives for money and success, ig-
 noring artistic and intellectual values].
 But what a job they made of me!
 I sold a stock at 43
 A month ago, and up to date
 It's selling at 388.

Ill fares the land, as said before
 Where everyone's a stock-mad bore.

READING REVIEW

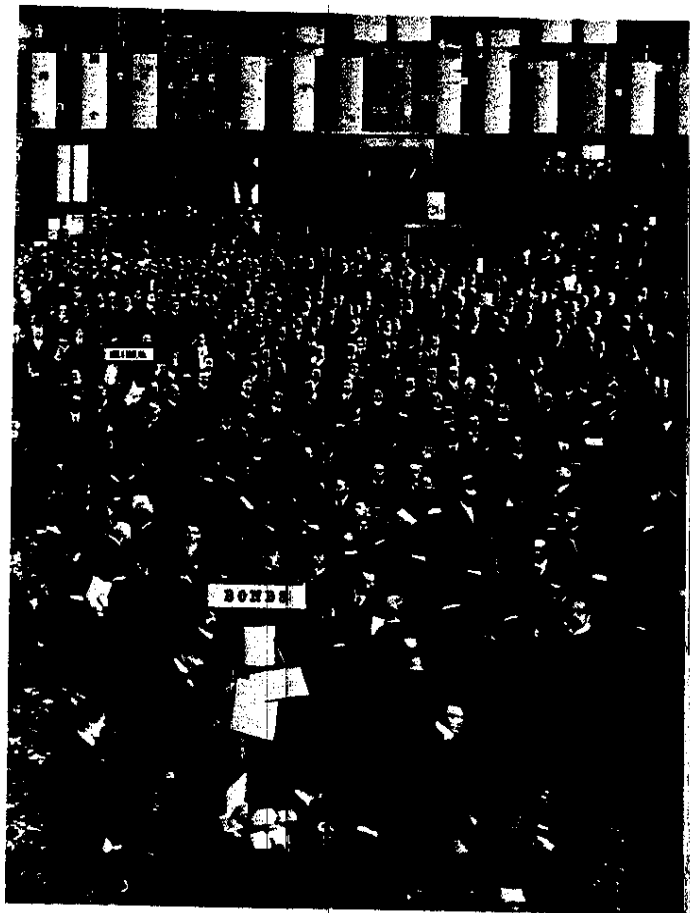
1. According to the author, what was wrong with the nation's preoccupation with the stock market?
2. (a) What evidence was there that the author invested in the stock market? (b) Why did he regret his decision?
3. Do you think this poem is applicable to today's society? Why or why not?

196 What Caused the Depression?

The stock market crash of October 1929 was the beginning of the Great Depression that lasted through the 1930's. During this period of hard times, banks and businesses closed down and many millions of Americans were forced out of work.

What caused the depression? Economists have developed many conflicting theories about the direct and indirect causes of the depression. Some blame the lack of prosperity in American agriculture during the 1920's and the farmers' reduced buying power. Some blame the unequal distribution of income. Others blame overinvestment in the stock market. Still others feel that the huge government debts among nations put too much pressure on the world economy.

The following selection was written by John Kenneth Galbraith, a present-day economist. In it he gave his explanation of this crisis in America's economy.



The New York Stock Exchange

READING FOCUS

1. In Galbraith's view, what caused the depression?
2. Why did he say that the economy in 1929 was "basically unsound"?

The collapse of the stock market in the autumn of 1929 was a natural result of the speculation that went before. The only question about that speculation was how long it would last. Sometime, sooner or later, confidence in increasing stock values would weaken. When this happened, some people would sell. There would be a rush to unload. This was the way past spec-

Adapted from The Great Crash by John Kenneth Galbraith.

ulative orgies had ended. It was the way the end came in 1929. It is the way speculation will end in the future.

We do not know why a great speculative orgy occurred in 1928 and 1929. The long accepted explanation that credit was easy and so people were forced to borrow money to buy common stocks on margin is obviously nonsense. On many occasions before and since, credit has been easy, and there has been no speculation whatever. Furthermore, much of the 1928 and 1929 speculation occurred using money borrowed at interest rates which for years before, and in any period since, would have been considered exceptionally high. Money, by ordinary standards, was tight in the late 1920's.

Far more important than the rate of interest and the supply of credit is the mood. Speculation on a large scale requires a sense of confidence and optimism. People must also have faith in the good intentions of others, for it is through others that they will get rich. When people are cautious, questioning, or suspicious, they resist speculative enthusiasms.

Savings must also be plentiful. Speculation, however it may rely on borrowed funds, must be nourished in part by those who participate. If savings are growing rapidly, people will be willing to risk some of it against the prospect of a good return. . . .

A great many people have always felt that a depression was inevitable in the 1930's. There had been (at least) seven good years; now, by a law of compensation, there would have to be seven bad ones.

There is also the belief that economic life is governed by an inevitable rhythm. After a certain time, prosperity destroys itself and depression corrects itself. In 1929 prosperity, in accordance with the law of the business cycle, had run its course.

Neither of these beliefs can be seriously supported. The 1920's, by being comparatively prosperous, did not call for the 1930's to be depressed. In the past, good times have given way to less good times and less good or bad to good. But change is normal in a capitalist economy. No inevitable rhythm required the collapse of 1930-40.

Finally, the high production of the 1920's did not, as some have suggested, outrun the wants of the people. During these years people were indeed being supplied with an increasing

volume of goods. But there is no evidence that they had no more desire for automobiles, clothing, travel, recreation, or even food. On the contrary, all later evidence showed (given the income to spend) a capacity for a large further increase in consumption.

What, then, were the causes of the depression?

There seems little question that in 1929 the economy was fundamentally unsound. This is a circumstance of first-rate importance. Many things were wrong, but five weaknesses seem to have had an especially close bearing on the disaster. They are:

1. *The bad distribution of income.* In 1929 the rich were clearly rich. It seems certain that the 5 percent of the population with the highest incomes in that year received approximately one third of all personal income. The proportion of personal income received in the form of interest, dividends, and rent—the income, broadly speaking, of the well-to-do—was about twice as great as in the years following World War II.

This highly unequal distribution of income meant that the economy was dependent on a high level of investment or a high level of luxury consumer spending or both. The rich cannot buy great quantities of bread. If they are to get rid of what they receive it must be on luxuries or through investment in new plants and new projects. Both luxury and investment spending are subject to wider changes than the bread and rent outlays of the \$25-a-week worker. This high-bracket spending and investment was especially open, one may assume, to the crushing news from the stock market in October of 1929.

2. *The bad corporate structure.* . . . American business in the 1920's had opened its hospitable arms to an exceptional number of promoters, grafters, swindlers, imposters, and frauds. In the long history of such activities, there was a kind of flood tide of corporate theft.

3. *The bad banking structure.* The banking structure of the United States was weak. When one bank failed, the assets of others were frozen while depositors elsewhere had a warning to go and ask for their money. Thus one failure led to other failures, and these spread with a domino effect. Even in the best of times local misfortune or isolated mismanagement could start such a chain reaction. (In the first six months of 1929, 346 banks failed in various



People crowd Wall Street as they rush to the New York Stock Exchange.

parts of the country; their deposits totaled nearly \$115 million.) When income, employment, and values fell as the result of a depression, bank failures could quickly become an epidemic.

4. *The doubtful state of the foreign balance.* During World War I, the United States became a creditor nation, rather than a debtor nation. In the ten years following the war, the surplus of exports over imports, which once had paid the interest and principal on loans from Europe, continued. The high tariffs, which restricted imports and helped to create this surplus of exports, remained.

Before the war, payments on interest and principal had in effect been deducted from the trade balance. Now that the United States was a creditor, they were added to this balance. During most of the 1920's, the difference was covered by cash—that is, gold payments to the United States—and by new private loans by the United States to other countries. But countries could not make up for their bad trade balance with increased payments of gold, at least not for long. This meant that they had to increase their exports to the United States, reduce their imports, or not pay their past loans. President Hoover and the Congress moved quickly to get rid of the first possibility—that the accounts would be balanced by larger imports—by sharply increasing the tariff. Accordingly, debts, including war debts, were not paid and there was a decline in American exports. The reduction was not great in relation to the total output of the American economy, but it contributed to the general suffering and was especially hard on farmers.

5. *The poor state of economic knowledge.* . . . It seems certain that the economists of the late 1920's and early 1930's were almost determined to be wrong. In the months and years following the stock market crash, they gave advice that was constantly on the side of measures that would make things worse. Asked how the government could best help economic recovery, the sound and responsible adviser suggested that the budget should be balanced. Both political parties agreed on this. . . .

A commitment to a balanced budget meant there could be no increase in government spending to expand purchasing power and relieve suffering. It meant there could be no further tax reduction. But taken in the strictest sense it meant much more. From 1930 on the budget was far out of balance. Balance, therefore, meant an increase in taxes, a reduction in spending, or both. The balanced budget was not the only restraint on government policy. There was also the fear of "going off" the gold standard and, most surprisingly, of risking inflation. . . .

It is in light of the above weaknesses of the economy that the role of the stock market crash in the great tragedy of the 1930's must be seen. The collapse in securities values affected first the wealthy and the well-to-do. In the world of 1929 this was an important group. Its members spent a large proportion of the consumer income. They controlled the greatest share of personal saving and investment. Anything that struck at the spending or investment by this group would of necessity have broad effects on spending and income in the economy at large. . . .

The stock market crash was also an exceptionally effective way of exploiting the weaknesses of the corporate structure. Many companies were forced by the crash to cut down on spending. Their later collapse destroyed both the ability to borrow and the willingness to lend for investment.

The crash was also effective in bringing to an end the foreign lending by which international accounts had been balanced. Now the accounts had, in the main, to be balanced by reduced exports. . . .

Finally, when the misfortune had struck, the attitudes of the time kept anything from being done about it. This, perhaps, was the worst feature of all. Some people were hungry in 1930 and 1931 and 1932. Others feared that they might go hungry. Everyone suffered from a sense of complete hopelessness. Nothing, it seemed, could be done. And given the ideas which controlled policy, nothing could be done.

If the economy had been basically sound in 1929, the effect of the great stock market crash might have been small. But business in 1929 was not sound. On the contrary, it was exceedingly fragile. It was open to the kind of blow it received from Wall Street. . . .

READING REVIEW

1. List four reasons why America experienced a depression.
2. What evidence did Galbraith offer to support his statement that the economy in 1929 was "basically unsound"?
3. According to Galbraith, why did the attitudes of the time prevent anything from being done about the depression?

197 The "American Plan"

As the United States sank deeper and deeper into the worst depression in its history, Americans searched for workable solutions to their economic problems. The nation had never before faced such widespread poverty and so much suffering. But President Hoover believed the nation was suffering only from "frozen confidence" and that prosperity was "just around the corner." Because of this outlook, Hoover tried to use traditional methods to deal with the crisis. Although he realized that some government action was necessary, he was willing to take only limited

measures, such as helping to provide some new jobs and making loans to businesses.

In the following speech of June 1931, Hoover outlined his views on how to deal with this crisis.

READING FOCUS

1. What was the "American Plan"?
2. According to Hoover, what role should the United States government take in planning for the future development of the country?

We have many citizens insisting that we produce an advance "plan" for the future development of the United States. They demand that we produce it right now. I presume the "plan" idea is an infection from the slogan of the "five-year-plan" through which Russia is struggling to save itself from ten years of starvation and misery.

I am able to propose an American plan to you. We plan to take care of a 20 million increase in population in the next twenty years. We plan to build for them 4 million new and better homes, thousands of new and still more beautiful city buildings, thousands of factories. We plan to increase the capacity of our railroads, to add thousands of miles of highways and waterways, to install 25 million electrical horsepower, to grow 20 percent more farm products. We plan to provide new parks, schools, colleges, and churches for these 20 million people. We plan more leisure for men and women and better opportunities for its enjoyment.

We not only plan to provide for all the new generation. We shall, by scientific research and invention, lift the standard of living of the whole population. We plan to secure a greater distribution of wealth, a decrease in poverty, and a great reduction in crime. And this plan will be carried out if we just keep on giving the American people a chance. Its moving force is in the character and spirit of our people. They have already done a better job for 120 million people than any other nation in all history.

Some groups believe this plan can only be carried out by a fundamental, a revolutionary, change of method. Other groups believe that

Adapted from "Address to the Indiana Editorial Association," State Papers and Other Public Writings of Herbert Hoover, Vol. 1, edited by William Starr Myers.

any system must be the outgrowth of our character and traditions. They believe that we have established certain ideals over 150 years, upon which we must build rather than destroy.

If we analyze the ideas which have been put forward for handling our great national plan, they fall into two main types. The first holds that the major purpose of a nation is to protect the people and to give them equality of opportunity. It holds that the basis of all happiness is in the development of the individual, and that we should steadily build up cooperation among the people themselves to this end.

The other idea is that we shall, directly or indirectly, regiment the population into a bureaucracy to serve the state. It holds that we should use force instead of cooperation in planning, and thereby direct every person as to what may or may not be done.

These ideas present themselves in practical questions which we have to answer. Shall we abandon the philosophy and beliefs of our people for 150 years by turning to a belief that is foreign to our people? Shall we establish a giveaway from the federal treasury? Shall we undertake federal ownership and operation of public utilities instead of regulating them? Shall we protect our people from the lower standards of living of foreign countries? Shall the government, except in temporary national emergencies, enter into competition with its citizens? Shall we regiment our people by extending the arm of bureaucracy into a great many affairs?

Our immediate task as a people is to defeat the forces of economic disruption and pessimism that have swept over us. The duty of government in these times is to use its agencies and influence to strengthen our economic institutions; to inspire cooperation in the community so as to keep up good will and keep our country free from disorder and conflict; to cooperate with the people so that the deserving shall not suffer; and to strengthen the foundations of a better and stronger national life. These have been the objectives of my administration in dealing with this, the greatest crisis the world has ever known. I shall stick with them.

READING REVIEW

1. According to Hoover, what was the proper role of the government in dealing with the depression?



President Herbert Hoover

2. (a) Did Hoover favor or oppose increased government planning for the future development of the United States? (b) List two arguments he used to support his position.

CHAPTER **The Great** **32 Depression** **and the** **New Deal** *(1933–1941)*

198 On Government **and the Economy**

In 1932 the Democratic Party nominated Franklin D. Roosevelt as its candidate for President. Roosevelt had served as Assistant Secretary of the Navy under President Wilson and had become governor of New York in 1928. But he was not well known to many Americans when he began his Presidential election campaign. His campaign travels to all parts of the nation and his speeches promising to act immediately to end the depression won him victory in the 1932 election.

In his Inaugural Address, Roosevelt promised "a new deal for the American people," and he

outlined his program for ending the depression. He believed that the Great Depression was a grave crisis that had to be fought with bold new governmental programs. In the following speech delivered in San Francisco on September 23, 1932, Roosevelt summarized his ideas about what the role of the federal government should be in ending the crisis.

READING FOCUS

1. According to Roosevelt, what were the basic economic rights of all Americans?
2. What role should the federal government play in ending the economic crisis?

I want to speak not of politics but of government. I want to speak not of parties but of universal principles. They are not political, except in that larger sense in which a great American once defined politics—that nothing in all of human life is unrelated to the science of politics.

A look at the situation today indicates only too clearly that equality of opportunity as we have known it no longer exists. Our industrial system is built. The problem just now is whether under existing conditions it is not overbuilt. Our last frontier has long since been reached. There is practically no more free land. More than half of our people do not live on farms, and they cannot make a living by cultivating their own property. There is no safety valve in the form of a Western frontier to which those thrown out of work by the Eastern economic machines can go for a new start. We are not able to invite immigrants from Europe to share our endless plenty. We are now providing a drab living for our own people.

Our system of constantly rising tariffs has at last reacted against us. It has closed our Canadian frontier on the north, our European markets on the east, many of our Latin-American markets to the south, and a sizable part of our Pacific markets on the west.

Just as freedom to farm has ended, so also opportunity in business has narrowed. It still is true that people can start small businesses, trusting their own shrewdness and ability to

keep ahead of competitors. But area after area has been taken over altogether by the great corporations. Even in the fields which still have no large companies, the small operator starts under a handicap. The statistics of the past 30 years show that the independent business owner is running a losing race. Perhaps he is forced into bankruptcy. Perhaps he cannot get credit. Perhaps he is "squeezed out" by highly organized corporate competitors—as your corner grocery store owner can tell you.

Recently a careful study was made of the concentration of business in the United States. It showed that our economic life is dominated by some 600 corporations that control two thirds of American industry. The other third is shared by 10 million small businesses. More striking still, it appears that if the process of concentration goes on at the same rate, at the end of another century all American industry will be controlled by a dozen corporations, run by perhaps a hundred people.

Clearly, all this calls for us to think over our values. A builder of more industrial plants, a creator of more railroad systems, an organizer of more corporations, is as likely to be a danger as a help. The day of the great financial promoters to whom we granted anything if they would build or develop is over. Our task now is not discovery or exploitation of natural resources or producing more goods. It is the less dramatic task of managing resources and businesses already in existence. We need to get back foreign markets for our surplus production, and solve the problem of underconsumption. We must adjust production to consumption, distribute wealth and products more fairly, and adapt existing economic organizations to the service of the people. The day of enlightened management has come.

In older times the central [national] government was first a place of refuge, and then a threat. In the same way, in our present economic system the huge corporation is no longer a servant but a danger. I would draw the parallel one step farther. We did not think, when national government became a threat in the 1700's, that we should abandon the principle of national government. Nor today should we abandon the principle of corporations, just because their power can be abused. In other times we dealt with the problem of an overly ambitious central government by changing it gradually into a constitutional democratic gov-

Adapted from The Public Papers and Addresses of Franklin D. Roosevelt, Vol. I, published by Random House, Inc.

ernment. So today we are changing and controlling our economic units.

As I see it, the task of government in its relation to business is to help in developing an economic declaration of rights, an economic constitutional order. Happily, the times indicate that to create such an order not only is the proper policy of government, but is the only line of safety for our economic structures as well. We know now that these economic units cannot exist unless prosperity is uniform. Purchasing power must be well distributed throughout every group in the nation. That is why even the most selfish corporations would be glad to see wages raised and unemployment ended, and the Western farmer restored to prosperity. That is why some enlightened industries themselves try to limit the freedom of action of each business group within the industry in the common interest of all.

I feel that we are coming to see that private economic power is a public trust. I believe that in order to keep that power any individual or group must fulfill that trust. The people who have reached the top of American business life know this best. Happily, many of them urge that we adopt this greater social contract.

The terms of that contract are as old as the Republic, and as new as the new economic order.

Every person has a right to life. This means the right to make a comfortable living, a right that may not be denied. We have no actual famine. Our industrial and agricultural systems can produce enough and still have capacity to spare.

Every person has a right to individual property. This means a right to be assured of the safety of one's savings. In all thought of property, this right is supreme. All other property rights must give way to it.

These two requirements must be satisfied chiefly by the individuals who control the great industrial and financial concerns which dominate our industrial life. They are not business leaders, but rather princes of property. I am not prepared to say that the system which produces them is wrong. But I do say that they must take the responsibility which goes with the power. Many enlightened business leaders know this.

The responsible heads of finance and industry, instead of acting alone, must work together to achieve the common good. They

must, where necessary, sacrifice this or that personal advantage and seek a general advantage. It is here that government comes in. Whenever the dishonest competitor or the reckless promoter refuses to join in achieving a goal recognized as being for the public welfare, the government may properly be asked to apply restraint. Likewise, if the group should ever use its collective power against the public welfare, the government must be swift to protect the public interest.

The government should take over the function of economic regulation only as a last resort when private initiative has finally failed. As yet there has been no final failure, because there has been no attempt.

The final goal of the Declaration of Independence was liberty and the pursuit of happiness. We have learned a great deal about both in the past hundred years. We know that individual liberty and individual happiness mean nothing unless both are achieved without one man's meat being another man's poison. We know that liberty which robs others of basic rights cannot receive governmental protection.

All this is a long, slow task. Human endeavor is not simple. Government includes the art of making a policy, and using political techniques to secure as much of that policy as will receive general public support. We must build toward the time when a major depression cannot occur again. If this means sacrificing the easy profits of inflationary booms, then let them go, and good riddance.

Faith in America, faith in our tradition of personal responsibility, faith in our institutions, faith in ourselves, demand that we recognize the new terms of the old social contract. We shall fulfill them. We must do so. Otherwise, a rising tide of misery, caused by our common failure, will swamp us all. But failure is not an American habit. In the strength of great hope we must all share our common responsibility.

READING REVIEW

1. List the two economic rights of all Americans.
2. (a) How can the economic rights of Americans be guaranteed by business? (b) by government?
3. How did the government help end the crisis?
4. Do Americans still adhere to this basic economic philosophy?

199 WPA and the Arts

Enormous problems faced President Roosevelt when he took office in March of 1933. Millions of Americans were unemployed, thousands stood in "bread lines" for food every day. As part of the New Deal, Roosevelt planned programs to provide direct relief for the unemployed. Several government agencies also were set up to provide work for jobless Americans.

One of these agencies was the Works Progress Administration (WPA). The WPA provided jobs not only for unemployed factory and office workers but also for artists, writers, musicians, and actors. Through the Arts Projects, the WPA decorated post offices and other government buildings with murals. It performed free concerts, staged plays and musicals, and wrote a set of guidebooks about America. In this selection, writer Robert Bendiner described the WPA Arts Projects.

READING FOCUS

1. What were the main types of Arts Projects?
2. How did the Arts Projects sponsored by the WPA help America and Americans during the depression?

In the history of the world, few depression governments have given housewives free piano lessons. Fewer still have put thousands of artists to work. And before the 1930's probably none had given stage people an annual wage, even a small one, to put on free puppet shows and classical plays. But the New Deal did all of these things. In addition, it paid \$90 a month to unemployed reporters, unpublished writers, skilled researchers, and others to prepare some 250 books about America.

It has been pointed out over and over that the Arts Projects, as these operations of the Works Progress Administration were known, produced no Mozarts or Da Vincis. Neither did they produce lasting works of drama or fiction.

Adapted from pp. 178-200 in "WPA, Willing Patron of the Arts" in Just Around the Corner by Robert Bendiner.

What they did do was to help many talented people through the hard times. And they exposed to those talents millions of Americans who would otherwise never have known their charms. This introduction of struggling artists helped to destroy in four years certain American myths that had been around for a hundred years—that painting had to be European to have merit, and required wealth to be appreciated; that all concerts except those by the town band were in the nature of good works to which dutiful women dragged long-suffering husbands; and that except for four or five cities the American people required no theater at all.

Statistics are no key to quality, but they can point to a highly stimulated interest in music, painting, and plays. By the end of the 1930's, nearly 70 art centers were flourishing in communities where many art teachers had never before seen a professional painting. Some 60,000 Americans had taken painting lessons from government-paid artists. Offices and lobbies in government buildings across the land boasted murals and new paintings. Audiences estimated at 100 million people had heard some 150,000 free concerts, most of them by three dozen newly created symphony orchestras. And a half-million Americans each month had enrolled in free music classes, 40,000 in New York City alone.

A visiting English critic was amazed. "Accidentally WPA has dug up an extraordinary amount of talent," said Ford Madox Ford. "Art in America is being given its chance, and there has been nothing like it since before the Reformation."

Certainly a Renaissance was not what Harry Hopkins [head of the WPA] and his aides had in mind when they thought of the Arts Projects. What interested them was the hope of creating a whole new idea of government relief. In three years the country had come a long way from the Hoover view of direct aid to the victims of flood or earthquake was right and proper but not aid to the victims of human-made economics. For a time, welfare was the answer, then work of any kind for any purpose. Now the time had come for "maintaining the morale and skills" of the unemployed by paying them to perform the work they could do best until the private sector was ready to rehire them or pay for their work.

While the Public Works Administration went on with its building, the newly planned

Works Progress Administration would serve human beings. WPA funds would be spent on people, not things. What they were to do would be determined by what they *could* do, not by what the community might lack in the way of parking lots or sewage disposal plants.

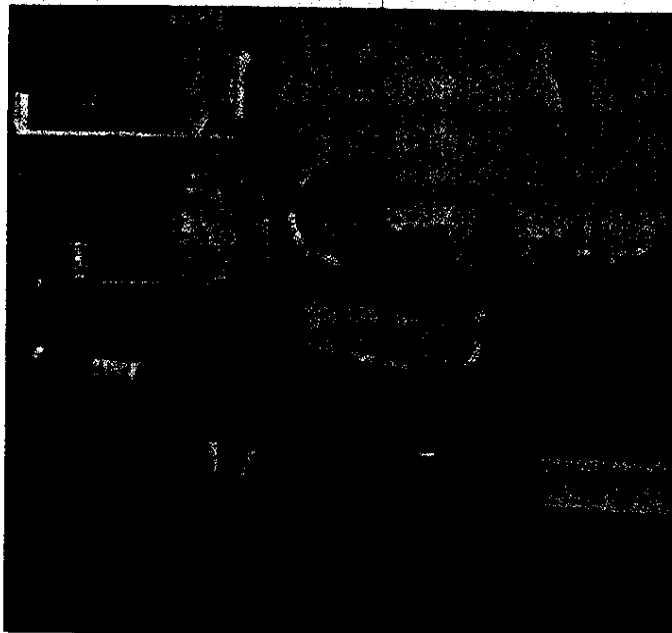
Carrying the idea further, WPA proposed to help *all* the jobless artists who might come to it for help, rather than just the truly gifted, who would most likely be the least in need. For years government agencies had hired the best artists, or those it considered such, to do murals and sculpture for its buildings. Now the problem was to employ not just the best, but also those who were merely good—in practice even those who were mediocre and sometimes those who were not very good, but who also had to eat.

Of all Americans engaged in the arts in the 1930's, the worst off by far were show people [entertainers]. Some 40,000 show people were extremely poor. So it was that, of all the good works of the WPA, the Federal Theater Project had the greatest opportunity, made the biggest splash, and left the most vivid memories.

One of the great charms of the Federal Theater was that it really covered the country. WPA shows were not just for New York, Chicago, and San Francisco. They were also for Tacoma (Washington), Reading (Pennsylvania), and Timberline Lodge (Oregon), not to mention Gary (Indiana), Peoria (Illinois), and Red Bank (New Jersey). They brought theater to towns in the United States that had not seen live actors for years. And they were received with great enthusiasm.

Three other WPA efforts in the arts left more visible reminders than the Federal Theater. About the Music Project I know little beyond the story of a violinist in a WPA orchestra in Florida. He apologized to the audience, on behalf of himself and the other musicians, for the quality of their concert. Their hands were still stiff, he explained, from their previous relief job, which was building a highway. The lasting work that the Music Project did was to search out and record the real folk music of America—the songs of the Southern mountaineers, the Indian-flavored songs of early Oklahoma, the Cajun songs of Louisiana, and the African-inspired songs of the Mississippi bayous.

On the Art Project, as the painters' and sculptors' unit was called, nobody pretended



Murals by WPA artists adorn many public buildings.

that the quota of genius was high. Considering the varied talents it had to work with, the Art Project sensibly made no attempt to have everyone paint. Of the 4,000 to 5,000 federally enrolled artists, far fewer than half were engaged in painting pictures or sculpturing or doing murals. Many taught free art classes. Some took photographs of old and decaying American houses. Others worked on posters and stage sets for the Federal Theater.

But the Art Project's real monument was the Index of American Design. For this magnificent work, still widely used, some 500 people reproduced in oil and watercolor the native art with which Americans, from early settlers to late Victorians, had decorated their homes, their possessions, and themselves. Here appeared in all their brightness the scarlet tulips that enlivened the coffeepots of the Pennsylvania Dutch, the embroidery of seventeenth-century Massachusetts, and the wonderful carved figureheads from New England ships. It was this great work, with its 7,000 skillful illustrations, that convinced many Americans that we had a native art after all.

It was charged that the fourth of the federal projects in the arts, the WPA Writers' Project, had little to do with writing. True, the memorable names connected with it can be counted

on the fingers. What passed for a Writers' Project was essentially what writer Bernard DeVoto called it, "a project for research workers." Happily, good writers and skilled journalists, headed by Henry Alsberg, its first national director, turned out the most colorful series of guides a nation could ask for. A one-time newspaper reporter, Alsberg felt that Americans might want to know more about places, people, and things in the United States than they could get from filling-station maps. There had not been a guide to America since 1909.

Alsberg's feeling was right. It fitted in, moreover, with the concept that ran through all the Arts Projects—namely, that given the talent available and the controversy that creative work might involve, their best contribution would be to expose Americans for the first time to true, detailed, and vivid information about America. The result was that the guides—one for each of the 48 states, 30 for major cities, and 20 others for great travel arteries like *U.S. One* and *The Oregon Trail*—were remarkably rich.

It was, all in all, a magnificent experiment and one that went far to support sculptor Gutzon Borglum's letter when the WPA was still a developing idea of Harry Hopkins: "I want to suggest that you make your aid to the creative ones among us greater, more effective in scope. You are not after masterpieces, and you should not be discouraged if you have many failures. The real success will be in the interest, the human interest, which you will awaken, and what that does to the nation's mind. I believe that's the door through which you can coax the soul of America back to interest in life." It certainly coaxed it over to a somewhat *different* life.

READING REVIEW

1. (a) What were the four main types of Arts Projects? (b) List major accomplishments of each.
2. Why did the federal government offer aid to America's museums, theaters, and other cultural centers?
3. (a) Does the federal government offer this type of aid today? (b) Do you think it should? Explain.
4. In what way did the Arts Projects help in the psychological healing of America during and after the depression?
5. According to the author, what was the real success of the Arts Project?

200 How Social Security Was Born

Today, Americans take for granted many of the economic and social benefits provided by the federal government. Many of these programs began during the New Deal. One of the most significant programs was social security.

The idea of old-age and unemployment insurance had first been suggested during the progressive era. But the depression brought new demands for such a program. After two years of planning with members of Congress, the Roosevelt administration set up a program of old-age and unemployment insurance. This program, spelled out in the Social Security Act, was passed by Congress in 1935. In this selection, Frances Perkins—Secretary of Labor in President Roosevelt's cabinet and the first woman to serve in the cabinet—outlined how the social security law came about.

READING FOCUS

1. What factors influenced the passage of the Social Security Act through Congress?
2. What was President Roosevelt's attitude toward the social security legislation?

Before his inauguration in 1933, Roosevelt had agreed that we should explore at once methods for setting up unemployment and old-age insurance in the United States. Therefore, early in 1933, the President encouraged Senator Robert F. Wagner and Representative David J. Lewis, who were both deeply interested in the subject, to go ahead with their bill on unemployment insurance. The bill, in a rough draft, was offered frankly for educational purposes. It was hoped that in the course of holding hearings the Congressional committees and the introducers of the bill would work out a satisfactory unemployment insurance law.

The President asked me to discuss the matter in as many groups as possible. I began in the cabinet. I made a point of bringing it up at least at every second meeting. In time, the other cabinet members became sincerely and honestly interested.

Adapted from The Roosevelt I Knew by Frances Perkins.

Hearings were held before Congress. Effective people were invited to testify before the Congressional committees. I myself made over a hundred speeches in different parts of the country that year. I always stressed social insurance as one of the methods for helping the unemployed in times of depression and for preventing depressions. We encouraged others to talk and write about the subject.

The Wagner-Lewis bill in Congress covered only unemployment insurance, but there was a great demand for old-age insurance also. It was easy to add this feature—and politically almost necessary. The President began telling people he was in favor of adding old-age insurance clauses to the Wagner-Lewis bill and putting it through as one program.

A great deal of educational work was done in 1933. But by June 1934 the Wagner-Lewis bill had not reached committee agreement. There had been differences of opinion in the testimony and recommendations to Congress. We began to see that there must be further study and a more complete plan before the bill could be presented to Congress for action.

The President had put the program on the must list. But the weather grew hot and Congress was very tired. Roosevelt decided that it might be better to tell Congress that he would be happy to agree to their adjourning if they understood that he would have a study made during the summer and would present a full program on economic security on January 1 when Congress met again. Congress gladly agreed.

Since members of the cabinet had developed great interest in the social security program, I suggested that it might be well to have the study made by a cabinet committee. The President readily agreed. He saw at once that a program developed by a committee of the cabinet would be under his control. It would not be likely to get off into the kind of political discussion and publicity that might cause doubt and delay.

The members of the cabinet Committee on Economic Security appointed by the President were the Secretary of Labor [Frances Perkins], chairman; Secretary of Agriculture Henry Wallace; Secretary of the Treasury Henry Morgenthau; and Attorney General H. S. Cummings. Harry Hopkins was added because of his vital experience as administrator of the relief program.



Frances Perkins

It was evident to us that any system of social insurance would not relieve all poverty. Nor would it relieve the sufferings of the presently old and needy. Nevertheless, it was also evident that this was exactly the right time to look ahead to future problems of unemployment and unprotected old age. It was never, I think, suggested by any reasonable person that relief should be abandoned in favor of unemployment and old-age insurance, but it was thought that there could be a blend of the two.

I took pains to make certain that Roosevelt understood and pledged himself to support the program as we worked it out. It must be made clear that this technique of using a cabinet committee to develop the program for him did not mean that he was evading the great issue. I had more than one special conference with him about the subjects we would have to consider in the cabinet committee.

I asked him if he thought it best for me to be chairman, since the public knew I favored the general idea. Perhaps it would be better, from the point of view of Congress and the public, if the Attorney General were chairman.

He was quick in his response. "No, no. You care about this thing. You believe in it. Therefore I know you will back it more than anyone else, and you will drive it through. You will see that something comes out, and we must not delay. I am convinced. We must have a program by next winter and it must be in operation before many more months have passed."

I indicated to him that there were sound arguments, advanced by many thinkers, that

since we were in the midst of deflation [a decline in prices, caused by a decrease in the supply of money, or in spending] the collection of any money for reserves, no matter by what method, would be further deflationary.

"We can't help that," he answered. "We have to get it started or it never will start."

He was aware that 1936 was not too far away, that there might be a change of administration, and that this program, which in his own mind was *his* program, would never be accomplished, or at least not for many years, if it were not put through immediately.

By the time the study was fully started, the President's imaginative mind had begun to work on it. At cabinet meetings and when he talked privately with a group of us, he would say, "You should make it simple—very simple. So simple that everybody will understand it. And what's more, there is no reason why everybody in the United States should not be covered. I see no reason why all children, from the day they are born, shouldn't be members of the social security system. When they begin to grow up, they should know they will have old-age benefits direct from the insurance system to which they will belong all their life. If they are out of work, they get benefits. If they are sick or disabled, they get benefits.

"And there is no reason why only the industrial workers should get the benefit of this. Everybody ought to be in on it—the farmer and his wife and his family.

"I don't see why not," he would say, as I began to shake my head. "I don't see why not. Cradle to the grave—from the cradle to the grave they ought to be in a social insurance system."

It was not that I did not admire his bold idea of including every person. But I felt that it was impractical to try to develop and manage so broad a system before we had some experience and machinery for the first and most pressing steps.

Moreover, I felt sure that the political climate was not right for such a universal approach. I may have been wrong. Having the administrative responsibility, I was more alarmed than he about how we were going to achieve it. The question of financing was most important. Roosevelt, because he was looking at the broad picture, could skip over that difficult problem.

It is difficult now to understand fully the

doubts and confusions in which we were planning this great new undertaking in 1934. The problems of constitutional law seemed almost impossible to overcome. I drew courage from a bit of advice I got accidentally from Supreme Court Justice Harlan Stone. I had said to him, at a social occasion a few months earlier, that I had great hope of developing a social insurance system for the country, but I was deeply uncertain of the method. I said laughingly, "Your Court tells us what the Constitution permits."

Stone had whispered, "The taxing power of the federal government, my dear. The taxing power is sufficient for everything you want and need."

This was a windfall. I told the President but bound him to secrecy as to the source of my sudden superior legal knowledge. I insisted in the cabinet committee that the taxing power was the method for building up the fund and determining its expenditure for unemployment and old-age benefits to be paid in the future.

The bill with the cabinet committee's recommendations was prepared the first week in January 1935. We took it to the President to see how it should be introduced in Congress. We thought it would be wise to have it referred to a special committee on social security, if possible a joint committee of the Senate and House. Since the measure rested primarily upon the constitutional taxing power of the federal government, it would have gone ordinarily to the Ways and Means Committee.

The news got around that a special committee was being recommended. Representative Robert L. Doughton of North Carolina, chairman of the Ways and Means Committee, went to see the President. He was angry that anyone had thought of bypassing him, though he had never made a speech in the House that had indicated he had any interest in social security. It was a surprise to find out that he cared.

As a result the President said to me, "No, no, it will never do. We will have to put it through the Ways and Means Committee. It is the only thing to do. You will hurt Bob Doughton's feelings if you don't."

The Ways and Means Committee had a number of able members. They put their minds to this new problem not only of finances but of social and economic policy for the whole United States.

The House Committee and other members of Congress began to hear from the voters in favor of the social security bill. It was soon clear that it was going to be moved along. In August 1935 Republicans as well as Democrats voted for the bill. There were only a very few who had the courage to vote against it.

I remember that when I appeared before the Senate Committee old Senator Thomas Gore raised a sarcastic objection. "Isn't this socialism?" he asked me.

My answer was, "Oh, no."

Then, smiling, leaning forward and talking to me as though I were a child, he said, "Isn't this a teeny-weeny bit of socialism?"

When the law was signed by the President [on August 14, 1935], we had a little ceremony in his office and he gave out the usual pens. I had brought in not only Congressman Doughton, but also Senator Wagner and Congressman Lewis, and one or two other members of Congress, and had provided the pens for them. As he was signing the copies of the bills with pens that would be given to its sponsors, the President looked up at me. "Frances, where is your pen?" he asked.

"I haven't got one," I replied.

"All right," he said to his secretary, "give me a first-class pen for Frances." And he insisted I was responsible for the bill and thanked me personally in very appreciative terms.

READING REVIEW

1. (a) Cite two examples of how personal influence affected the passage of the social security bill. (b) How did public opinion aid in the passage of this legislation?
2. Describe President Roosevelt's attitude concerning social security.
3. Based on what you have read, do you think social security is a good program? Cite evidence from this reading and your textbook to support your conclusion.

201 Winning a Sit-Down Strike

By the middle of 1934, after some improvement in the economy, American business and industry again began to slow down. As a result, some

Americans began to criticize many of Roosevelt's policies, and their opposition increased during Roosevelt's second term. However, organized labor, especially the members of the newly formed CIO union, continued to support President Roosevelt. They believed that the New Deal's labor policy had brought great benefits and greater economic freedom to working people.

In this selection, Bob Stinson, an auto worker, told of the first sit-down strike in the General Motors plant at Flint, Michigan, in 1936. When interviewed by writer Studs Terkel many years later, Stinson clearly recalled the day he and the other workers won their strike.

READING FOCUS

1. What was the objective of a sit-down strike?
2. How did this sit-down strike change the relationship between employer and employee?

Everybody has to have something they're really sold on. Some people go to church. If I'd had anything I'm really sold on, it's the UAW [United Automobile Workers].

I started working at Fisher Body in 1917 and retired in '62, with 45 years service. Until 1933, no unions, no rules: you were at the mercy of your foreman. I could go to work at seven o'clock in the morning, and at seven fifteen the boss'd come around and say: come back at three o'clock. If he preferred somebody else over you, that person would be called back earlier, though you were there longer.

I left the plant so many nights hostile. If I were a fella big and strong, I think I'd a picked a fight with the first fella I met on the corner. It was lousy. You might call yourself a man if you was on the street, but as soon as you went through the door and punched your card, you was nothing more or less than a robot. Do this, go there, do that. You'd do it.

We got involved in a strike in Detroit, and we lost the strike. Went back on our knees. That's the way you learn things. I got laid off in the fall of '31. I wasn't told I was blackballed, but I was told there was no more jobs at Fisher Body for me. So I came to Flint and was hired right off the bat.

Condensed from Hard Times: An Oral History of the Great Depression by Studs Terkel.

of the nation, restore agriculture and business to their former prosperity, and save capitalism. He saw that problems of government were primarily political, not economic. He saw that politics should control the economy, not the other way around.

"The only sure defense of continuing liberty," Roosevelt said, "is a government strong enough to protect the interests of the people, and a people strong enough and well enough informed to maintain its sovereign control over its government." The Roosevelt administration proved once more that it was possible for such a government to exist and such a people to flourish, and restored to the United States its position as "the hope of the human race."

READING REVIEW

1. According to Commager, what were the three major accomplishments of the New Deal?
2. Cite two pieces of evidence which Commager used to support his conclusion that the New Deal "is here to stay."
3. Why did Commager reach a favorable conclusion about President Roosevelt and his New Deal policies?

203 A Critic on the New Deal

The verdict of history about the New Deal has not been all favorable. Some critics of the New Deal charge that it expanded the authority of the federal government by taking away powers of state governments. They point out that the New Deal programs greatly increased the national debt. Critics also argue that the Roosevelt administration helped labor unions to become much too powerful.

John T. Flynn was one of these critics who believed that Roosevelt's New Deal policies were disastrous for the nation. Flynn was particularly worried about the growth of the government bureaucracy and its increasing power. In this selection from his book *The Roosevelt Myth*, written in 1948, Flynn also bitterly attacked Roosevelt himself as well as his policies.

READING FOCUS

1. What lasting changes did Roosevelt's policies have on American economic and political systems?
2. Why did Flynn feel Roosevelt's New Deal policies were disastrous for the nation?

Many good people in America still cherish the false idea that Roosevelt performed some amazing achievement for this country. They believe he took our economic system when it was completely broken down and restored it to vitality. They think he took over our political system when it was weakest and restored it to its full strength. He put himself on the side of the underprivileged masses. He transferred power from the great corporation executives to the simple working people of America. He controlled the adventurers of Wall Street, and gave security to the humble men and women of the country.

But not one of these claims is true. He did not restore our economic system to vitality. He changed it. The system he so stupidly moved us into is more like the bureaucracy of Germany before World War I than our own traditional order.

Before his regime we lived in a system which depended for its expansion upon private investment in private enterprise. Today [1948] we live in a system which depends for its expansion and vitality upon the government. This is a prewar European importation. And it was imported at the moment when it had fallen apart in Europe. In this system the government takes by taxes or by borrowings the savings of all the citizens and invests them in non-wealth-producing undertakings in order to create work.

Behold the picture of the American economy today. In America today every fourth person depends for a livelihood upon employment either directly by the government or indirectly in some industry supported by government funds. There is a public debt of \$250 billion, compared to a pre-Roosevelt debt of \$19 billion, and a government budget of \$40 billion instead of \$4 billion before Roosevelt. Inflation has doubled prices and reduced the lower-paid employed workers to a state of poverty as bad as that of the unemployed in the depression. More

Adapted from The Roosevelt Myth by John T. Flynn.

people are on various kinds of government relief than when we had 11 million unemployed. Bureaucrats are in every field of life. And the President is calling for more power, more price-fixing, more regulation, and more billions. Does this look like the traditional American scene?

No, Roosevelt did not restore our economic system. He did not construct a new one. He substituted an old one which lives upon permanent crises and an armament economy. And he did not by a process of orderly design and building, but by a series of mistakes. He moved one step at a time, in flight from one problem to another. Now we have a state-supported economic system that will continue a little at a time to destroy the private system until it disappears altogether.

Roosevelt did not restore our political system to its full strength. One may like the shape into which he battered it, but it cannot be called a repair job. He changed our political system with two weapons—blank-check congressional appropriations and blank-check congressional legislation. In 1933 Congress gave up much of its power when it put billions into his hands. It gave him a blanket appropriation to be spent at his own will. And it passed general laws leaving it to him, through great government bureaus that he set up, to fill in the details of legislation.

These two mistakes gave Roosevelt a power which he used ruthlessly. He used it to break down the power of Congress and concentrate it in the hands of the executive. The result of these two betrayals—the smashing of our economic system and the twisting of our political system—can only be the planned economic state. This, in the form of either communism or fascism, dominates the entire continent of Europe today. The capitalist system cannot live under these conditions. Free representative government cannot survive a planned economy. Such an economy can be managed only by a dictatorial government. The only result of our present system—unless we reverse the drift—will be the gradual disappearance of the system of free enterprise under a free representative government.

There are people who honestly defend this change. They at least are honest. They believe in a planned economy. They believe in a highly centralized government operated by a powerful executive. They do not say Roosevelt saved our

system. They say he has given us a new one. That is logical. But no one can praise Roosevelt for doing this and then insist that he restored our traditional political and economic systems to their former vitality.

Roosevelt's star was sinking sadly in 1938 when he had 11 million unemployed and when Hitler made his first war moves in Europe. The cities were filling with jobless workers. Taxes were rising. The debt was soaring. The war rescued him and he seized upon it like a drowning man. By leading his country into the fringes of the war at first and then deep into its center all over the world he was able to do the only things that could save him—spend billions to spread the hot flames of war hysteria and put every man and woman into the war mills. Under the pressure of patriotism, he could silence criticism and work up the illusion of the war leader.

On the moral side, I have barely touched that subject. It will all still be told. But go back through the years, read the speeches and platforms and judgments Roosevelt made, and consider them in the light of what he did. Look up the promises of thrift in public office, of balanced budgets and lower taxes, of honesty in government, and of security for all. Read the speeches he made promising never, never again to send our sons to fight in foreign wars. He broke every promise. He betrayed all who trusted him.

The figure of Roosevelt exhibited before the eyes of our people is false. There was no such being as that noble, selfless, hard-headed, wise, and farseeing combination of philosopher, philanthropist, and warrior. It has been created out of pure propaganda. A small collection of dangerous people in this country are using it to advance their own evil purposes.

READING REVIEW

1. (a) Name two myths about Roosevelt. (b) What evidence did Flynn offer to support his conclusion that these were untrue?
2. Describe the changes Roosevelt made in our economic and political systems.
3. According to Flynn, what was the result of a "planned economy"?
4. Why do you think Roosevelt provoked such strong feelings?
5. What do you think of Flynn's criticism of President Roosevelt?