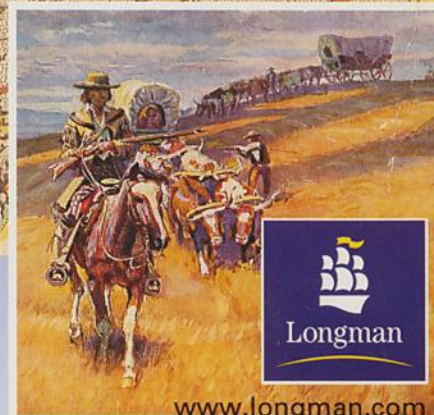
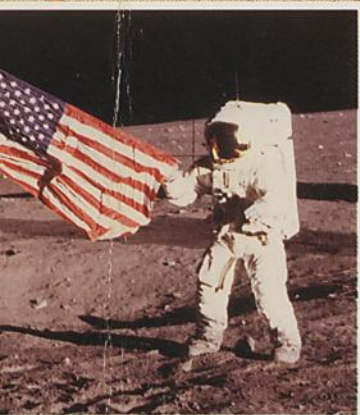
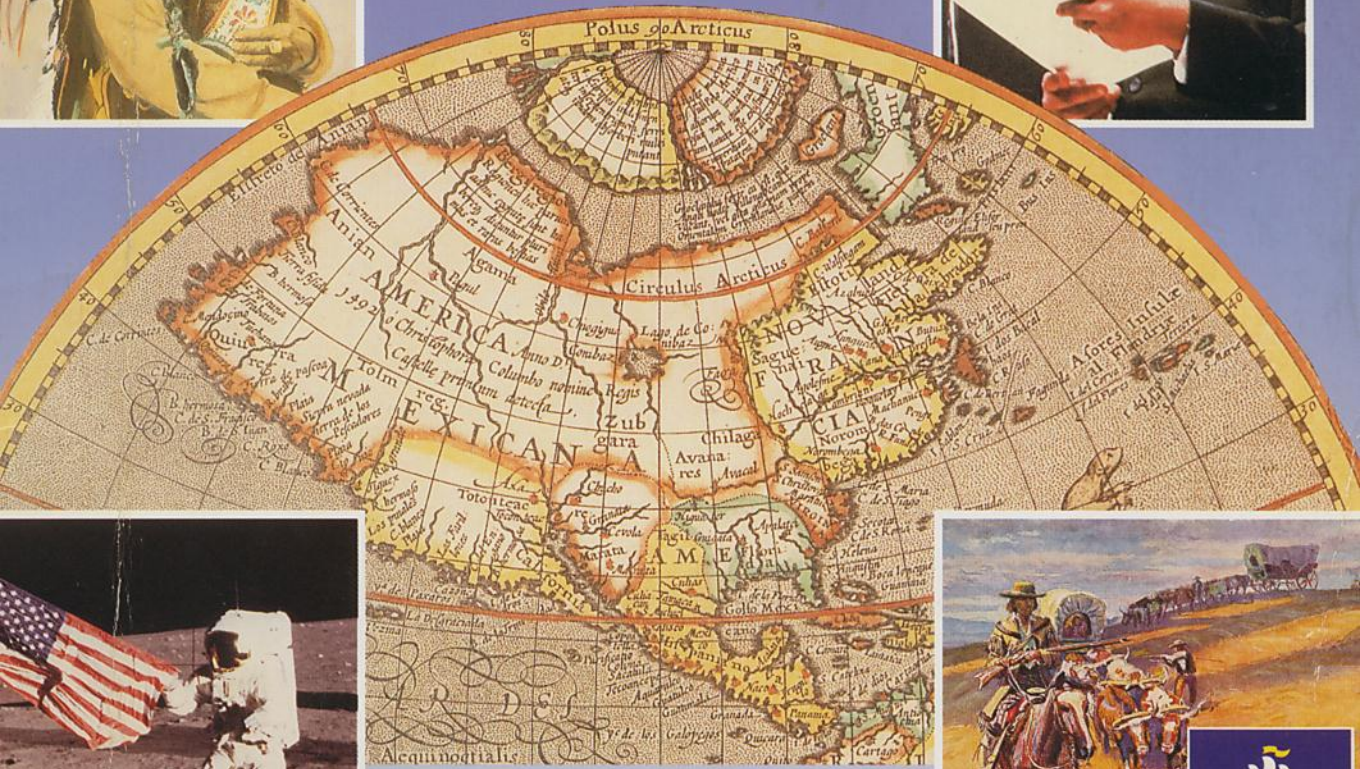
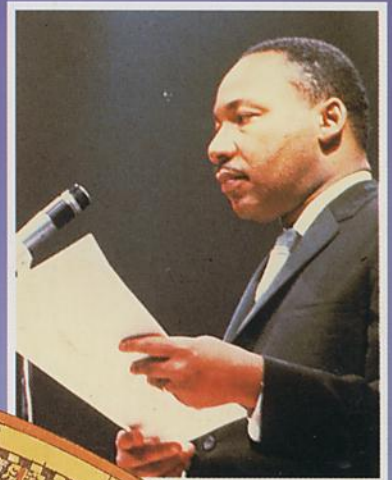
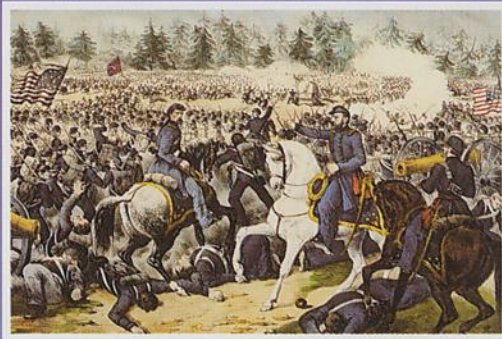


AN ILLUSTRATED HISTORY OF THE USA



Bryn O'Callaghan



www.longman.com

CRASH AND DEPRESSION

In the heart of New York City lies a narrow street enclosed by the walls of high office buildings. Its name is Wall Street.

One Thursday afternoon in October 1929, a workman outside an upper floor window of a Wall Street office found himself staring into the eyes of four policemen. They reached out to catch hold of him. "Don't jump!" shouted one of the policemen. "It's not that bad." "Who's going to jump?" asked the surprised worker. "I'm just washing windows!"

To understand this incident we need to look at what had been happening in Wall Street in the months and years before that October afternoon in 1929.

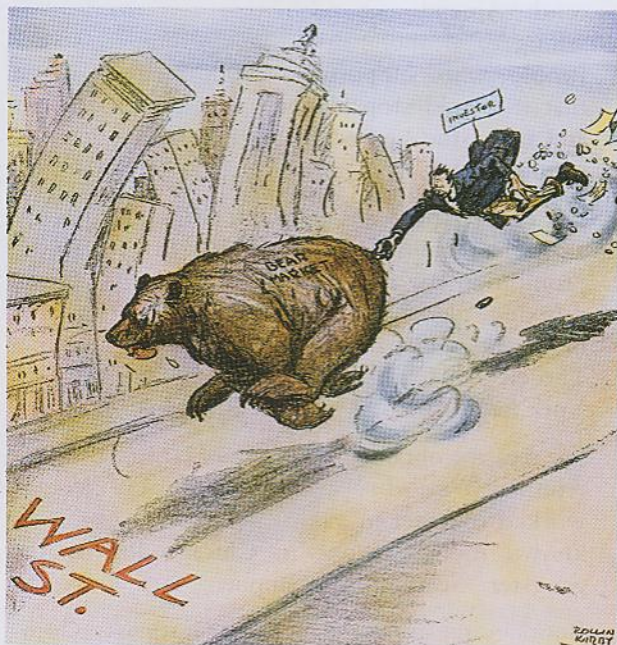
Wall Street is the home of the New York Stock Exchange. Here dealers called stockbrokers buy and sell valuable pieces of paper. The pieces of paper are share certificates. Each certificate represents a certain amount of money invested in a company.

Every year in the 1920s the sales of cars, radios and other consumer goods rose. This meant bigger profits for the firms which made them. This in turn sent up the value of shares in such firms.

Owning shares in a business gives you the right to a share of its profits. But you can make money from shares in another way. You can buy them at one price, then, if the company does well, sell them later at a higher one.

More and more people were eager to get some of this easy money. By 1929 buying and selling shares—"playing the market"—had become almost a national hobby. You could see this from the rise in the number of shares changing hands. In 1923 the number was 236 million; by 1928 it had grown to 1,125 million.

Like most other things in the United States in the 1920s, you could buy shares on credit. A hundred dollars cash would "buy" a thousand dollars' worth of shares from any stockbroker. Many people borrowed large amounts of money from the banks to buy shares in this way—"on the margin", as it was called.



Wall Street out of control in early October 1929. This cartoon accurately predicted the stock market crash that occurred three weeks later.

Most of these "on the margin" share buyers were really gamblers. Their idea was to spot shares that would quickly rise in value, buy them at one price and then resell at a higher one a few weeks later. They could then pay back the bank, having made a quick profit.

By the fall of 1929 the urge to buy shares had become a sort of fever. Prices went up and up. One visitor to Wall Street was reminded of a street fight, as stockbrokers pushed and scrambled to buy shares for their customers.

Yet some people began to have doubts. The true value of shares in a business firm depends upon its profits. By the fall of 1929 the profits being made by many American firms had been decreasing for some time. If profits were falling, thought more cautious investors, then share prices, too, would soon fall. Slowly, such people began to sell their shares. Day by day their numbers grew. Soon so many people were selling shares that prices did start to fall.

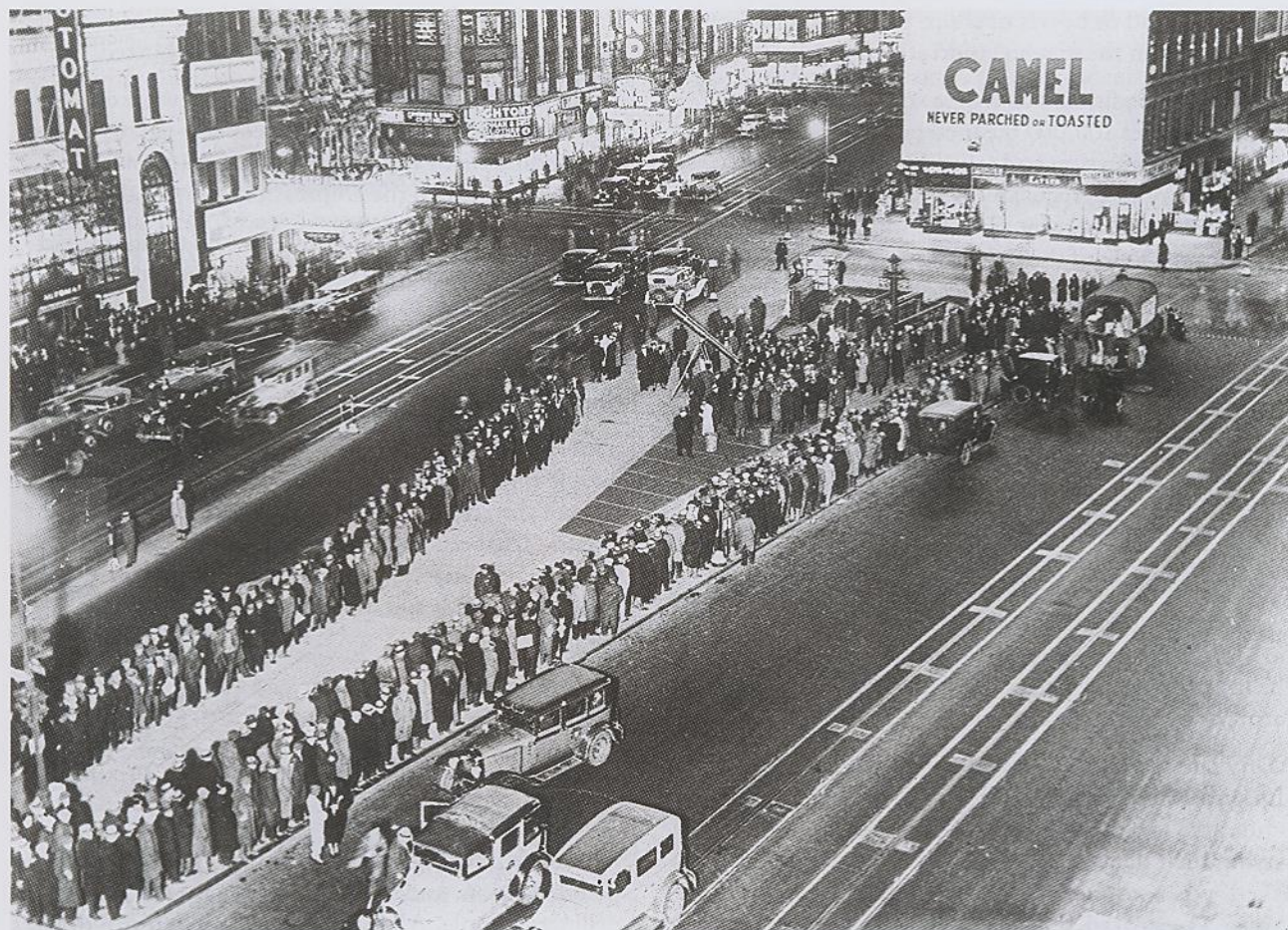
At first many investors held on to their shares, hoping that prices would rise again. But the fall became faster. A panic began. On Thursday, October 24, 1929—Black Thursday—13 million shares were sold. On the following Tuesday, October 29—Terrifying Tuesday—16.5 million were sold.

By the end of the year the value of all shares had dropped by \$40,000 million. Thousands of people, especially those who had borrowed to buy on the margin, found themselves facing debt and ruin. Some committed suicide. This was what the policemen thought that the window cleaner was planning.

This collapse of American share prices was known as the Wall Street Crash. It marked the end of the prosperity of the 1920s.

“What has gone wrong?” people asked. Some blamed the blindness of politicians for the Crash, others the greed of investors and stockbrokers. But it had a more important cause. The fact was that by the end of the 1920s not enough people were buying the products of America’s expanded industries. Why? Because too little of the United States’ increased wealth was finding its way into the hands of the country’s workers and farmers. The most important cause of the Wall Street Crash was simply this—that too few Americans were earning enough money to buy the goods that they themselves were producing.

The Crash made people uncertain about the future. Many decided to save any money they had instead of spending it on such things as new cars and radios. American factories were already making more goods than they could sell. Now they had even fewer customers.



A breadline. Unemployed people line up for food rations in Times Square, New York, in the early 1930s.

The Crash affected their sales to foreign countries, too. In the 1920s American goods had sold well overseas, especially in Europe. But countries such as Britain and Germany had not prospered after the war as the United States had. They had often paid for their purchases with money borrowed from American banks. After the Wall Street Crash the banks wanted their money back. European buyers became short of cash and American overseas sales dried up almost completely. Goods piled up unsold in factory warehouses. Employers stopped employing workers and reduced production.

By the end of 1931 nearly eight million Americans were out of work. Unlike unemployed workers in countries such as Germany and Britain, they received no government unemployment pay. Many were soon without homes or food and had to live on charity. Millions spent hours shuffling slowly forward in "breadlines." Here they received free pieces of bread or bowls of soup, paid for by money collected from those who could afford it.

By 1932 the position was worse still. Thousands of banks and over 100,000 businesses had closed down. Industrial production had fallen by half and wage payments by 60 percent. New investment in industry was down by 90 percent. Twelve million people, one out of every four of the country's workers, were unemployed. The city of Chicago alone had almost three-quarters of a million workers without jobs. This was four out of ten of its normal working population. The position was just as bad in other places.

The Depression was easiest to see in the towns, with their silent factories, closed shops and slowly moving breadlines. But it brought ruin and despair to the farmlands also. Farmers simply could not sell their produce. With the number of people out of work rising day by day, their customers in the cities could no longer afford to buy. If anyone did buy, it was at the lowest possible prices. The same was true of the farmers' overseas customers.

Many farmers grew desperate. They took out shotguns and banded together to drive away men who came to throw them off their farms for not paying their debts. How can we pay, the farmers asked, when nobody will give us a fair price for our crops? They paraded through the streets in angry

"You walk"

A writer described what it was like to be jobless and homeless in an American city in the early 1930s:

"You get shoved out early; you get your coffee and start walking. A couple of hours before noon you get in line. You eat and start walking. At night you sleep where you can. You don't talk. You eat what you can. You walk. No one talks to you. You walk. It's cold, and you shiver and stand in doorways or sit in railroad stations. You don't see much. You forget. You walk an hour and forget where you started from. It is day, and then it's night, and then it's day again. And you don't remember which was first. You walk."

processions. They waved placards with words such as: "In Hoover we trusted, now we are busted."

By 1932 people of every kind—factory workers, farmers, office workers, store keepers—were demanding that President Hoover take stronger action to deal with the Depression.

Hoover believed that he could do two things to end the Depression. The first was to "balance the budget"—that is, to make sure that the government's spending did not exceed its income. The second was to restore businessmen's confidence in the future, so that they would begin to take on workers again.

Time and time again in the early 1930s Hoover told people that recovery from the Depression was "just around the corner." But the factories remained closed. The breadlines grew longer. People became hungrier. To masses of unemployed workers Hoover seemed uncaring and unable to help them.

Then, Franklin D. Roosevelt came on the scene. Roosevelt was the Governor of the state of New York. Years earlier he had been crippled by polio. But in 1932 the Democratic Party chose him to run against President Hoover in that year's election for a new president.

Roosevelt gave an impression of energy and determination, and of caring deeply for the welfare of ordinary people. All over the United States anxious men and women felt that here at last was a man who

understood their troubles, who sympathized with them – and, most important of all, who sounded as if he would do something to help them.

Roosevelt's main idea was that the federal government should take the lead in the fight against the Depression. He told the American people: "The country needs and demands bold, persistent experimentation. Above all try something." He promised them a "New Deal."

Hoover condemned Roosevelt's policies of greater government action. He was sure that such policies would only make things worse. They would, he said, "destroy the very foundations of our American

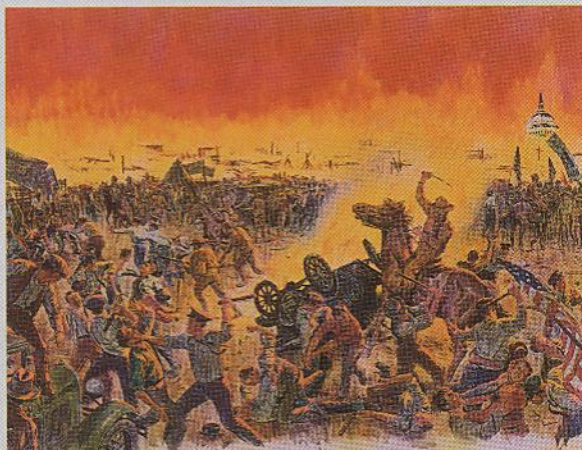
system." They would cause people to lose their ability to stand on their own feet and bear their own responsibilities. If they were introduced, he prophesied grimly, "grass will grow in the streets of a hundred cities, a thousand towns."

The majority of the American people ignored Hoover's gloomy warnings. On November 9, 1932, they elected Franklin Roosevelt as the next President of the United States by the largest majority in American history. In only six of the nation's forty-eight states did Hoover gain a majority of the votes. In the other forty-two states the people chose Roosevelt.

The bonus army

In the spring of 1932 thousands of unemployed ex-servicemen poured into Washington, the nation's capital. They wanted the government to give them some bonus payments that it owed them from the war years. The newspapers called them the "bonus army."

The men of the bonus army were determined to stay in Washington until the President did something to help them. They set up a camp of rough shelters and huts on the edge of the city. Similar camps could be found on rubbish dumps outside every large American city by this time. The homeless people who lived in them named their camps "Hoovervilles," after the President.



Soldiers and police attacking the "bonus army" camp in Washington D.C. in 1932.

This gathering of desperate men alarmed President Hoover. He ordered soldiers and the police to burn their camp and drive them out of Washington. As the smoke billowed up from the burning huts of the bonus army, a government spokesman defended Hoover's decision. He said that in the circumstances "only two courses were left open to the President" – that is, that the President could do only one of two things: "One was to surrender the government to the mob. The other was to uphold law and order and suppress [crush] the mob."

An anonymous poet took a different view of what had happened:

Only two courses were open,
As anyone can see:
To vindicate law and order
Or yield to anarchy.
Granted! – the Chiefs of Government
Cannot tolerate mobs –
But isn't it strange you never thought
Of giving the workless jobs?

Only two courses were open –
When men who had fought for you
Starved in the streets of our cities,
Finding no work to do –
When in the richest of the countries
Babies wept unfed –
Strange it never occurred to you
To give the hungry bread!

ROOSEVELT'S NEW DEAL

On a cold, grey Saturday in March 1933, Franklin D. Roosevelt took the oath as President of the United States. For a hundred days, from March 8 to June 16 he sent Congress a flood of proposals for new laws. The American people had asked for action. In the "Hundred Days" Roosevelt gave it to them.

Many of the new laws set up government organizations called "agencies" to help the nation to recover from the Depression. The Civilian Conservation Corps (CCC) found work for many thousands of young men. The Federal Emergency Relief Administration (FERA) gave individual states government money to help their unemployed and



Years of Dust by Ben Shahn.

Roosevelt and the farmers

In April 1933, a few weeks after Roosevelt became President, American newspapers printed a disturbing story. The story came from the western farming state of Iowa. It told of a judge who was hearing a case against a farmer who was in debt. Other farmers had dragged the judge from his courthouse and almost killed him.

By 1933 many American farmers were in a very serious position. Selling a wagon load of oats earned them less than the price of a pair of shoes. The price of many other crops was too low even to cover harvesting costs. Farmers were leaving them to rot in the fields.

During the Hundred Days, Roosevelt set up the Agricultural Adjustment Agency (AAA) to help the farmers. The AAA aimed to persuade farmers to produce less meat, corn, cotton and other main crops. The idea was to make such products scarcer, so that selling prices would rise and farmers would be better off. Farmers who agreed to grow less were given money by the government to make up for having less to sell.

To many people this seemed wicked. With millions of people hungry, the government was paying farmers *not* to grow food! But for the farmers this crop limitation scheme, as it was called, did its job. By 1936 they were earning half as much again as they had in 1933. By 1939 they were earning twice as much.

homeless. The Agricultural Adjustment Administration (AAA) set out to raise crop prices by paying farmers to produce less. The Tennessee Valley Authority (TVA) built a network of dams to make electricity and stop floods in a poor southeastern region of the United States. And the National Recovery Administration (NRA) worked to make sure that businesses paid fair wages and charged fair prices.



Workers on a W.P.A. project in the middle of the 1930s.

The American people knew both these and later New Deal organizations by their initials. Let us look more closely at the work of some of these “alphabet agencies.”

Roosevelt believed that his most urgent task was to find people work. He was especially anxious about the young. Thousands were stealing rides on freight trains and wandering about the country searching for jobs. Roosevelt set up the CCC to help them. By August 1933, the CCC had already placed 250,000 young men in camps all over the country. They were hard at work cutting fire-lanes through forests, strengthening river banks against flooding, planting trees in places where the soil was being blown away. The government gave the CCC workers food and shelter and a wage of a dollar a day. Many sent this wage home to help their less fortunate relatives.

A later alphabet agency was the Works Progress Administration (WPA). Roosevelt set up the WPA in 1935. Like the CCC, it aimed to set people to work on jobs that were useful to the community. By 1937

its workers had built thousands of miles of new roads and thousands of schools and hospitals. The WPA even found work for unemployed writers and artists. The writers produced guidebooks to states and cities. The artists painted pictures on the walls of post offices and other public buildings.

Alphabet agencies like the CCC and the WPA put millions of people to work. Between 1935 and 1942 the WPA alone provided eight million jobs. This meant that people were able to support themselves once more. They regained their independence and self respect. This was not all. The money they were paid helped to bring trade back to life. Shops had customers again. Factories became busy once more. Farmers had someone to buy their produce.

This was what Roosevelt had hoped for. He believed that putting money into people's pockets was like pouring fuel into an engine that had stopped to make it start again. The engine could then once more drive the economic machinery that earned the country its living.

TVA—Democracy at work

The Tennessee is one of the great rivers of America. It drains an area of the eastern United States almost as large as West Germany. The valley of the Tennessee was once a country of tree-covered slopes, but generations of farmers cut down the trees and ploughed the slopes to grow corn, tobacco and cotton. All these crops were planted in the spring and harvested in the autumn. In the winter the land lay bare. Its soil was washed away by heavy winter rains. The same rains often caused floods which drove people from their homes.

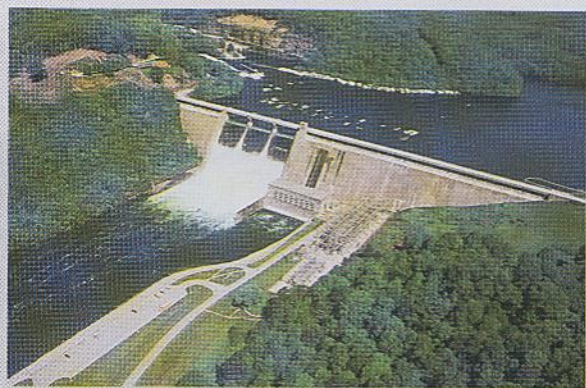
By 1933 the Tennessee Valley's land was exhausted. It was producing poorer crops every year. The very names that the farmers gave to the countryside—Hard Labor Creek, Long Hungry Creek, Poorland Valley—showed how hopeless they were.

Roosevelt set up a special alphabet agency to organize help for the Tennessee Valley's millions of people. It was called the Tennessee Valley Authority (TVA). The TVA had three main aims—to stop floods, to make electricity and to make the land fertile again.

From 1933 onwards the valley of the Tennessee echoed to the roar of heavy machinery. Huge new steel and concrete dams rose up. When heavy rains fell the dams held back the flood water in great man-made lakes. By guiding the same water through turbines, they also made electricity. The TVA sold the electricity cheaply to farmers. The electricity was also used to power new factories making paper, aluminum, chemicals and fertilizers. These factories meant jobs and a better life for the Tennessee Valley's people.

TVA also planted millions of trees and persuaded farmers to plant crops like grass and clover. These covered the ground all year round and prevented winter rains from washing away the soil. The fields and hills of the Tennessee Valley became green again as the scars of erosion were healed.

Just as important as the achievements of TVA was the way in which they were won. In the 1930s the people of many countries were accepting the rule of dictators in a desperate attempt to escape from



One of the dams built by the Tennessee Valley Authority.

the miseries of poverty and unemployment. In times like these the TVA was a startling demonstration of what democratic methods of government could achieve. Far from limiting the part people were able to play in running their own lives, as happened in the countries of the dictators, TVA encouraged them to take a more active part. It set up voluntary cooperative groups to sell electricity, for instance, and to organize the marketing of the farmers' produce. Such groups were run by the people themselves. They provided valuable experience of democracy at work at the local level—what has been called “democracy at the grass roots.”

Roosevelt himself regarded this aspect of TVA as one of the most important things about it. In 1940 the armies of the German dictator Hitler seemed about to destroy the last remnants of democracy in Europe. That September, Roosevelt traveled to the Tennessee Valley to open a new dam. In his speech he pointed to the TVA as living proof of what the ideals and methods of democratic government could achieve:

“These fine changes we see have not come by compulsion. Thousands of townspeople have met together in the common effort. They have debated it and discussed it. No farmer was forced to join this movement. No workman was compelled to labor here for less than a rightful wage. No citizen has lost a single one of these human liberties that we prize so highly. This is a demonstration of what a democracy at work can do.”

Roosevelt helped industrial workers in other ways. In 1935 he persuaded Congress to pass a law to protect their right to join labor unions. He hoped this would give workers a better chance to bargain with employers.

But some big employers—Henry Ford was one—hated labor unions. They dismissed any worker who joined one. Strikes and fighting broke out in industrial areas of the country as unions struggled to win recognition. To stop the trouble another union law was passed. This was called the Wagner Act, after the man who guided it through Congress. The Wagner Act gave every worker the right to join a union, and it set up a body called the National Labor Board to protect this right.

But despite New Deal reforms like these, millions of Americans still lived in fear. What if their jobs disappeared again? Would only a breadline stand between them and starvation once more? “No,” Roosevelt told them. In 1935 he brought in a law called the Social Security Act. One part gave government pensions to people unable to provide for themselves—old people, widows and the blind, for example. Another part gave the United States its first system of unemployment insurance. The money to pay for these benefits came from special taxes paid by both workers and employers. The unemployment scheme did not cover all workers at first. But in later years more and more were protected by it.

Not all Americans supported Roosevelt's New Deal policies. Some said that the country could not afford the money that he was spending. Others said that much of the money was being wasted anyway. They feared, too, that Roosevelt's policies would make people idle and stop them standing on their own feet. “You can't make the world all planned and soft,” complained one businessman. “The strongest and best survive—that's the law of nature after all.”

But such criticisms made little difference to Roosevelt's popularity with the voters. To millions of Americans he was the man who had given them jobs and saved their homes and farms. In 1936 they re-elected him President by the largest majority of votes in the country's history. As one wit put it, “Everyone was against the New Deal but the voters.” Thirty years later a New York taxi driver still remembered how many Americans felt about Roosevelt in those years. “Roosevelt?” he said in a

television interview. “He was God in this country.” Even so, it was not Roosevelt's New Deal that ended unemployment in the United States. The German dictator, Adolf Hitler, did that.

By 1939, despite the New Deal, ten million American workers again had no jobs. Then, in September 1939, Hitler's armies marched into Poland. The Second World War began. The United States quickly became the main supplier of weapons to the countries fighting Hitler—what Roosevelt described as “the arsenal of democracy.” American factories began working all day and all night. The number of people without jobs fell. In 1941 the United States joined the war itself and unemployment disappeared. President Roosevelt was now too busy to give attention to further reforms at home. “Old Dr. New Deal has to be replaced by Dr. Win-the-War,” he said. His New Deal was over.

Roosevelt's efforts as “Dr. Win-the-War” wore him out. By 1945 he was a sick man. A few weeks before the end of the war, on the morning of April 12, he suffered a stroke. Within hours he was dead. His Vice President, Harry Truman, took over as President of the United States.

By this time nearly all Americans were better off than they had been in the dark days of the Depression. Some argued that this was due mainly to the coming of war. But many thought the main cause was the New Deal. People still argue about this. But there is no argument about the importance of the New Deal in other ways.

The New Deal altered Americans' ideas about the rightful work of their national government. Before the New Deal most thought of the government as a kind of policeman. It was there just to keep order, while factory owners and businessmen got on with making the country richer. The Depression weakened this belief. Roosevelt taught Americans to look to the government to see that everyone had a fair chance to obtain what he called “the good things of life.” Many Americans still remember him with respect and affection.