



DOCUMENTS

In some respects, the Republican era began as a backlash against the “starry-eyed” liberalism of the Progressive Era and the war. This is captured in Document 1, in which Attorney General Mitchell Palmer suggests the anxieties of the postwar “Red Scare”; and in Document 2, in which then-Secretary of Commerce Hoover lays out the basic philosophy of Republican individualism. Document 3 suggests some of the dilemmas of economic policy: while Republicans trumpeted voluntary cooperation and minimal federal regulation, many saw trade associations and other forms of private organization as futile. In Document 4, Sinclair Lewis uses a speech by George Babbitt (the protagonist of his 1922 novel *Babbitt*) to caricature the business ethic of the 1920s. Importantly, the Republican 1920s also marked the first postsuffrage decade and featured an ongoing debate over the terms and fruits of women’s political participation. In Document 5, a leading “suffragette” urges newly enfranchised women to avoid the established political parties. In Document 6, two feminists continue an ongoing debate over “difference” and “equality,” over the importance of balancing formal legal equality against legislated protections for women and mothers. Document 7, excerpting a woman’s letter to the federal Children’s Bureau, suggests how ordinary women looked to public institutions for support.

1. Attorney General Palmer’s Case Against the “Reds,” 1920

In this brief review of the work which the Department of Justice has undertaken, to tear out the radical seeds that have entangled American ideas in their poisonous theories, I desire not merely to explain what the real menace of communism is, but also to tell how we have been compelled to clean up the country almost unaided by any virile legislation . . .

Like a prairie-fire, the blaze of revolution was sweeping over every American institution of law and order a year ago. It was eating its way into the homes of the American workman, its sharp tongues of revolutionary heat were licking the altars of the churches, leaping into the belfry of the school bell, crawling into the sacred corners of American homes, seeking to replace marriage vows with libertine laws, burning up the foundations of society. . . .

Upon these two basic certainties, first that the “Reds” were criminal aliens, and secondly that the American Government must prevent crime, it was decided that there could be no nice distinctions drawn between the theoretical ideals of the radicals and their actual violations of our national laws. An assassin may have brilliant intellectuality, he may be able to excuse his murder or robbery with fine oratory, but any theory which excuses crime is not wanted in America. This is no place for the criminal to flourish, nor will he do so, so long as the rights of common citizenship can be exerted to prevent him. . . .

It has always been plain to me that when American citizens unite upon any national issue, they are generally right, but it is sometimes difficult to make the issue clear to them. If the Department of Justice could succeed in attracting the attention of our optimistic citizens to the issue of internal revolution in this country, we felt sure there would be no revolution. The Government was in jeopardy. . . .

My information showed that communism in this country was an organization of thousands of aliens, who were direct allies of Trotsky. Aliens of the same misshapen caste of mind and indecencies of character, and it showed that they were making the same glittering promises of lawlessness, of criminal autocracy to Americans, that they had made to the Russian peasants. How the Department of Justice discovered upwards of 60,000 of these organized agitators of the Trotsky doctrine in the United States, is the confidential information upon which the Government is now sweeping the nation clean of such alien filth. . . .

Behind, and underneath, my own determination to drive from our midst the agents of Bolshevism with increasing vigor and with greater speed, until there are no more of them left among us, so long as I have the responsible duty of that task, I have discovered the hysterical methods of these revolutionary humans with increasing amazement and suspicion. In the confused information that sometimes reaches the people, they are compelled to ask questions which involve the reasons for my acts against the “Reds.” I have been asked, for instance, to what extent deportation will check radicalism in this country. Why not ask what will become of the United States Government if these alien radicals are permitted to carry out the principles of the Communist Party as embodied in its so-called laws, aims and regulations?

There wouldn’t be any such thing left. In place of the United States Government we should have the horror and terrorism of bolshevik tyranny such as is destroying Russia now. Every scrap of radical literature demands the overthrow of our existing government. All of it demands obedience to the instincts of criminal minds, that is, to the lower appetites, material and moral. The whole purpose of communism appears to be a mass formation of the criminals of the world to overthrow the decencies of private life, to usurp property that they have not earned, to disrupt the present order of life regardless of health, sex or religious rights. By a literature that promises the wildest dreams of such low aspirations, that can occur to only the criminal minds, communism distorts our social law.

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The first two documents underscore the postwar collapse of labor relations, highlighted by the steel strike (Document 1) and the labor implications of the "Red Scare" (Document 2). The next four documents trace the debate between labor and management over the terms of postwar labor relations. In Document 3, the National Industrial Conference Board argues for welfare capitalism. In Document 4, a labor reporter sees welfare capitalism as an insincere and thinly veiled anti-union ploy. In Document 5, the National Association of Manufacturers argues that the open shop protects the democratic ideal of individualism. In Document 6, the American Federation of Labor (AFL) counters that the open shop violates the democratic ideal of representative, majority rule. The final three documents suggest the response to women's participation in the labor force. In Document 7, an employers' group argues that women deserve special "maternal" protection. Document 8 traces the AFL's ambivalence about women workers. And in Document 9, the Women's Bureau tries to puncture some myths about women's work.

1. The Interchurch World Movement Investigates the Steel Strike, 1920

In normal times the Steel Corporation's system of industrial relations functioned under the dominating idea of opposition to workers' organization. In strike times the Corporation's opposition was more actively supplemented by similar repression by organized society. . . .

Blacklists as an integral part of the anti-union alternative of course are ordinarily kept secret by the companies. The steel plant in Monessen, however, which freely lent its "labor file" to an investigator to study, included among the detectives' reports, etc., several blacklists. To most actual plant managers, as distinguished from Mr. Gary, blacklists seem after all too common to be deeply concealed. With the lists examined by the Commission are evidences of the system of inter-company exchange like the detective reports where the names of "independent" and Corporation mills were mixed together. . . .

Great systems of espionage are an integral part of the anti-union alternative; spies are integral to warfare.

Espionage was of two general classes: spies directly in the employ of the steel companies; and spies hired from professional "labor detective" agencies. The Steel Corporation plants have their own detective forces; one case of hiring outside agencies by a Corporation subsidiary was charged publicly during the strike.

Espionage was of two general characters: spies pure and simple who merely furnished information; and spies who also acted as propagandist strike breakers, mingling with the strikers and whispering that the strike was failing, that the men in other towns had gone back, that the union leaders were crooks, etc. The Monessen "labor file" contained some six hundred daily reports by "under-cover" spies of both characters, mere detectives and strike-breaking propagandists.

These company spy-systems carry right through into the United States Government.

Federal immigration authorities testified to the Commission that raids and arrests, for "radicalism," etc., were made especially in the Pittsburgh District on the denunciations and secret reports of steel company "under-cover" men, and the prisoners turned over to the Department of Justice. . . .

. . . Many workingmen, especially steel workers, have come to suspect that the government, *as government*, has taken sides in industrial warfare; has taken sides against workingmen. . . .

The maintenance of the non-unionism alternative, therefore, entailed for the steel companies activities running from spies in church offices in New York to sealed carloads of negroes shipped into Pittsburgh plant yards at night. For communities and for states the alternative entailed activities of greater import and greater menace. These affected civil liberties in whole communities, local legislative bodies, police authorities, judges, state police troops, Federal government departments and the U.S. Army.

The consequences . . . are perhaps most important in regard to the abrogation of civil liberties. War-experiences especially have accustomed the American people to the thought that the right of assembly, the right of free speech, and traditional personal rights can be abrogated when the cause is deemed sufficiently great. The practice of western Pennsylvania proved that these rights were abrogated for the purpose of preventing the organization of trade unions among steel workers, or of defeating organized unions. The abrogations largely persist four months after the strike.

The State, the Economy, and Business

Throughout the 1920s, a confident Republican Party dominated national politics, certain that it had ushered in a “new era” in American life. A new and closer relationship between the federal government and American business became the hallmark of Republican policy in both domestic and foreign affairs during the administrations of three successive Republican presidents: Warren Harding (1921–23), Calvin Coolidge (1923–29), and Herbert Hoover (1929–33). Republicans never tired of claiming that the business–government partnership their policies promoted was responsible for the nation’s economic prosperity.

Harding and Coolidge

Handsome, genial, and well-spoken, Warren Harding may have looked the part of a president—but acting like one was another matter. Harding was a product of small-town Marion, Ohio, and the machine politics in his native state. Republican Party officials had made a point of keeping Senator Harding, a compromise choice, as removed from the public eye as possible in the 1920 election. They correctly saw that active campaigning could only hurt their candidate by exposing his shallowness and intellectual weakness. Harding understood his own limitations. He sadly told one visitor to the White House shortly after taking office, “I knew that this job would be too much for me.”

Harding surrounded himself with a close circle of friends, the “Ohio gang,” delegating to them a great deal of administrative power. The president often conducted business as if he were in the relaxed, convivial, and masculine confines of a small-town saloon. In the summer of 1923, Harding began to get wind of the scandals for which his administration is best remembered. Soon after Harding’s death from a heart attack later that year, a series of congressional investigations revealed a deep pattern of corruption. Attorney General Harry M. Daugherty had received bribes from violators of the Prohibition statutes. He had also failed to investigate graft in the Veterans Bureau, where Charles R. Forbes had pocketed a large chunk of the \$250 million spent on hospitals and supplies. The worst affair was the Teapot Dome scandal involving Interior Secretary Albert Fall. Fall received hundreds of thousands of dollars in payoffs when he secretly leased navy oil reserves in Teapot Dome, Wyoming, and Elk Hills, California, to two private oil developers. He eventually became the first cabinet officer ever to go to jail.

The Harding administration’s legacy was not all scandal. Andrew Mellon, an influential Pittsburgh banker, served as secretary of the treasury under all three Republican presidents of the 1920s. One of the richest men in America, and a leading investor in the Aluminum Corporation of America and Gulf Oil, Mellon believed government ought to be run on the same conservative principles as a corporation. He was a leading voice for trimming the federal budget and cutting taxes on incomes, corporate profits, and inheritances. These cuts, he argued, would free up capital for new investment and, thus, promote general economic growth. Mellon’s program sharply cut taxes both for higher-income brackets and for businesses. By 1926, a person with an income of a million a year paid less than a third of the income tax he or she had paid in 1921.

When Calvin Coolidge succeeded to the presidency, he seemed to most people the temperamental opposite of Harding. Born and raised in rural Vermont, elected governor of Massachusetts, and coming to national prominence only through the 1919 Boston police strike

(see Chapter 22), “Silent Cal” was the quintessential New England Yankee. Taciturn, genteel, and completely honest, Coolidge believed in the least amount of government possible. He spent only four hours a day at the office. His famous aphorism, “The business of America is business,” perfectly captured the core philosophy of the Republican new era. He was in awe of wealthy men such as Andrew Mellon, and he thought them best suited to make society’s key decisions.

Coolidge easily won election on his own in 1924. He benefited from the general prosperity and the contrast he provided with the disgraced Harding. Coolidge defeated little-known Democrat John W. Davis, the compromise choice of a party badly divided between its rural and urban wings. Also running was Progressive Party candidate Robert M. La Follette of Wisconsin, who mounted a reform campaign that attacked economic monopolies and called for government ownership of utilities. In his full term, Coolidge showed most interest in reducing federal spending, lowering taxes, and blocking congressional initiatives. He saw his primary function as clearing the way for American businessmen. They, after all, were the agents of the era’s unprecedented prosperity.

 **Read the Document**
Edward E. Purinton,
“Big Ideas from Big
Business” (1921) at
www.myhistorylab.com

Herbert Hoover and the “Associative State”

The most influential figure of the Republican new era was Herbert Hoover, who as secretary of commerce dominated the cabinets of Harding and Coolidge before becoming president himself in 1929. A successful engineer, administrator, and politician, Hoover had earned an enviable reputation as wartime head of the U.S. Food Administration and director general of relief for Europe. He effectively embodied the belief that enlightened business, encouraged and informed by the government, would act in the public interest. In the modern industrial age, Hoover believed, the government needed only to advise private citizens’ groups about what national or international policies to pursue. “Reactionaries and radicals,” he wrote in *American Individualism* (1922), “would assume that all reform and human advance must come through government. They have forgotten that progress must come from the steady lift of the individual and that the measure of national idealism and progress is the quality of idealism in the individual.”

Hoover thus fused a faith in old-fashioned individualism with a strong commitment to the progressive possibilities offered by efficiency and rationality. Unlike an earlier generation of Republicans, Hoover wanted not just to create a favorable climate for business but also to actively assist the business community. He spoke of creating an “associative state,” in which the government would encourage voluntary cooperation among corporations, consumers, workers, farmers, and small businessmen. This became the

central occupation of the Department of Commerce under Hoover's leadership. The Bureau of Standards became one of the nation's leading research centers, setting engineering standards for key American industries such as machine tools and automobiles. The bureau also helped standardize the styles, sizes, and designs of many consumer products, such as canned goods and refrigerators.

Hoover actively encouraged the creation and expansion of national trade associations. By 1929, there were about 2,000 of them. At industrial conferences called by the Commerce Department, government officials explained the advantages of mutual cooperation in figuring prices and costs and then publishing the information. The idea was to improve efficiency by reducing competition. To some, this practice violated the spirit of antitrust laws, but in the 1920s, the Justice Department's Antitrust Division took a very lax view of its responsibility. In addition, the Supreme Court consistently upheld the legality of trade associations. The government thus provided an ideal climate for the concentration of corporate wealth and power. The trend toward large corporate trusts and holding companies had been well under way since the late nineteenth century, but it accelerated in the 1920s. By 1929, the 200 largest American corporations owned almost half the total corporate wealth and about a fifth of the total national wealth. Concentration was particularly strong in manufacturing, retailing, mining, banking, and utilities.

War Debts, Reparations, Keeping the Peace

Rejection of the Treaty of Versailles and the League of Nations did not mean disengagement from the rest of the globe. The United States emerged from World War I as the strongest economic power in the world. The war transformed it from the world's leading debtor nation to its most important creditor. European governments owed the U.S. government about \$10 billion in 1919. In the private sector, the war ushered in an era of expanding American investment abroad. As late as 1914, foreign investments in the United States were about \$3 billion more than the total of American capital invested abroad. By 1919, that situation was reversed: America had \$3 billion more invested abroad than foreigners had invested in the United States. By 1929, the surplus was \$8 billion. New York replaced London as the center of international finance and capital markets. Yet America's postwar policies included a great contradiction: protectionism. The rest of the world owed the United States billions of dollars, but high tariffs on both farm products and manufactured goods made it much more difficult for debtor nations to repay by selling exports.

During the 1920s, war debts and reparations were the single most divisive issue in international economics. In France and Great Britain, which both owed the United States large amounts in war loans, many concluded that the Uncle Sam who had offered assistance during wartime was really a loan shark in disguise. In turn, many Americans viewed Europeans as ungrateful debtors. As

President Coolidge acidly remarked, "They hired the money, didn't they?" In 1922, the U.S. Foreign Debt Commission negotiated an agreement with the debtor nations that called for them to repay \$11.5 billion over a sixty-two-year period. But by the late 1920s, the European financial situation had become so desperate that the United States agreed to cancel a large part of these debts. Continued insistence by the United States that the Europeans pay at least a portion of the debt fed anti-American feeling in Europe and isolationism at home.

The Germans believed that war reparations, set at \$33 billion by the Treaty of Versailles, not only unfairly punished the losers of the conflict but, by saddling their civilian economies with such massive debt, also deprived them of the very means to repay. In 1924, Herbert Hoover and Chicago banker Charles Dawes worked out a plan to aid the recovery of the German economy. The Dawes Plan reduced Germany's debt, stretched out the repayment period, and arranged for American bankers to lend funds to Germany. These measures helped stabilize Germany's currency and allowed it to make reparations payments to France and Great Britain. The Allies, in turn, were better able to pay their war debts to the United States.

In addition to the Dawes Plan and the American role in naval disarmament, the United States joined the league-sponsored World Court in 1926 and was represented at numerous league conferences. In 1928, with great fanfare, the United States and sixty-two other nations signed the Pact of Paris (better known as the Kellogg-Briand Pact, for the U.S. Secretary of State Frank B. Kellogg and French Foreign Minister Aristide Briand who initiated it), which grandly and naively renounced war in principle. Peace groups, such as the Woman's Peace Party and the Quaker-based Fellowship of Reconciliation, hailed the pact for formally outlawing war. Critics charged that the Kellogg-Briand Pact was essentially meaningless because it lacked powers of enforcement and relied solely on the moral force of world opinion. Within weeks of its ratification, the U.S. Congress had appropriated \$250 million for new battleships.

Global Commerce and U.S. Foreign Policy

Throughout the 1920s, Secretary of State Charles Evans Hughes and other Republican leaders pursued policies designed to expand American economic activity abroad. They understood that capitalist economies must be dynamic; they must expand their markets if they were to thrive. The focus must be on friendly nations and investments that would help foreign citizens buy American goods. Toward this end, Republican leaders urged close cooperation between bankers and the government as a strategy for expanding American investment and economic influence abroad. Throughout the 1920s, investment bankers routinely submitted loan projects to Hughes and Secretary of Commerce Hoover for informal approval, thus reinforcing the close ties between business investment and foreign policy.

American oil, autos, farm machinery, and electrical equipment supplied a growing world market. Much of this expansion took place through the establishment of branch plants overseas by American companies. America's overall direct investment abroad increased from \$3.8 billion in 1919 to \$7.5 billion in 1929. Leading the American domination of the world market were General Electric, Ford, and Monsanto Chemical. American oil companies, with the support of the State Department, also challenged Great Britain's dominance in the oil fields of the Middle East and Latin America, forming powerful cartels with English firms.

The strategy of maximum freedom for private enterprise, backed by limited government advice and assistance, significantly boosted the power and profits of American overseas investors. But in Central and Latin America, in particular, aggressive U.S. investment also fostered chronically underdeveloped economies, dependent on a few staple crops (sugar, coffee, cocoa, bananas) grown for export. American investments in Latin America more than doubled between 1924 and 1929, from \$1.5 billion to over \$3.5 billion. A large part of this money went to taking over vital mineral resources, such as Chile's copper and Venezuela's oil. The growing wealth and power of U.S. companies made it more difficult for these nations to grow their own food or diversify their economies. U.S. economic dominance in the hemisphere also hampered the growth of democratic politics by favoring autocratic, military regimes that could be counted on to protect U.S. investments.

Weakened Agriculture, Ailing Industries

Amid prosperity and progress, there were large pockets of the country that lagged behind. Advances in real income and improvements in the standard of living for workers and farmers were uneven at best. In 1920, some 32 million Americans still lived on farms, out of a total population of 106 million. Yet during the 1920s, the farm sector failed to share in the general prosperity. The years 1914–19 had been a kind of golden age for the nation's farmers. Increased wartime demand, along with the devastation of much of European agriculture, had led to record-high prices for many crops. When the war ended, however, American farmers began to suffer from a chronic worldwide surplus of such farm staples as cotton, hogs, and corn.

In the South, farmers' dependency on "King Cotton" deepened, as the region lagged further behind the rest of the nation in both agricultural diversity and standard of living. Cotton acreage expanded, as large and heavily mechanized farms opened up new land in Oklahoma, west Texas, and the Mississippi-Yazoo delta. In most of the South, from North Carolina to east Texas, small one- and two-mule cotton farms, most under fifty acres, still dominated the countryside. With few large urban centers and inadequate transportation, even those southern farmers who had access to capital found it

extremely difficult to find reliable markets for vegetables, fruit, poultry, or dairy products. The number of white tenant farmers increased by 200,000 during the 1920s, while black tenantry declined slightly as a result of the Great Migration. Some 700,000 southern farmers, roughly half white and half black, still labored as sharecroppers. Modern conveniences such as electricity, indoor plumbing, automobiles, and phonographs remained far beyond the reach of the great majority of southern farmers. Widespread rural poverty, poor diet, and little access to capital meant the world of southern agriculture had changed very little since the days of the populist revolt in the 1890s.

The most important initiatives for federal farm relief were the McNary-Haugen bills, a series of complicated measures designed to prop up and stabilize farm prices. The basic idea, borrowed from the old populist proposals of the 1890s, was for the government to purchase farm surpluses and either store them until prices rose or sell them on the world market. President Calvin Coolidge viewed these measures as unwarranted federal interference in the economy and vetoed the McNary-Haugen Farm Relief bill of 1927 when it finally passed Congress. American farmers hoping to export produce abroad also suffered from the high tariffs imposed by European countries trying to protect their own devastated economies.

To be sure, some farmers thrived. Improved transportation and chain supermarkets allowed for a wider and more regular distribution of such foods as oranges, lemons, and fresh green vegetables. Citrus, dairy, and truck farmers in particular profited from the growing importance of national markets. Wheat production jumped more than 300 percent during the 1920s. Across the plains of Kansas, Nebraska, Colorado, Oklahoma, and Texas, wheat farmers brought the methods of industrial capitalism to the land. They hitched disc plows and combined harvester-threshers to gasoline-powered tractors, tearing up millions of acres of grassland to create a vast wheat factory. With prices averaging above \$1 per bushel over the decade, mechanized farming created a new class of large-scale wheat entrepreneurs on the plains. But when the disastrous dust storms of the 1930s rolled across the grassless plains, the long-range environmental impact of destroying so much native vegetation became evident.

Overall, per capita farm income remained well below what it had been in 1919, and the gap between farm and nonfarm income widened. By 1929, the average income per person on farms was \$223, compared with \$870 for nonfarm workers. By the end of the decade, hundreds of thousands had quit farming altogether for jobs in mills and factories. And fewer farmers owned their land. In 1930, 42 percent of all farmers were tenants, compared with 37 percent in 1919.

Large sectors of American industry also failed to share in the decade's general prosperity. As oil and natural gas

CHAPTER 23 The Twenties 1920–1929

gained in importance, America's coal mines became a less important source of energy. A combination of shrinking demand, new mining technology, and a series of losing strikes reduced the coal labor force by one-quarter. The United Mine Workers, perhaps the strongest AFL union in 1920, with 500,000 members, had shrunk to 75,000 by 1928. Economic hardship was widespread in many mining communities dependent on coal, particularly Appalachia and the southern Midwest. Those miners who did work earned lower hourly wages.

In textiles, shrinking demand and overcapacity (too many factories) were chronic problems. The women's fashions of the 1920s generally required less material than had earlier fashions, and competition from synthetic fibers such as rayon depressed demand for cotton textiles. To improve profit margins, textile manufacturers in New England and other parts of the Northeast began a long-range shift of operations to the South, where nonunion shops and substandard wages became the rule. Older New England manufacturing centers such as Lawrence, Lowell, Nashua, Manchester, and Fall River were hard hit by this shift. The center of the American textile industry shifted permanently to the Piedmont region of North and South Carolina. By 1933, factories there employed nearly 70 percent of the workers in the industry.

All these thoughts are in ferment today in every country in the world. They fluctuate in ascendancy with times and places. They compromise with each other in daily reaction on governments and peoples. Some of these ideas are perhaps more adapted to one race than another. Some are false, some are true. What are we interested in is their challenge to the physical and spiritual forces of America.

The partisans of some of these other brands of social schemes challenge us to comparison; and some of their partisans even among our own people are increasing in their agitation that we adopt one or another or parts of their devices in place of our tried individualism. They insist that our social foundations are exhausted, that like feudalism and autocracy America's plan has served its purpose—that it must be abandoned. . . .

For myself, let me say at the very outset that my faith in the essential truth, strength, and vitality of the developing creed by which we have hitherto lived in this country of ours has been confirmed and deepened by the searching experiences of seven years of service in the backwash and misery of war. Seven years of contending with economic degeneration, with social disintegration, with incessant political dislocation, with all of its seething and ferment of individual and class conflict, could but impress me with the primary motivation of social forces, and the necessity for broader thought upon their great issues to humanity. And from it all I emerge an individualist—an unashamed individualist. But let me say also that I am an American individualist. For America has been steadily developing the ideals that constitute progressive individualism.

No doubt, individualism ran riot, with no tempering principle, would provide a long category of inequalities, of tyrannies, dominations, and injustices. America, however, has tempered the whole conception of individualism by the injection of a definite principle, and from this principle it follows that attempts at domination, whether in government or in the processes of industry and commerce, are under an insistent curb. If we would have the values of individualism, their stimulation to initiative, to the development of hand and intellect, to the high development of thought and spirituality, they must be tempered with that firm and fixed ideal of American individualism—an *equality of opportunity*. If we would have these values we must soften its hardness and stimulate progress through that sense of service that lies in our people.

2. Herbert Hoover on American Individualism, 1922

Five or six great social philosophies are at struggle in the world for ascendancy. There is the Individualism of America. There is the Individualism of the more democratic states of Europe with its careful reservations of castes and classes. There are Communism, Socialism, Syndicalism, Capitalism, and finally there is Autocracy—whether by birth, by possessions, militarism, or divine right of kings. Even the Divine Right still lingers on although our lifetime has seen fully two-thirds of the earth's population, including Germany, Austria, Russia, and China, arrive at a state of angry disgust with this type of social motive power and throw it on the scrap heap.

From Herbert Hoover, *American Individualism* (New York: Doubleday, 1922), 4–9.

Modernity and Traditionalism

One measure of the profound cultural changes of the 1920s was the hostility and opposition expressed toward them by large sectors of the American public. Deep and persistent tensions, with ethnic, racial, and geographical overtones, characterized much of the decade's politics. The postwar Red Scare had given strength to the forces of antiradicalism in politics and traditionalism in culture. Resentments over the growing power of urban culture, on full display in Hollywood movies, modern advertising, and over the airwaves, were very strong in rural and small-town America. Several trends and mass movements reflected this anger and the longing for a less complicated past.

Prohibition

The Eighteenth Amendment, banning the manufacture, sale, and transportation of alcoholic beverages, took effect in January 1920. Prohibition was the culmination of a long campaign that associated drinking with the degradation of working-class family life and the worst evils of urban politics. Supporters, a coalition of women's temperance groups, middle-class progressives, and rural Protestants, hailed the new law as "a noble experiment." It became clear rather quickly that enforcing the new law would be extremely difficult. The Volstead Act of 1919 established a federal Prohibition Bureau to enforce the Eighteenth Amendment. Yet the bureau was severely understaffed with only about 1,500 agents to police the entire country.

The public demand for alcohol, especially in the big cities, led to widespread lawbreaking. Drinking was such a routine part of life for so many Americans that "bootlegging" quickly became a big business. Illegal stills and breweries, as well as liquor smuggled in from Canada, supplied the needs of those Americans who continued to drink. Nearly every town and city had at least one "speakeasy," where people could drink and enjoy music and other entertainment. Local law enforcement personnel, especially in the cities, were easily bribed to overlook these illegal establishments. By the early 1920s, many eastern states no longer made even a token effort at enforcing the law.

Liquor continued to be illegal, so Prohibition gave an enormous boost to violent organized crime. The profits to be made in the illegal liquor trade dwarfed the traditional sources of criminal income—gambling, prostitution, and

robbery. The pattern of organized crime in the 1920s closely resembled the larger trends in American business: smaller operations gave way to larger and more complex combinations. Successful organized crime figures, like Chicago's Al "Scarface" Capone, became celebrities in their own right and received heavy coverage in the mass media. Capone himself shrewdly used the rhetoric of the Republican new era to defend himself: "Everybody calls me a racketeer. I call myself a businessman. When I sell liquor it's bootlegging. When my patrons serve it on a silver tray on Lake Shore Drive, it's hospitality."

Organized crime, assisted by its huge profits from liquor, also made significant inroads into legitimate businesses, labor unions, and city government, especially in large cities. By the time Congress and the states ratified the Twenty-First Amendment in 1933, repealing Prohibition, organized crime was a permanent feature of American life. Prohibition did, in fact, significantly reduce per capita consumption of alcohol. In 1910, annual per capita consumption stood at 2.6 gallons; in 1934, the figure was less than a gallon. Yet among young people, especially college students, the excitement associated with speakeasies and lawbreaking contributed to increased drinking during Prohibition.

Immigration Restriction

Sentiment for restricting immigration, growing since the late nineteenth century, reached its peak immediately after World War I. Barriers against Asian immigrants were already in place with the Chinese Exclusion Act of 1882 and the so-called Gentleman's Agreement with Japan in 1907. The movement to curb European immigration reflected the growing preponderance after 1890 of "new immigrants"—those from southern and eastern Europe—over the immigrants from northern and western Europe, who had predominated before 1890. Between 1891 and 1920, roughly 10.5 million immigrants arrived from southern and eastern Europe. This was nearly twice as many as arrived during the same years from northern and western Europe (see Figure 23.3).

The "new immigrants" were mostly Catholic and Jewish, and they were darker-skinned than the "old immigrants." To many old-stock Americans, they seemed more exotic, more foreign, and less willing and able to assimilate the nation's political and cultural values. They were also relatively poorer, more physically isolated in the nation's cities, and less politically strong than earlier immigrants. In the 1890s, the anti-Catholic American Protective Association called for a curb on immigration, and by exploiting the economic depression of that decade, it reached a membership of 2.5 million. In 1894, a group of prominent Harvard graduates, including Senator Henry Cabot Lodge (R-Massachusetts) and John Fiske, founded the Immigration Restriction League, providing an influential forum for the fears of the nation's elite. The

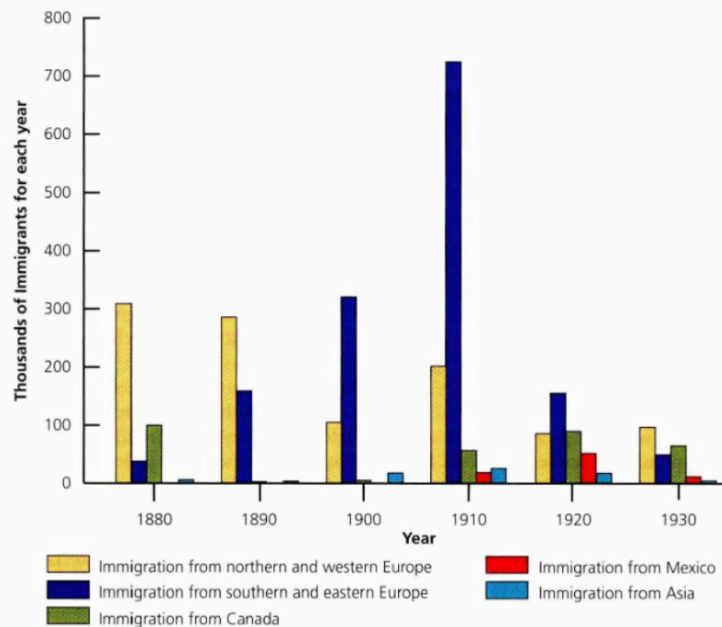


FIGURE 23.3 Immigration Trends to the United States by Continent/Region, 1880–1930

SOURCE: Reprinted with the permission of Cambridge University Press.

league used newer scientific arguments, based on a flawed application of Darwinian evolutionary theory and genetics, to support its call for immigration restriction. The new immigration, Lodge argued, “is bringing to the country people whom it is very difficult to assimilate and who do not promise well for the standard of civilization in the United States.”

Theories of scientific racism, which had become more popular in the early 1900s, reinforced anti-immigrant bias and distorted genetic theory to argue that America was committing “race suicide.” Eugenists, who enjoyed considerable vogue in those years, held that heredity determined almost all of a person’s capacities and that genetic inferiority predisposed people to crime and poverty. Such pseudoscientific thinking sought to explain historical and social development solely as a function of “racial” differences.

Against this background, the war and its aftermath provided the final push for the restriction of European immigration. The “100 percent American” fervor of the war years fueled nativist passions. So did the Red Scare of 1919–20, which linked foreigners with Bolshevism and radicalism of all kinds in the popular mindset. The postwar

depression coincided with the resumption of massive immigration, bringing much hostile comment on the relationship between rising unemployment and the new influx of foreigners. The American Federation of Labor proposed stopping all immigration for two years. Sensational press coverage of organized crime figures, many of them Italian or Jewish, also played a part.

In 1921, Congress passed the Immigration Act, setting a maximum of 357,000 new immigrants each year. Quotas limited annual immigration from any European country to 3 percent of the number of its natives counted in the 1910 U.S. Census. But restriction-

[Read the Document](#)
Immigration Law (1924)
at www.myhistorylab.com

ists complained that the new law still allowed too many southern and eastern Europeans in, especially since the northern and western Europeans did not fill their quotas. The Reed-Johnson National Origins Act of 1924 revised the quotas to 2 percent of the number of foreign-born counted for each nationality in the census for 1890, when far fewer southern or eastern Europeans were present in the United States. The maximum total allowed each year was also cut to 164,000. A *Los Angeles Times* headline expressed both the fundamental premise

CHAPTER 23 The Twenties 1920–1929

and flawed science of the new law: “Nordic Victory Is Seen in Drastic Restrictions.”

The 1924 National Origins Act in effect limited immigration to white Europeans eligible for immigration by country of origin (nationality), while it divided the rest of the world into “colored races” (black, mulatto, Chinese, and Indian) who were ineligible for immigration. These new restrictions dovetailed with two recent Supreme Court decisions, *Ozawa v. U.S.* (1922) and *U.S. v. Thind* (1923), in which the Court held that Japanese and Asian Indians were unassimilable aliens and racially ineligible for U.S. citizenship. By the 1920s, American law had thus created the peculiar new racial category of “Asian” and codified the principle of racial exclusion in immigration and naturalization law.

The Ku Klux Klan

If immigration restriction was resurgent nativism’s most significant legislative expression, a revived Ku Klux Klan (KKK) was its most effective mass movement. The original Klan had been formed in the Reconstruction South as an instrument of white racial terror against newly freed slaves (see Chapter 17). It had died out in the 1870s. The new Klan, born in Stone Mountain, Georgia, in 1915, was inspired by D. W. Griffith’s racist spectacle *The Birth of a Nation*, a film released in that year depicting the original

KKK as a heroic organization. The new Klan patterned itself on the secret rituals and antiblack hostility of its predecessor and, until 1920, it was limited to a few local chapters in Georgia and Alabama.

When Hiram W. Evans, a dentist from Dallas, became imperial wizard of the Klan in 1922, he transformed the organization. Evans hired professional fund-raisers and publicists and directed an effective recruiting scheme that paid a commission to sponsors of new members. The Klan advocated “100 percent Americanism” and “the faithful maintenance of White Supremacy.” It staunchly supported the enforcement of Prohibition, and it attacked birth control and Darwinism. The new Klan made a special target of the Roman Catholic Church, labeling it a hostile and dangerous alien power and claiming that their allegiance to the Pope made Catholics unfit for citizenship.

The new Klan also presented itself as the righteous defender of the embattled traditional values of small-town Protestant America. Ironically, to build its membership rolls, it relied heavily on the publicity, public relations, and business techniques associated with modern urban culture. By 1924, the new Klan counted more than 3 million members across the country. Its slogan, “Native, White, Protestant Supremacy,” proved especially attractive in the Midwest and South, including



Women members of the Ku Klux Klan in New Castle, Indiana, August 1, 1923. The revived Klan was a powerful presence in scores of American communities during the early 1920s, especially among nativ-

many cities. Klansmen boycotted businesses, threatened families, and sometimes resorted to violence—public whippings, arson, and lynching—against their chosen enemies. The Klan's targets sometimes included white Protestants accused of sexual promiscuity, blasphemy, or drunkenness, but most victims were African Americans, Catholics, and Jews. Support for Prohibition enforcement probably united Klansmen more than any single issue.

On another level, the Klan was a popular social movement, a defensive bastion against forces of modernity. Many members were more attracted by the Klan's spectacular social events and its efforts to reinvigorate community life than by its attacks on those considered outsiders. Perhaps a half-million women joined the Women of the Ku Klux Klan, and women constituted nearly half of the Klan membership in some states. Klanswomen drew on family and community traditions, such as church suppers, kin reunions, and gossip campaigns, to defend themselves and their families against what they saw as corruption and immorality. The Klan's power was strong in many communities precisely because it fit so comfortably into the everyday life of white Protestants.

At its height, the Klan also became a powerful force in Democratic Party politics, and it had a strong presence among delegates to the 1924 Democratic National Convention. The Klan began to fade in 1925, when its Indiana leader, Grand Dragon David C. Stephenson, became involved in a sordid personal affair. With one of its most famous leaders disgraced and in jail, the new Klan began to lose members and influence.

Fundamentalism in Religion

Paralleling political nativism in the 1920s was the growth of religious fundamentalism. In many eastern Protestant churches, congregations focused less on religious practice and worship than on progressive social and reform activities in the larger community. By the early 1920s, a fundamentalist revival had developed in reaction to these tendencies, particularly in the South and Midwest. The fundamentalists emphasized a literal reading of the Bible, and they rejected the tenets of modern science as inconsistent with the revealed word of God. Fundamentalist publications and Bible colleges flourished, particularly among southern Baptists.

One special target of the fundamentalists was the theory of evolution, first set forth by Charles Darwin in his landmark work *The Origin of Species* (1859). Using fossil evidence, evolutionary theory suggested that over

Darwinism in schools and universities. By 1925, five southern state legislatures had passed laws restricting the teaching of evolution.

A young biology teacher, John T. Scopes, deliberately broke the Tennessee law prohibiting the teaching of Darwinism in 1925, in order to challenge it in court. The resulting trial that summer in Dayton, a small town near Chattanooga, drew international attention to the controversy. Scopes's defense team included attorneys from the American Civil Liberties Union and Clarence Darrow, the most famous trial lawyer in America. The prosecution was led by William Jennings Bryan, the old Democratic standard-bearer who had thrown himself into the fundamentalist and antievolutionist cause. Held in a circus atmosphere in sweltering heat, the trial attracted thousands of reporters and partisans to Dayton and was broadcast across the nation by the radio (see *Communities in Conflict*).

The Scopes "monkey trial"—so called because fundamentalists trivialized Darwin's theory into a claim that humans were descended from monkeys—became one of the most publicized and definitive moments of the decade. Scopes's guilt was never in question. The jury convicted him quickly, although the verdict was later thrown out on a technicality. The struggle over the teaching of evolution continued in an uneasy stalemate; state statutes were not repealed, but prosecutions for teaching evolution ceased. Fundamentalism, a religious creed and a cultural defense against the uncertainties of modern life, continued to have a strong appeal for millions of Americans.

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One special target of the fundamentalists was the theory of evolution, first set forth by Charles Darwin in his landmark work *The Origin of Species* (1859). Using fossil evidence, evolutionary theory suggested that, over time, many species had become extinct and that new ones had emerged through the process of natural selection. These ideas directly contradicted the account of one fixed creation in the Book of Genesis. Although most Protestant clergymen had long since found ways of blending the scientific theory with their theology, fundamentalists launched an attack on the teaching of

Darwinism in schools and universities. By 1925, five southern state legislatures had passed laws restricting the teaching of evolution.

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COMMUNITIES *in* CONFLICT

The Scopes Trial in Dayton, Tennessee

The 1925 trial of John T. Scopes, a Tennessee high school science teacher arrested for teaching evolution, captured national attention. Scopes's guilt was never challenged, even by his defense team; the state's antievolution statute itself was on trial. Tennessee's case was argued by William Jennings Bryan, the aging stalwart of Populism, three-time Democratic presidential nominee, and hero to the growing legion of rural and small-town evangelical Christians. The defense, financed by the American Civil Liberties Union, was led by Chicago attorney Clarence Darrow, a religious skeptic and a labor and criminal defense lawyer long associated with radical causes.

The most electrifying moment of the trial came when Darrow put Bryan on the stand as an expert witness on the Bible. Although the judge expunged the testimony from the record, the wide press coverage proved embarrassing to Bryan and perhaps unfairly cemented his reputation as an antimodern rube. Bryan's criticism of Darwinian theory was in fact more sophisticated than his critics acknowledged. Bryan in particular objected to the use of evolutionary doctrine as scientific justification for social Darwinism, such as when eugenicists argued for selectively breeding human beings. After Bryan's testimony, Darrow, wanting to have the last word, asked the judge to instruct the jury to bring in a guilty verdict, thus making closing arguments unnecessary. The first excerpt is from the closing argument Bryan never had a chance to give. When he died three days after the trial, H. L. Mencken, the reporter for the *Baltimore Sun* and Bryan's most caustic critic, wrote a final assessment of "The Great Commoner," from which the second document is excerpted.

The clash between Bryan and Mencken embodied many of the profound cultural tensions that defined the 1920s. Today's conflicts over the teaching of "creationism" and "intelligent design," disputes over the authority of state and local boards to set curricula or choose textbooks, and the relevance of First Amendment protections in schools all echo the sharp clashes heard in 1925.

- How does Bryan link his critique of science and scientific thinking to recent world events?
- Why, in Bryan's view, does public school education require a Christian component?
- From Mencken's perspective, how did Bryan exploit evangelical Christianity for political purposes?

William Jennings Bryan's Undelivered Speech to the Jury

Science is a magnificent force, but it is not a teacher of morals. It can perfect machinery, but it adds no moral restraints to protect society from the misuse of the machine. It can also build gigantic intellectual ships, but it constructs no moral rudders for the control of storm tossed human vessels. It not only fails to supply the spiritual element needed but some of its unproven hypotheses rob the ship of its compass and thus endanger its cargo. In war, science has proven itself an evil genius; it has made war more terrible than it ever was before. Man used to be content to slaughter his fellowmen on a single plane—the earth's surface. Science has taught him to go down into the water and shoot up from below and to go up into the clouds and shoot down from above, thus making the battlefield three times as bloody as it was before; but science does not teach brotherly love. Science has made war so hellish that civilization was about to commit suicide; and now we are told that newly discovered instruments of destruction will make the cruelties of the late war seem trivial in comparison with the cruelties of wars that may come in the future. If civilization is to be saved from the wreckage threatened by intelligence not consecrated by love, it must be saved by the moral code of the meek and lowly Nazarene. His teachings, and His teachings, alone, can solve the problems that vex the heart and perplex the world. . . .

It is for the jury to determine whether this attack upon the Christian religion shall be permitted in the public schools of Tennessee by teachers employed by the state and paid out of the public treasury. This case is no longer local, the defendant ceases to play an important part. The case has assumed the proportions of a battle-royal between unbelief that attempts to speak through so-called science and the defenders of the Christian faith, speaking through the legislators of Tennessee. It is again a choice between God and Baal; it is also a renewal of the issue in Pilate's court. . . .

Again force and love meet face to face, and the question, "What shall I do with Jesus?" must be answered. A bloody, brutal doctrine—Evolution—demands, as the rabble did nineteen hundred years ago, that

"The case has [become] a battle-royal between unbelief . . . and the defenders of the Christian faith. . . ."

He be crucified. That cannot be the answer of this jury representing a Christian state and sworn to uphold the laws of Tennessee. Your answer will be heard throughout the world; it is eagerly awaited by a praying multitude. If the law is nullified, there will be rejoicing wherever God is repudiated, the savior scoffed at and the Bible ridiculed. Every unbeliever of every kind and degree will be happy. If, on the other hand, the law is upheld and the religion of the school children protected, millions of Christians will call you blessed and, with hearts full of gratitude to God, will sing again that grand old song of triumph: "Faith of our fathers, living still, In spite of dungeon, fire and sword; O how our hearts beat high with joy When'er we hear that glorious word—Faith of our fathers—Holy faith; We will be true to thee till death!"

SOURCE: *Bryan's Last Speech: Undelivered Speech to the Jury in the Scopes Trial*. Oklahoma City: Sunlight Publishing Society, 1925. <http://www.law.umkc.edu/faculty/projects/ftrials/scopes/scopes.htm>.

H. L. Mencken in the *Baltimore Evening Sun* (July 27, 1925)

One day it dawned on me that Bryan, after all, was an evangelical Christian only by sort of afterthought—that his career in this world, and the glories thereof, had actually come to an end before he ever began whooping for Genesis. So I came to this conclusion: that what really moved him was a lust for revenge. The men of the cities had destroyed him and made a mock of him; now he would lead the yokels against them. Various facts clicked into the theory, and I hold it still. The hatred in the old man's burning eyes was not for the enemies of God; it was for the enemies of Bryan.

Thus he fought his last fight, eager only for blood. It quickly became frenzied and preposterous, and after that pathetic. All sense departed from him. He bit right and left, like a dog with rabies. He descended to demagoguery so dreadful that his very associates blushed. His one yearning was to keep his yokels heated up—to lead his forlorn mob against the foe. That foe, alas, refused to be alarmed. It insisted upon seeing the battle as a comedy. Even Darrow, who knew better, occasionally yielded to the prevailing spirit. Finally, he lured poor Bryan into a folly almost incredible.

I allude to his astounding argument against the notion that man is a mammal. I am glad I heard it, for otherwise I'd never believe it. There stood the man who had been thrice a candidate for the Presidency of the Republic—and once, I believe, elected—there he stood in the glare of the world, uttering stuff that a boy of eight would laugh at! The artful Darrow led him on: he repeated it, ranted for it, bellowed it in his cracked voice. A tragedy, indeed! He came into life a hero, a Galahad, in bright and shining armor. Now he was passing out a pathetic fool.

But what of his life? Did he accomplish any useful thing? Was he, in his day, of any dignity as a man, and of any value to his fellow-men? I doubt it. Bryan, at his best, was simply a magnificent job-seeker. The issues that he bawled about usually meant nothing to him. He was ready to abandon them whenever he could make votes by doing so, and to take up new ones at a moment's notice. For years he evaded Prohibition as dangerous; then he embraced it as profitable. At the Democratic National Convention last year he was on both sides, and distrusted by both. In his last great battle there was only a baleful and ridiculous malignancy. If he was pathetic, he was also disgusting.

Bryan was a vulgar and common man, a cad undiluted. He was ignorant, bigoted, self-seeking, blatant and dishonest. His career brought him into contact with the first men of his time; he preferred the company of rustic ignora-

"The hatred in the old man's burning eyes was not for the enemies of God; it was for the enemies of Bryan."

muses. It was hard to believe, watching him at Dayton, that he had traveled, that he had been received in civilized societies, that he had been a high officer of state. He seemed only a poor clod like those around him, deluded by a childish theology, full of an almost pathological hatred of all learning, all human dignity, all beauty, all fine and noble things. He was a peasant come home to the dung-pile. Imagine a gentleman, and you have imagined everything that he was not.

SOURCE: <http://www.etsu.edu/cas/history/docs/menckenken.htm>.

4. The Automobile Comes to Middletown, 1929

The first real automobile appeared in Middletown in 1900. About 1906 it was estimated that "there are probably 200 in the city and county." At the close of 1923 there were 6,221 passenger cars in the city, one for every 6.1 persons, or roughly two for every three families. . . . For some of the workers and some of the business class, use of the automobile is a seasonal matter, but the increase in surfaced roads and in closed cars is rapidly making the car a year-round tool for leisure-time as well as getting-a-living activities. As, at the turn of the century, business class people began to feel apologetic if they did not have a telephone, so ownership of an automobile has now reached the point of being an accepted essential of normal living.

Into the equilibrium of habits which constitutes for each individual some integration in living has come this new habit, upsetting old adjustments, and blasting its way through such accustomed and unquestioned dicta as "Rain or shine, I never miss a Sunday morning at church"; "A high school boy does not need much spending money"; "I don't need exercise, walking to the office keeps me fit"; "I wouldn't think of moving out of town and being so far from my friends"; "Parents ought always to know where their children are." . . . No one questions the use of the auto for transporting groceries, getting to one's place of work or to the golf course, or in place of the porch for "cooling off after supper" on a hot summer evening; however much the activities concerned with getting a living may be altered by the fact that a factory can draw from workmen within a radius of forty-five miles, or however much old labor union men resent the intrusion of this new alternate way of spending an evening, these things are hardly major issues. But when auto riding tends to replace the traditional call in the family parlor as a way of approach between the unmarried, "the home is endangered," and all-day Sunday motor trips are a "threat against the church"; it is in the activities concerned with the home and religion that the automobile occasions the greatest emotional conflicts.

Group-sanctioned values are disturbed by the inroads of the automobile upon the family budget. A case in point is the not uncommon practice of mortgaging a home to buy an automobile. Data on automobile ownership were secured from 123 working class families. Of these, sixty have cars. Forty-one of the sixty own their homes. Twenty-six of these forty-one families have mortgages on their homes. Forty of the sixty-three families who do not own a car own their homes. Twenty-nine of these have mortgages on their homes. Obviously other factors are involved in many of Middletown's mortgages. That the automobile does represent a real choice in the minds of some at least is suggested by the acid retort of one citizen to the question about car ownership: "No, sir we've *not* got a car. *That's* why we've got a home." According to an officer of a Middletown automobile financing company, 75 to 90 per cent of the cars purchased locally are bought on time payment, and a working man earning \$35.00 a week frequently plans to use one week's pay each month as payment for his car. . . .

Many families feel that an automobile is justified as an agency holding the family group together. "I never feel as close to my family as when we are all together in the car," said one business class mother, and one or two spoke of giving up Country Club membership or other recreations to get a car for this reason. "We don't spend anything on recreation except for the car. We save every place we can and put the money into the car. It keeps the family together," was an opinion voiced more than once. Sixty-one per cent of 337 boys and 60 per cent of 423 girls in the three upper years of the high school say that they motor more often with their parents than without them.

But this centralizing tendency of the automobile may be only a passing phase; sets in the other direction are almost equally prominent. "Our daughters [eighteen and fifteen] don't use our car much because they are always with somebody else in their car when we go out motoring," lamented one business class mother. And another said, "The two older children [eighteen and sixteen] never go out when the family motors. They always have something else on." "In the nineties we were all much more together," said another wife. "People brought chairs and cushions out of the house and sat on the lawn evenings. We rolled out a strip of carpet and put cushions on the porch step to take care of the unlimited overflow of neighbors that dropped by. We'd sit out so all evening. The younger couples perhaps would wander off for half an hour to get a soda but come back to join in the informal singing or listen while somebody strummed a mandolin or guitar." "What on earth *do* you want me to do? Just sit around home all evening!" retorted a popular high school girl of today when her father discouraged her going out motoring for the evening with a young blade in a rakish car waiting at the curb. The fact that 348 boys and 382 girls in the three upper years of the high school placed "use of the automobile" fifth and fourth respectively in a list of twelve possible sources of disagreement between them and their parents suggests that this may be an increasing decentralizing agent. . . .

The threat which the automobile presents to some anxious parents is suggested by the fact that of thirty girls brought before the juvenile court in the twelve months preceding September 1, 1924, charged with "sex crimes," for whom the place where the offense occurred was given in the records, nineteen were listed as having committed the offense in an automobile. Here again the automobile appears to some as an "enemy" of the home and society.

The Great Depression

As the 1920s drew to a close, Americans were confident in their well-being and in the prospects of even better times ahead. On the election trail in the summer of 1928, presidential candidate Herbert Hoover boasted of America's optimism with these words:

We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us. We have not yet reached the goal, but, given the chance to go forward with the policies of the last eight years, we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation.

Hardly a voice in the wilderness, Hoover's words were typical of the confidence of the times; nearly everyone missed the emerging signs of a faltering economy. Indeed, many failed to recognize the magnitude of the decline even after the Great Depression was erupting in full force.

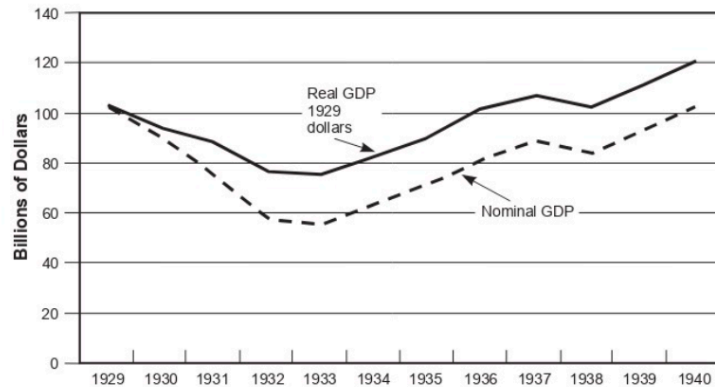
The Great Depression was the most important economic event of the twentieth century. Between 1929 and 1933, the economy of the United States collapsed. It is almost impossible to convey the sheer terror and misery that the depression produced, but numbers can suggest the dimensions. Real GDP fell 30 percent. Unemployment rose from 3.2 percent of the labor force in 1929 to 24.9 percent in 1933. Hunger and fear paralyzed the nation.

The central questions for economic historians are these: What caused this unprecedented collapse? Why did the economy remain depressed for so long? How can a repetition be avoided? As we shall see, scholars are still far from full agreement on all the issues. A consensus has been reached, however, on the key factors that contributed to the severity of the crisis, in particular the breakdown of the financial system. In this chapter, we concentrate on the dimensions and causes of the crisis. In the next chapter, we focus on the response of the Roosevelt administration to the depression and on the long-term consequences, particularly the emergence of the modern "mixed" economy in which the central government plays a major role in the allocation of resources.

DIMENSIONS OF THE DEPRESSION

It is utterly remarkable, even in hindsight, that an economic catastrophe of such magnitude could have occurred. In the four years from 1929 to 1933, the American economy simply disintegrated. The U.S. gross domestic product (GDP) in current prices declined 46 percent, from \$104.4 billion to \$56 billion. As shown in Figure 23.1, in constant (1929) prices, the decline was 27 percent. Industrial production declined by more than one-half, and gross investment, as indicated in Figure 23.2, came to a halt. By 1933, gross investment was below levels of capital depreciation. The nation's capital stock was

FIGURE 23.1
Gross Domestic
Product, 1929–1940



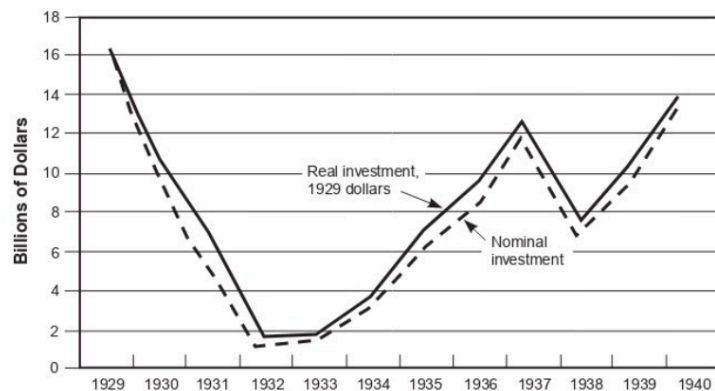
Source: U.S. Bureau of Economic Analysis.

actually declining. In the process, wholesale prices dropped one-third and consumer prices one-quarter. At the trough of the depression in March 1933, output of durables had fallen 80 percent; nondurables had fallen 30 percent.

The most horrible statistics were those for unemployment. Figure 23.3 graphically illustrates how unemployment soared. The number of unemployed rose from 1.5 million to 11.5 million. In 1933, the worst year, one-quarter of the civilian workforce was unemployed or had to get by on emergency “make work” jobs created by the federal government. Many of those employed were working fewer hours. Fully half of the nation’s breadwinners were either out of work or in seriously reduced circumstances. There were fewer two-earner families and no unemployment insurance to cushion the blow.

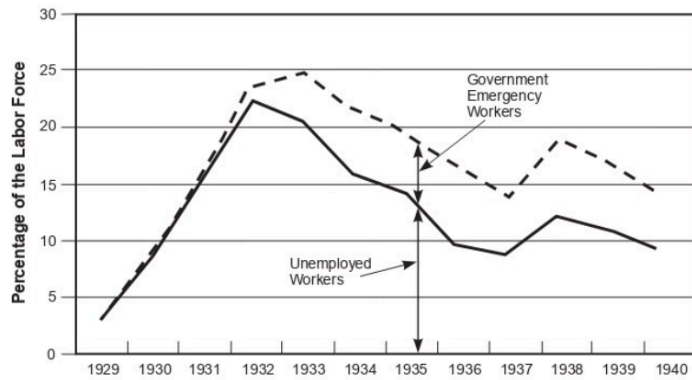
The intensity of the Great Depression was agonizing, and its seeming endlessness brought frustration and despair. The depression of 1920 and 1921 had been sharp and nasty, with a decline in durable-goods output of 43 percent, but it had behaved as a depression should, coming and going quickly. In the Great Depression, on the other hand, durable-goods production did not regain the 1929 peak until August 1940, more than

FIGURE 23.2
Gross Private Domestic
Investment, 1929–1940



Source: U.S. Bureau of Economic Analysis.

FIGURE 23.3
Percentage of the Labor
Force Unemployed,
1920–1940



Source: Michael Darby, "Three and a Half Million U.S. Employees Have Been Misled: Or an Explanation of Unemployment, 1934–41," *Journal of Political Economy* 84 (1976): 7, 8. Reprinted by permission of the University of Chicago Press.

11 years after the beginning of the depression. Unemployment, as shown in Figure 23.3, remained stubbornly high a decade after the depression began.

It is difficult to overemphasize the deep imprint registered by the duration and depth of the collapse. The revolutionary impact—economically, politically, socially, and psychologically—of the events of that fateful decade were matched only by those of the Civil War.

Responding to the Crash

We nowadays think of work as something that others find for us to do, call us to do, and pay us to do. No doubt our industrial growth is largely responsible for that. We have accustomed men to think of work that way. . . .

But something entirely outside the workshops of the nation has affected this hired employment very seriously. The word "unemployment" has become one of the most dreadful words in the language. The condition itself has become the concern of every person in the country. . . .

I do not believe in routine charity. I think it a shameful thing that any man should have to stoop to take it, or give it. I do not include human helplessness under the name of charity. My quarrel with charity is that it is neither helpful nor human. The charity of our cities is the most barbarous thing in our system, with the possible exception of our prisons. What we call charity is a modern substitute for being personally kind, personally concerned and personally involved in the work of helping others in difficulty. True charity is a much more costly effort than money-giving. Our donations too often purchase exemption from giving the only form of help that will drive the need for charity out of the land. . . .

In the last analysis independence means self-dependence. Dependence on some one else for employment in busy times may too easily become dependence on some one else for support in slack times.

If it is right and proper to help people to become wise managers of their own affairs in good times, it cannot be wrong to pursue the same object in dull times. Independence through self-dependence is a method which must commend itself when understood.

Methods of self-help are numerous and great numbers of people have made the stimulating discovery that they need not depend on employers to find work for them—they can find work for themselves. I have more definitely in mind those who have not yet made that discovery, and I should like to express certain convictions I have tested.

The land! That is where our roots are. There is the basis of our physical life. The farther we get away from the land, the greater our insecurity. From the land comes everything that supports life, everything we use for the service of physical life. The land has not collapsed or shrunk in either extent or productivity. It is there waiting to honor all the labor we are willing to invest in it, and able to tide us across any dislocation of economic conditions.

No unemployment insurance can be compared to an alliance between a man and a plot of land. With one foot in industry and another foot in the land, human society is firmly balanced against most economic uncertainties. With a job to supply him with cash, and a plot of land to guarantee him support, the individual is doubly secure. Stocks may fall, but seedtime and harvest do not fail.

I am not speaking of stop-gaps or temporary expedients. Let every man and every family at this season of the year cultivate a plot of land and raise a sufficient supply for themselves or others. Every city and village has vacant space whose use would be permitted. Groups of men could rent farms for small sums and operate them on the co-operative plan. Employed men, in groups of ten, twenty or fifty, could rent farms and operate them with several unemployed families. Or, they could

3. Henry Ford on Unemployment and Self-Help, 1932

I have always had to work, whether any one hired me or not. For the first forty years of my life, I was an employee. When not employed by others, I employed myself. I found very early that being out of hire was not necessarily being out of work. The first means that your employer has not found something for you to do; the second means that you are waiting until he does.

From *Literary Digest*, June 18, 1932. Reprinted courtesy of Ford Motor Company.

corner of a field on which to live and provide against next winter. Industrial concerns everywhere would gladly make it possible for their men, employed and unemployed, to find and work the land. Public-spirited citizens and institutions would most willingly assist in these efforts at self-help.

I do not urge this solely or primarily on the ground of need. It is a definite step to the restoration of normal business activity. Families who adopt self-help have that amount of free money to use in the channels of trade. That in turn means a flow of goods, an increase in employment, a general benefit.

5. An Ordinary American Appeals to Her Government, 1935

Troy, N.Y.
Jan. 2, 1935.

Dear Mrs. Roosevelt,

About a month ago I wrote you asking if you would buy some baby clothes for me with the understanding that I was to repay you as soon as my husband got enough work. Several weeks later I received a reply to apply to a Welfare Association so I might receive the aid I needed. Do you remember?

Please Mrs. Roosevelt, I do not want charity, only a chance from someone who will trust me until we can get enough money to repay the amount spent for the things I need. As a proof that I really am sincere, I am sending you two of my dearest possessions to keep as security, a ring my husband gave me before we were married, and a ring my mother used to wear. Perhaps the actual value of them is not high, but they are worth a lot to me. If you will consider buying the baby clothes, please keep them (rings) until I send you the money you spent. It is very hard to face bearing a baby we cannot afford to have, and the fact that it is due to arrive soon, and still there is no money for the hospital or clothing, does not make it any easier. I have decided to stay home, keeping my 7 year old daughter from school to help with the smaller children when my husband has work. The oldest little girl is sick now, and has never been strong, so I would not depend on her. The 7 year old one is a good willing little worker and somehow we must manage—but without charity.

If you still feel you cannot trust me, it is alright and I can only say I do not blame you, but if you decide my word is worth anything with so small a security, here is a list of what I will need—but I will need it very soon.

- 2 shirts, silk and wool, size 2
- 3 pr. stockings, silk and wool, 4½ or 4
- 3 straight flannel bands
- 2 slips—outing flannel
- 2 muslim dresses
- 1 sweater
- 1 wool bonnet
- 2 pr. wool booties
- 2 doz. diapers 30 × 30—or 27 × 27
- 1 large blanket (baby) about 45" or 50"
- 3 outing flannel nightgowns

If you will get these for me I would rather no one knew about it. I promise to repay the cost of the layette as soon as possible. We will all be very grateful to you, and I will be more than happy.

Sincerely yours,
Mrs. H. E. C.

THE FIRST NEW DEAL

FDR AND THE ELECTION OF 1932

It is indeed paradoxical that Franklin D. Roosevelt, who had been raised in privilege on a New York country estate, came to be beloved as the symbolic representative of ordinary citizens. But like Lincoln, with whom he is often compared, Roosevelt's greatness lay in his willingness to throw off the "dogmas of the quiet past" (Lincoln's words) to confront an unprecedented national crisis. FDR, as he liked to be called, was born in 1882, a fifth cousin of Theodore Roosevelt. He graduated from Harvard in 1904 and six years later won election to the New York legislature from Dutchess County, site of his family's home at Hyde Park. After serving as undersecretary of the navy during World War I, he ran for vice president on the ill-fated Democratic ticket of 1920 headed by James M. Cox. In 1921, he contracted polio and lost the use of his legs, a fact carefully concealed from the public in that pre-television era. Very few Americans realized that the president who projected an image of vigorous leadership during the 1930s and World War II was confined to a wheelchair.

In his speech accepting the Democratic nomination for president in 1932, Roosevelt promised a "new deal" for the American people. But his campaign offered only vague hints of what this might entail. Roosevelt spoke of the government's responsibility to guarantee "every man . . . a right to make a comfortable living." But he also advocated a balanced federal budget and criticized his opponent, President Hoover, for excessive government spending. The biggest difference between the parties during the campaign was the Democrats' call for the repeal of Prohibition. Battered by the economic crisis, Americans in 1932 were desperate for new leadership, and Roosevelt won a resounding victory. He received 57 percent of the popular vote, and Democrats swept to a commanding majority in Congress.

THE COMING OF THE NEW DEAL

The Depression did not produce a single pattern of international public response. For nearly the entire decade of the 1930s, conservative governments ruled Britain and France. They were more interested in preserving public order than relieving suffering or embarking on policy innovations. In Germany, Adolf Hitler, leader of the Nazi Party, established one of the most brutal dictatorships in human history. Hitler banned all political opposition and launched a reign of terror against Jews and others deemed to be "un-German." In the Soviet Union, another tyrant, Joseph Stalin, embarked on successive five-year plans that at great social cost produced rapid industrialization and claimed to have eliminated unemployment. The militarist government of Japan invaded China in 1937, and hoped to extend its rule throughout Asia.

Roosevelt conceived of the New Deal as an alternative to socialism on the left, Nazism on the right, and the inaction of upholders of unregulated capitalism. He hoped to reconcile democracy, individual liberty, and economic planning. "You have made yourself," the British economist John Maynard

CHRONOLOGY

- 1931** Scottsboro case
- 1933** Franklin Roosevelt inaugurated president
Bank holiday
The Hundred Days
21st Amendment ratified
- 1934** Upton Sinclair runs for governor of California
Huey Long launches the Share Our Wealth movement
American Liberty League established
Indian Reorganization Act
Herbert Hoover's *The Challenge to Liberty*
- 1935** Supreme Court rules the National Recovery Association unconstitutional
John L. Lewis organizes the Congress of Industrial Organizations
Second New Deal launched
- 1936** Supreme Court rules the Agricultural Adjustment Act unconstitutional
United Auto Workers sit-down strike
John Maynard Keynes's *The General Theory of Employment, Interest, and Money*
- 1938** Fair Labor Standards bill
House Un-American Activities Committee established
Martha Graham's *American Document*
- 1939** John Steinbeck's *The Grapes of Wrath*
- 1940** Smith Act

Keynes wrote to FDR, “the trustee for those in every country who seek to mend the evils of our condition by reasoned experiment within the framework of the existing social system.” If Roosevelt failed, Keynes added, the only remaining choices would be “orthodoxy” (that is, doing nothing) or “revolution.”

Roosevelt did not enter office with a blueprint for dealing with the Depression. At first, he relied heavily for advice on a group of intellectuals and social workers who took up key positions in his administration. They included Secretary of Labor Frances Perkins, a veteran of Hull House and the New York Consumers’ League who had been among the eyewitnesses to the Triangle fire of 1911; Harry Hopkins, who had headed emergency relief efforts during Roosevelt’s term as governor of New York; Secretary of the Interior Harold Ickes, a veteran of Theodore Roosevelt’s Progressive campaign of 1912; and Louis Brandeis, who had advised Woodrow Wilson during the 1912 campaign and now offered political advice to FDR while serving on the Supreme Court.

The presence of these individuals reflected how Roosevelt drew on the reform traditions of the Progressive era. But Progressivism, as noted in Chapter 18, was hardly a unified movement, and Roosevelt’s advisers did not speak with one voice. Brandeis believed that large corporations not only wielded excessive power but had contributed to the Depression by keeping prices artificially high and failing to increase workers’ purchasing power. They should be broken up, he insisted, not regulated. But the “brains trust”—a group of academics that included a number of Columbia University professors—saw bigness as inevitable in a modern economy. The competitive marketplace, they argued, was a thing of the past, and large firms needed to be managed and directed by the government, not dismantled. Their view prevailed during what came to be called the First New Deal.

THE BANKING CRISIS

“This nation asks for action and action now,” Roosevelt announced on taking office on March 4, 1933. The country, wrote the journalist and political commentator Walter Lippmann, “was in such a state of confused desperation that it would have followed almost any leader anywhere he chose to go.” FDR spent much of 1933 trying to reassure the public. In his inaugural address, he declared that “the only thing we have to fear is fear itself.” (See the Appendix for the full text.)

Roosevelt confronted a banking system on the verge of collapse. As bank funds invested in the stock market lost their value and panicked depositors withdrew their savings, bank after bank had closed its doors. By March 1933, banking had been suspended in a majority of the states—that is, people could not gain access to money in their bank accounts. Roosevelt declared a “bank holiday,” temporarily halting all bank operations, and called Congress into

special session. On March 9, it rushed to pass the Emergency Banking Act, which provided funds to shore up threatened institutions.

Further measures soon followed that transformed the American financial system. The Glass-Steagall Act barred commercial banks from becoming involved in the buying and selling of stocks. Until its repeal in the 1990s, the law prevented many of the irresponsible practices that had contributed to the stock market crash. The same law established the Federal Deposit Insurance Corporation (FDIC), a government system that insured the accounts of individual depositors. And Roosevelt took the United States off the gold standard—that is, he severed the link between the country's currency and its gold reserves, thus making possible the issuance of more money in the hope of stimulating business activity. Together, these measures rescued the financial system and greatly increased the government's power over it. About 5,000 banks—one-third of the nation's total—had failed between 1929 and 1933, representing a loss of tens of millions of dollars to depositors. In 1936, not a single bank failed in the United States.

THE NRA

The Emergency Banking Act was the first of an unprecedented flurry of legislation during the first three months of Roosevelt's administration, a period known as the "Hundred Days." Seizing on the sense of crisis and the momentum of his electoral victory, Roosevelt won rapid passage of laws he hoped would promote economic recovery. He persuaded Congress to create a host of new agencies, whose initials soon became part of the language of politics—NRA, AAA, CCC. Never in American history had a president exercised such power or so rapidly expanded the role of the federal government in people's lives.

The centerpiece of Roosevelt's plan for combating the Depression, the National Industrial Recovery Act, was to a large extent modeled on the government-business partnership established by the War Industries Board of World War I. Roosevelt called it "the most important and far-reaching legislation ever enacted by the American Congress." The act established the National Recovery Administration (NRA), which would work with groups of business leaders to establish industry codes that set standards for output, prices, and working conditions. Thus, "cutthroat" competition (in which companies took losses to drive competitors out of business) would be ended. These industry-wide arrangements would be exempt from antitrust laws.

The NRA reflected how even in its early days, the New Deal reshaped understandings of freedom. In effect, FDR had repudiated the older idea of liberty based on the idea that the best way to encourage economic activity and ensure a fair distribution of wealth was to allow market competition to operate, unrestrained by the government. And to win support from labor, section 7a

of the new law recognized the workers' right to organize unions—a departure from the “open shop” policies of the 1920s and a step toward government support for what workers called “industrial freedom.”

Headed by Hugh S. Johnson, a retired general and businessman, the NRA quickly established codes that set standards for production, prices, and wages in the textile, steel, mining, and auto industries. Johnson launched a publicity campaign to promote the NRA and its symbol, the Blue Eagle, which stores and factories that abided by the codes displayed. But after initial public enthusiasm, the NRA became mired in controversy. Large companies dominated the code-writing process. An inquiry conducted by the labor lawyer Clarence Darrow in 1934 concluded that they used the NRA to drive up prices, limit production, lay off workers, and divide markets among themselves at the expense of smaller competitors. Many anti-union employers ignored section 7a. The government lacked the manpower to police the 750 codes in effect by 1935. The NRA produced neither economic recovery nor peace between employers and workers.

GOVERNMENT JOBS

The Hundred Days also brought the government into providing relief to those in need. Roosevelt and most of his advisers shared the widespread fear that direct government payments to the unemployed would undermine individual self-reliance. Indeed, one of the first measures of the Hundred Days had been



A Civilian Conservation Corps workforce in Yosemite National Park, 1935.

the Economy Act, which reduced federal spending in an attempt to win the confidence of the business community. But with nearly a quarter of the workforce unemployed, spending on relief was unavoidable. In May 1933, Congress created the Federal Emergency Relief Administration, to make grants to local agencies that aided those impoverished by the Depression. FDR, however, much preferred to create temporary jobs, thereby combating unemployment while improving the nation's infrastructure of roads, bridges, public buildings, and parks.

In March 1933, Congress established the Civilian Conservation Corps (CCC), which set unemployed young men to work on projects like forest preservation, flood control, and the improvement of national parks and wildlife preserves. By the time the program ended in 1942, more than 3 million persons had passed through CCC camps, where they received government wages of \$30 per month.

PUBLIC-WORKS PROJECTS

One section of the National Industrial Recovery Act created the Public Works Administration (PWA), with an appropriation of \$3.3 billion. Directed by Secretary of the Interior Harold Ickes, it built roads, schools, hospitals, and other public facilities, including New York City's Triborough Bridge and the Overseas Highway between Miami and Key West, Florida. In November, yet another agency, the Civil Works Administration (CWA), was launched. By January 1934, it employed more than 4 million persons in the construction of highways, tunnels, courthouses, and airports. But as the cost spiraled upward and complaints multiplied that the New Deal was creating a class of Americans permanently dependent on government jobs, Roosevelt ordered the CWA dissolved.

Some New Deal public-works initiatives looked to government-planned economic transformation as much as economic relief. The Tennessee Valley Authority (TVA), another product of the Hundred Days, built a series of dams to prevent floods and deforestation along the Tennessee River and to provide cheap electric power for homes and factories in a seven-state region where many families still lived in isolated log cabins. The TVA put the federal government, for the first time, in the business of selling electricity in competition with private companies. It was a preview of the program of regional planning that spurred the economic development of the West.

THE NEW DEAL AND AGRICULTURE

Another policy initiative of the Hundred Days addressed the disastrous plight of American farmers. The Agricultural Adjustment Act (AAA) authorized the federal government to try to raise farm prices by setting production quotas

for major crops and paying farmers not to plant more. Many crops already in the field were destroyed. In 1933, the government ordered more than 6 million pigs slaughtered as part of the policy, a step critics found strange at a time of widespread hunger.

The AAA succeeded in significantly raising farm prices and incomes. But not all farmers benefited. Benefits flowed to property-owning farmers, ignoring the large number who worked on land owned by others. The AAA policy of paying landowning farmers not to grow crops encouraged the eviction of thousands of poor tenants and sharecroppers. Many joined the rural exodus to cities or to the farms of the West Coast.

The onset in 1930 of a period of unusually dry weather in the nation's heartland worsened the Depression's impact on rural America. By mid-decade, the region suffered from the century's most severe drought. Mechanized agriculture in this semiarid region had pulverized the topsoil and killed native grasses that prevented erosion. Winds now blew much of the soil away, creating the Dust Bowl, as the affected areas of Oklahoma, Texas, Kansas, and Colorado were called. A local newspaper described the situation in Cimarron County, Oklahoma: "Not a blade of wheat; cattle dying on the range, ninety percent of the poultry dead because of the sand storms, milk cows gone dry." One storm in 1934 carried dust as far as Washington, D.C. The drought and dust storms displaced more than 1 million farmers. John Steinbeck's novel *The Grapes of Wrath* (1939) and a popular film based on the book captured their plight, tracing a dispossessed family's trek from Oklahoma to California.



THE NEW DEAL AND HOUSING

Owning one's home had long been a widely shared American ambition. "A man is not a whole and complete man," Walt Whitman had written in the 1850s, "unless he owns a house and the ground it stands on." For many members of the middle class, home ownership had become a mark of respectability. For workers, it offered economic security at a time of low wages, erratic employment, and limited occupational mobility. On the eve of World War I, a considerably higher percentage of immigrant workers than the native-born middle class owned their homes.

The Depression devastated the American housing industry. The construction of new residences all but ceased, and banks and savings and loan associations that had financed home ownership collapsed or, to remain afloat, foreclosed on many homes (a quarter of a million in 1932 alone). In 1931, President Hoover convened a Conference on Home Building and Home Ownership to review the housing crisis. The president called owning a home an American "birthright," the embodiment of the spirit of "enterprise, of independence, and of . . . freedom." Rented apartments, he pointed out, did not inspire "immortal ballads" like "Home, Sweet Home" or "The Little Gray Home in the West." Papers presented at the conference revealed that millions of Americans lived in overcrowded, unhealthy urban slums or in ramshackle rural dwellings. Private enterprise alone, it seemed clear, was unlikely to solve the nation's housing crisis.

Hoover's administration established a federally sponsored bank to issue home loans. Not until the New Deal, however, did the government systematically enter the housing market. Roosevelt spoke of "the security of the home" as a fundamental right akin to "the security of livelihood, and the security of social insurance." In 1933 and 1934, his administration moved energetically to protect home owners from foreclosure and to stimulate new construction. The Home Owners Loan Corporation and Federal Housing Administration (FHA) insured millions of long-term mortgages issued by private banks. At the same time, the federal government itself built thousands of units of low-rent housing. New Deal housing policy represented a remarkable departure from previous government practice. Thanks to the FHA and, later, the Veterans' Administration, home ownership came within the reach of tens of millions of families. It became cheaper for most Americans to buy single-family homes than to rent apartments.

Other important measures of Roosevelt's first two years in office included the ratification of the Twenty-first Amendment to the Constitution, which repealed Prohibition; the establishment of the Federal Communications Commission to oversee the nation's broadcast airwaves and telephone communica-

tions; and the creation of the Securities and Exchange Commission to regulate the stock and bond markets. Taken together, the First New Deal was a series of experiments, some of which succeeded and some of which did not. They transformed the role of the federal government, constructed numerous public facilities, and provided relief to millions of needy persons. But they did not end the Depression. Some 10 million Americans—more than 20 percent of the workforce—remained unemployed when 1934 came to an end.

THE COURT AND THE NEW DEAL

In 1935, the Supreme Court, still controlled by conservative Republican judges who held to the nineteenth-century understanding of freedom as liberty of contract, began to invalidate key New Deal laws. First came the NRA, declared unconstitutional in May in a case brought by the Schechter Poultry Company of Brooklyn, which had been charged with violating the code adopted by the chicken industry. In a unanimous decision, the Court declared the NRA unlawful because in its codes and other regulations it delegated legislative powers to the president and attempted to regulate local businesses that did not engage in interstate commerce. In January 1936, the AAA fell in *United States v. Butler*, which declared it an unconstitutional exercise of congressional power over local economic activities. In June, by a 5-4 vote, the justices ruled that New York could not establish a minimum wage for women and children.

Having failed to end the Depression or win judicial approval, the First New Deal ground to a halt. Meanwhile, pressures were mounting outside Washington that propelled the administration toward more radical departures in policy.

3 Franklin Roosevelt's Fireside Chat on Banking, 1933

Franklin Roosevelt won the 1932 election easily, carrying 42 of 48 states and crushing Herbert Hoover 472–59 in the electoral college. The vote represented a repudiation of Hoover rather than enthusiasm for Roosevelt, who maintained a Sphinx-like silence as to his intentions during the four-month interregnum between election and inauguration. Political watchers predicted everything from a pro-business administration to a socialist revolution. Roosevelt ignored the speculation, preferring to spend

To Fear or Not to Fear

his time absorbing knowledge from advisers of varying ideological stripes. FDR used his inaugural address to outline general "lines of attack" without establishing precise goals. Above all else he stressed the need for bold action and a conviction that brighter days lay ahead.

Roosevelt's first priority was addressing a banking industry standing on the brink of a collapse that might annihilate the wobbling economy. FDR's inner circle worked with Hoover's men to craft an Emergency Banking Act that Roosevelt signed into law just seven hours after Congress introduced it. With a stroke of the pen the president imposed a broad new set of financial regulations. More dramatically, FDR temporarily closed the banks to allow for further tinkering and to give depositors a chance to regain confidence. He took to the airwaves a few days later to deliver the first of 30 "fireside chats" he gave during his 12 years in office. In it he displayed an uncanny ability to connect with unseen listeners. His speech moved the Graham family of Dubuque, Iowa to write a response, included here.

What does Roosevelt's speech suggest about his audience? How effective is Roosevelt's speech? How does his speaking style compare to Herbert Hoover's? How do the Grahams view the president? Do you find their perspective normal or unusual?

I want to talk for a few minutes with the people of the United States about banking – with the comparatively few who understand the mechanics of banking but more particularly with the overwhelming majority who use banks for the making of deposits and the drawing of checks. I want to tell you what has been done in the last few days, why it was done, and what the next steps are going to be. I recognize that the many proclamations from State capitols and from Washington, the legislation, the Treasury regulations, etc., couched for the most part in banking and legal terms, should be explained for the benefit of the average citizen. I owe this in particular because of the fortitude and good temper with which everybody has accepted the inconvenience and hardships of the banking holiday. I know that when you understand what we in Washington have been about I shall continue to have your cooperation as fully as I have had your sympathy and help during the past week.

First of all, let me state the simple fact that when you deposit money in a bank the bank does not put the money into a safe deposit vault. It invests your money in many different forms of credit – bonds, commercial paper, mortgages and many other kinds of loans. In other words, the bank puts your money to work to keep the wheels of industry and of agriculture turning around. A comparatively small part of the money you put into the bank is kept in currency – an amount which in normal times is wholly sufficient to cover

the cash needs of the average citizen. In other words, the total amount of all the currency in the country is only a small fraction of the total deposits in all of the banks.

What, then, happened during the last few days of February and the first few days of March? Because of undermined confidence on the part of the public, there was a general rush by a large portion of our population to turn bank deposits into currency or gold – a rush so great that the soundest banks could not get enough currency to meet the demand. . . .

By the afternoon of March third scarcely a bank in the country was open to do business. Proclamations temporarily closing them in whole or in part had been issued by the Governors in almost all the States.

It was then that I issued the proclamation providing for the nationwide bank holiday, and this was the first step in the Government's reconstruction of our financial and economic fabric.

The second step was the legislation promptly and patriotically passed by the Congress confirming my proclamation and broadening my powers so that it became possible in view of the requirement of time to extend the holiday and lift the ban of that holiday gradually. This law also gave authority to develop a program of rehabilitation of our banking facilities. I want to tell our citizens in every part of the Nation that the national Congress – Republicans and Democrats alike – showed by this action a devotion to public welfare and a realization of the emergency and the necessity for speed that it is difficult to match in our history. . . .

This bank holiday, while resulting in many cases in great inconvenience, is affording us the opportunity to supply the currency necessary to meet the situation. No sound bank is a dollar worse off than it was when it closed its doors last Monday. Neither is any bank which may turn out not to be in a position for immediate opening. . . .

A question you will ask is this: why are all the banks not to be reopened at the same time? The answer is simple. Your Government does not intend that the history of the past few years shall be repeated. We do not want and will not have another epidemic of bank failures.

As a result, we start tomorrow, Monday, with the opening of banks in the twelve Federal Reserve Bank cities – those banks which on first examination by the Treasury have already been found to be all right. This will be followed on Tuesday by the resumption of all their functions by banks already found to be sound in cities where there are recognized clearing houses. That means about two hundred fifty cities of the United States.

On Wednesday and succeeding days banks in smaller places all through the country will resume business, subject, of course, to the Government's physical ability to complete its survey. . . .

Let me make it clear to you that if your bank does not open the first day you are by no means justified in believing that it will not open. A bank that opens on one of the subsequent days is in exactly the same status as the bank that opens tomorrow. . . .

It is possible that when the banks resume a very few people who have not recovered from their fear may again begin withdrawals. Let me make it clear that the banks will take care of all needs – and it is my belief that hoarding during the past week has become an exceedingly unfashionable pastime. . . . I can assure you that it is safer to keep your money in a reopened bank than under the mattress.

The success of our whole great national program depends, of course, upon the cooperation of the public – on its intelligent support and use of a reliable system. . . .

One more point before I close. There will be, of course, some banks unable to reopen without being reorganized. The new law allows the Government to assist in making these reorganizations quickly and effectively and even allows the Government to subscribe to at least a part of new capital which may be required.

I hope you can see from this elemental recital of what your Government is doing that there is nothing complex, or radical, in the process.

We had a bad banking situation. Some of our bankers had shown themselves either incompetent or dishonest in their handling of the people's funds. They had used the money entrusted to them in speculations and unwise loans. This was, of course, not true in the vast majority of our banks, but it was true in enough of them to shock the people for a time into a sense of insecurity and to put them into a frame of mind where they did not differentiate, but seemed to assume that the acts of a comparative few had tainted them all. It was the Government's job to straighten out this situation and do it as quickly as possible. And the job is being performed. . . .

[T]here is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumors or guesses. Let us unite in banishing fear. We have provided the machinery to restore our financial system; it is up to you to support and make it work.

It is your problem no less than it is mine. Together we cannot fail.

Source: B. D. Zevin, ed., *Nothing to Fear: The Selected Addresses of Franklin Delano Roosevelt, 1932-1945* (Freeport, NY: Books for Libraries Press, 1946), pp. 18-20, 21-2.

The President of the greatest Nation on earth honored every home with a personal visit last night. He came into our living-room in a kindly neighborly way and in simple words explained the great things he had done so that all of us unfamiliar with the technicalities might understand. When his voice died away we realized our “friend” had gone home again but left us his courage, his faith and absolute confidence.

As long as you talk to your people there is not one thing you cannot accomplish. From the lips of neighbors, acquaintances and strangers we hear this sentiment. Congress and other law-makers will find themselves puny interference when you have but to turn to the Radio and enter our home a welcome and revered guest. If you could only hear our response – but, I’m sure you sense the great hope and reliance of your people, We believe in you!

Of all precedents you have shattered is the theory that a man must come from the lowly to understand the needs of the common people. We love you for that perception that could only come from a great unselfish heart.

We are just a modest middle-class people having lost what little we had, but, since March 4th, . . . we knew we were not fighting alone. We have a LEADER at last.

If this should ever reach your eyes – don’t take anyone’s valuable time for acknowledgement when there is so much to be done. I hope that when the major things have been disposed of you will not forget a national old-age bill such as you fostered in New York. It will alleviate so much suffering and humiliation.

Since you addressed us as “friends” we have written our letter in this spirit and to express our faith.

Respectfully,

F. B. Graham
Mrs. F. B. Graham
Dubuque, Iowa

Source: Lawrence W. Levine and Cornelia R. Levine, eds., *The People and the President: America’s Conversation with FDR* (Boston: Beacon Press, 2002), p. 36.