

The History of the Twentieth Century

Episode 290

“The Second New Deal”

Transcript

[music: Fanfare]

After two successful and dramatic years, the New Deal and Franklin Roosevelt would face their first electoral test in the 1934 US mid-term election.

History says that Presidents lose seats in Congress during mid-term elections, but Franklin Roosevelt has already defied history four or five times. Can he make it six?

Welcome to *The History of the Twentieth Century*.

[music: Opening Theme]

Episode 290. The Second New Deal.

So far in the podcast, I’ve devoted what, five, episodes just to cover the first year of the Presidency of Franklin Roosevelt, 1933. Well, it was an important year. Today I want to move on into the next few years of the Roosevelt Administration, but before I do that, I still need to say a word about one last event in 1933, related to the Administration’s foreign policy.

I already mentioned the London Economic Conference, held in June 1933. Herbert Hoover had pushed for this conference as a way for the nations of the world to address the Great Depression collectively, but Franklin Roosevelt was skeptical of the project. The British and the French were talking up a plan for debt relief and stabilization of the value of the US dollar as key components of an international plan to fight the Depression. Debt relief of course meant the United States giving debt relief to the British and the French, an idea that was not very popular in the United States. Idaho Republican Senator William Borah spoke for many Americans when he said that “the troubles of the world were really due to the War, and to the persistence of Europe in keeping great armaments...,” and therefore he saw no reason to bail out these unrepentant warmongers.

More important was Roosevelt’s opposition to pegging the value of the dollar at a relatively high level. A major component of the New Deal program was to lower the value of the dollar to undo the damage done by the deflation America had experienced since 1929. And so Roosevelt sent a cable to the Conference rejecting that idea. The sources I’ve consulted love to use the word

“torpedoed,” as in “Roosevelt torpedoed the Conference.” That’s accurate, if a trifle militaristic. The British and French governments were furious, although both British economist John Maynard Keynes and American economist Irving Fisher praised Roosevelt’s move as the right decision.

It may surprise you to learn that one of the 66 nations participating in the London Economic Conference was the Soviet Union. Despite Russia’s socialist principles and Stalin’s policy of building a self-reliant socialist economy, the USSR was doing quite a lot of trade with other European countries by 1933, and had the same interest in lowering tariffs and encouraging more international trade as did the capitalist world.

I mention this to emphasize to you that the Soviet Union is very much a part of the international community, which makes it all the more strange that in 1933, the US government still did not extend diplomatic recognition to the Soviet Union. This policy went back to the days following the October Revolution, when none of the Western Allies were willing to recognize the new Bolshevik government.

But that was a while ago. The Russian Civil War was over, the post-war anti-Bolshevik hysteria had subsided, and most of the world had accepted Russia’s Communist government, regardless of how they might have felt about it. But not the United States, which remained an outlier, even though November 7, 1933 would mark the fifteenth anniversary of the October Revolution and it was quite clear by this time that the Communist government in Moscow wasn’t going anywhere.

As we’ve already seen, Franklin Roosevelt believed in the aftermath of the Japanese invasion of Manchuria that a military showdown between the United States and Japan was inevitable. In that case, it only made sense to build a relationship with the Soviet Union, which could be a valuable ally in the event of such a confrontation. The USSR was trading with the US, as it was with many European countries, and American businesses were hungry for a bigger piece of that Soviet trade. A number of US newspapers had editorialized against the policy of non-recognition; it simply no longer made any sense.

Roosevelt went around the State Department for this initiative. The Russia experts there had spent most of the past fifteen years consulting with right-wing Russians who had fled the country after the Civil War and bitterly opposed any talk of reconciliation with the Communists. The President turned instead to Henry Morgenthau, then head of the Federal Farm Board, and soon to become Secretary of the Treasury. Morgenthau was already dealing with Amtorg, a US corporation controlled by the Soviet government that was set up in New York to arrange purchases of US goods for export to the Soviet Union. Amtorg is short for *Amerikanskaya Torgovlya*, which means “American Trade.”

The Great Depression in the United States had been a boon for the USSR and Amtorg, which took advantage of America’s depressed markets to buy up products from such flagship American corporations as Ford and RCA and General Electric and International Harvester at bargain prices

and ship them back to Russia where they would help fulfill the goals of the Second Five-Year Plan. They were also buying a lot of American agricultural products, hence their relationship with Morgenthau.

Another outsider tapped to work on these covert talks with the Soviets: William Bullitt. There's a name we haven't heard for a while. We first met Bullitt all the way back in episode 184, when he was part of the US delegation at the Paris Peace Conference in 1919. You may recall back then the 28-year-old had visited Petrograd to negotiate with the Bolsheviks and returned to Paris with what he thought was a workable deal between Russia and the Allies that would normalize relations and bring the Russians in as partners in the new post-war world. But the Allied leadership in Paris had rejected his deal and Bullitt resigned in protest. But the Russian government remembered Bullitt as an honest negotiating partner, making him ideal to represent America.

By November, the talks were going well enough for FDR to invite Soviet foreign minister Maxim Litvinov to Washington for direct talks on normalized relations. The biggest remaining obstacle was a familiar one: compensation for American property in Russia nationalized by the Bolsheviks after the Revolution. Roosevelt and Litvinov worked out an arrangement, under which the Soviet government would assign to the United States government its claim on Russian properties in the United States that dated from pre-Revolutionary times. The US government would then seize and sell those properties and use the proceeds to compensate Americans for their property taken in Russia.

William Bullitt would become the first US ambassador to Moscow, which is a nice way of closing the circle, and the US government would also send Harpo Marx to the Soviet Union for six weeks as a goodwill ambassador, which gives a whole new meaning to the word Marxism. Harpo Marx and Maxim Litvinov would become friends, even to the point of Litvinov and Marx performing a skit onstage together in Moscow.

Bullitt would serve as US ambassador to the USSR until 1936, a period which coincided with Joseph Stalin's consolidation of power and the beginning of the purges. Bullitt would see it all happen firsthand and he became disillusioned with the Soviet Union. For the rest of his life, he would be an outspoken anti-Communist. He spoke fluent French, so in 1936 he was reassigned as US ambassador to France, and we'll just leave the story there for now.

Meanwhile, the National Industrial Recovery Act, one of the major pieces of legislation passed in 1933, was proving troublesome to implement. The Act came in two parts. One created the NRA, the National Recovery Administration, which was supposed to organize labor unions and trade groups by industry and regulate prices and practices within each industry. The Administration and the NRA leadership naively believed that industrial leaders and unions would welcome government coordination. They did not. Both employers and unions resisted the NRA. Ultimately, in 1935, the Supreme Court would unanimously rule that the NRA portion of the Act

was unconstitutional, because it gave the President overly broad and ill-defined regulatory powers.

Roosevelt was unhappy with the Supreme Court's decision, but in some sense it was a blessing in disguise. The NRA wasn't working out anyway; the Court gave the Administration a face-saving excuse to shut it down.

The other part of the Act created the Public Works Administration, which was meant to spend money on construction projects as a way of restarting the economy—"priming the pump," as they liked to say at the time. These projects would hire workers, who in turn would spend their wages, creating more demand and more jobs, and the effects would ripple through the economy. Unfortunately, the first head of the PWA, Secretary of the Interior Harold Ickes, was frugal and slow to spend the three billion dollars Congress had allocated. By the end of 1933, only \$100 million, about three percent of the allocation, had been spent.

President Roosevelt became impatient with Ickes. The whole point of the thing was to get as much money into the economy as fast as possible to stimulate economic growth, and Ickes had become an obstacle to that goal. So Roosevelt turned to Harry Hopkins, head of the Civil Works Administration, or CWA, and later the Works Progress Administration, or WPA. Roosevelt asked Hopkins if he could create temporary work for four million workers. Hopkins said yes, if he had \$400 million to work with, so Roosevelt ordered that amount of money transferred from the underperforming PWA.

Hopkins was as agile as Ickes had been moribund. Within ten days, he had 800,000 workers hired, and by January 1934, more than the four million Roosevelt had requested. The CWA spent a billion dollars by the time it was shut down in the spring. Eighty percent of this money was wages paid directly to the workers; most of the rest was for materials and equipment. Administrative costs were just 2% of the total.

That winter, the CWA built or upgraded 500,000 miles of American roads and 40,000 American schools. It laid almost 3,000 miles of sewer pipe, and built thousands of parks, playgrounds, and airports. It hired teachers for public schools and for new adult education programs. And it hired 3,000 writers and artists to...write and create art. "They got to eat like other people," Hopkins is quoted as saying.

The year 1934 was quieter than the 1933 legislative upheaval. This was the year the Securities Exchange Act was passed, rounding out Roosevelt's financial reforms. With America's economic collapse finally addressed and as signs of growth began to appear, signs of opposition to the New Deal also began to appear, opposition both from those who thought the New Deal hadn't gone far enough, and those who believed it had gone way too far.

In the latter category was the Liberty League, organized in August 1934 and mostly funded by American corporate titans, including the heads of General Motors, DuPont, and the retail giant

Montgomery Ward. The stated goal of the allegedly non-partisan Liberty League was to promote the American values of property rights and private enterprise. Roosevelt mocked the group, saying it made no sense to promote a couple of American values and forget about the rest; he compared it to a group organized to promote two of the Ten Commandments. A commentator at the time said the Liberty League should be called the Cellophane League because it had been manufactured by DuPont and you could see right through it.

A conservative Democratic syndicated newspaper columnist named Frank Kent pointed out in 1934 that most of the pre-1932 leadership of the Democratic Party were opposed to Roosevelt and the New Deal, and this was true. Or at least, it was true of many of them, including names we've heard before on this podcast such as Newton Baker, Woodrow Wilson's Secretary of War, and the Party's 1924 and 1928 Presidential nominees, Jim Davis and Al Smith. Smith, once Roosevelt's mentor, was now a bitter political opponent.

Yet Roosevelt was less concerned about the gathering opposition to his right—the people who thought the New Deal had gone too far—than he was about the gathering opposition on his left.

One example of this kind of opposition was Dr. Francis Everett Townsend, a physician in Long Beach, California, who began circulating a proposal that would guarantee an income of \$200 per month to every American aged 60 or older, provided they did not work and that they spent the \$200 stipend within 30 days. The program would be funded by a national sales tax of 2%. The idea here is that the program would provide for seniors, reduce unemployment by encouraging older workers to leave the work force, and stimulate the economy by requiring recipients to spend their stipend as soon as they got it. Over the next two years, a nationwide Townsend Plan organization would spring up to lobby Congress to enact the Plan.

Another was Father Charles Edward Coughlin a Canadian-born Roman Catholic priest based near Detroit. Father Coughlin was among the many clergy who began preaching on the radio in the Twenties. Over time, he discovered that as he made his homilies more overtly political, his audience grew. By the 1930s, his radio program, *The Hour of Power*, broadcast Sunday afternoons from WJR in Detroit and syndicated nationwide, had an audience in the tens of millions. Coughlin supported Roosevelt at first, but he turned critical of the Administration once he decided it was going too easy on the bankers who had caused the Great Depression, and soon Coughlin was complaining that Roosevelt was no better than Herbert Hoover. Coughlin also objected to US recognition of the government of the Soviet Union. Later in the 1930s, he would decide the evil bankers were all Jewish, that they were also funding Communism, and praise the governments of Italy and Germany; in other words, he went full-on fascist.

But that was later. In 1934, he was criticizing Roosevelt for not doing more to protect labor unions and calling for the nationalization of major American industries. Coughlin founded an organization called the National Union for Social Justice and its membership soon numbered in the millions.

Townsend and Coughlin both worried Franklin Roosevelt's political advisers, but their chief concern was Louisiana's former governor, now a US Senator, Huey Long. Long had supported Roosevelt for President, but thought the New Deal hadn't gone far enough. In 1934, Long spoke in support of Paraguay in the Chaco War, arguing that the conflict had been orchestrated by the Standard Oil Company. Long criticized the Spanish-American War and US involvement in the Great War, saying those wars were fought at the behest of Wall Street, and called for independence for the Philippines.

In terms of domestic economic policy, Long proposed what he called the Share Our Wealth plan. Under the Share Our Wealth plan, individual wealth would be capped at \$100 million, annual income to \$1 million and inheritances to \$5 million. The Federal government would claim anything over those amounts, which would be used to provide free health care, free college tuition, and a guaranteed annual income of \$2,500 for every American. For comparison, that was about the same annual benefit as the Townsend Plan promised older Americans and about double the average starting wage for an unskilled worker in the US at that time. Summing up his vision was Long's famous campaign slogan: "Every man a king, but no one wears a crown." He actually stole that line from William Jennings Bryan, but he made it better known than Bryan ever had. They nicknamed him the "Kingfish," after a character in the radio series *Amos 'n' Andy*.

So to what degree did these various criticisms of the New Deal actually resonate with the American voting public? The first real test of Roosevelt's popularity would be the mid-term elections of 1934. Recall that the 1930 mid-terms had given the Democrats a slight majority in the House and left the Republicans with a slight majority in the Senate. In 1932, the year of Roosevelt's election, the Republicans had lost 101 seats in the House and 11 in the Senate, giving the Democrats substantial majorities in both chambers. Typically, mid-term elections go against the President's party, but given these numbers, the Democrats held so commanding a lead in Congress that they could afford to lose significant numbers of seats and still retain control.

That's how Vice President Garner expected it to go. Recall that Garner had been Speaker of the House before becoming Vice President. He predicted the Republicans would gain 37 seats in the House, but assured Roosevelt that such a result should be regarded as a Democratic victory. Roosevelt's campaign manager and now Postmaster General James Farley predicted a wash; that is, he thought the gains or losses in each chamber would be small, leaving the Democrats with a margin of control little different from what they already enjoyed. Roosevelt dismissed Farley's prediction as overly optimistic.

In fact, in the House of Representatives, the Republicans lost seats—14, to be exact. The Democrats picked up nine, with the rest going to Progressives, mostly in Wisconsin. This left the Republicans with just 103 seats in the House, less than a quarter of the total. In the Senate, the Republicans lost ten seats: nine to the Democrats, and one when Bob LaFollette Jr. of Wisconsin

ran and was re-elected as a Progressive rather than as a Republican. This gave the Democrats a 69-25 margin in the Senate, with two Democratic-leaning independents, and leaving the Republicans with barely a quarter of the seats in that chamber.

This was the worst showing for the Republicans in Congress since their party began in 1856, and it was the first time an incumbent President's party gained seats in a mid-term election since 1902, a mid-term election that also featured a new President named Roosevelt. The Republicans held the governor's office in but eight of the 48 states.

Before we leave the 1934 election results, I want to call your attention to the gubernatorial race in California, a staunchly Republican state. The Democratic candidate that year was socialist writer Upton Sinclair, author of *The Jungle*, a novel published in 1906 and meant as an exposé of the Chicago stockyards. You might remember me talking about Sinclair and his book in episode 42. Anyway, in 1933 Sinclair published a book with the grand title: *I, Governor of California, and How I Ended Poverty: A True Story of the Future*. In this book, he laid out his program, "End Poverty in California," known by the acronym EPIC. Sinclair proposed the state government seize idle farmland and factories and hire the unemployed to work them, and promised pensions for seniors, widows, and the disabled, all this to be financed by sharply progressive income and estate taxes.

Sinclair's campaign was so radical even Roosevelt refused to endorse it. Wealthy Californians in the motion picture industry contributed large sums to keep Sinclair out of the governor's office; newspaper magnate and California resident William Randolph Hearst had his newspapers attack Sinclair and his program. This was one of the first political campaigns to make use of hired consultants to manage advertising, fund raising, and media operations, and it succeeded in defeating Sinclair and electing conservative Republican candidate Frank Merriam.

As a side note, which might interest some of you, one of the many Californians who worked in support of the Sinclair campaign was a 27-year-old US Navy lieutenant, recently discharged for medical reasons, named Robert Heinlein. Heinlein helped put out the *EPIC News*, the newsletter of the EPIC movement and ran for a seat himself in the California Assembly, although he lost in the primary to a more moderate Democrat. Heinlein would go on to a successful career writing science fiction, and like many young committed left-wing Democrats of the New Deal era, he would become an old strident right-wing Republican by 1980, but hey, I'm getting ahead of myself.

[music: Traditional, "Shenandoah"]

Everyone saw the mid-term election result as a resounding vote of confidence in President Roosevelt and the New Deal. When the new Congress assembled in Washington, they were ready to give the President pretty much anything he asked for. Roosevelt took it as a vote of confidence as well, and pushed a new agenda, one that is sometimes referred to as the "Second New Deal."

By 1934, the signs of economic recovery were impossible to miss. The US GDP had increased by 17% over the previous year and two million more Americans were working. That's the good news. The bad news was that the Great Depression had shrunk the US economy so severely that GDP was still well behind its 1929 peak and unemployment was still around 20%.

In his 1935 State of the Union message to Congress, Roosevelt called for the winding down of what were then called "relief" programs of direct aid to the poor and unemployed in favor of programs to create jobs. Congress quickly allocated the money, and this became the Works Progress Administration, or WPA, led by Harry Hopkins and which I mentioned a few minutes ago. This was a far bigger challenge than creating those temporary, seasonal jobs, but in its first year the WPA put three million Americans to work and eight million over the eight-year span of the program's existence. The program built roads, hospitals, and schools—my own elementary school had been a WPA project. It built hospitals, parks, playgrounds, and restored historic buildings. The Federal Theatre Project brought stage plays and vaudeville shows to rural communities that had never seen a live show. The Federal Art Project employed artists and sculptors to teach, restore old art works, and create new ones for public buildings. The Federal Music Project sponsored symphony orchestras, jazz bands, and folk musicians. The Federal Writers Project commissioned the American Guide series of books, guides to each of the forty-eight states and America's major cities.

This program also drew more criticism than any other New Deal project. Republicans called it money wasted on make-work projects in order to buy votes. Socialists accused the Administration of creating federally managed labor gangs to prop up a failed capitalist system. White Southerners bristled at the sight of African-Americans laboring alongside white workers, and for the same wage.

The year 1935 also saw the creation of the Rural Electrification Administration, which would bring electric power to rural America. Access to electricity was the sharpest economic divide between the haves and the have-nots in American society of the time. In 1935, only 11% of American farms had electricity. But by the time the US entered the Second World War, that number would be close to 50%, and 100% by 1950. The US government encouraged electrification by providing low interest loans to build power lines. Most of the power came from the Tennessee Valley Authority in the East, or in the West from one of the new hydroelectric dams like Boulder Dam or Grand Coulee Dam, built by New Deal programs.

I already told you about the enactment of the Glass-Steagall Act of 1933, which despite generally being regarded as one of the most important and successful New Deal programs, was not proposed by the Roosevelt Administration, but came out of Congress and was approved by the President only reluctantly. A major law from the Second New Deal has a similar history: The National Labor Relations Act, sometimes called the Wagner Act after its sponsor, New York Senator Robert Wagner. Wagner was perhaps the staunchest labor advocate in Congress, and he introduced this bill to redress the inequality of bargaining power between employers and

employees. The bill guaranteed workers' rights to organize into unions, bargain collectively, and go on strike. It outlawed certain defined "unfair labor practices," and created the National Labor Relations Board to supervise labor-management relations and enforce the provisions of the Act.

The Wagner Act was bitterly opposed by business organizations and Republicans, but Wagner shepherded it through the Senate despite some Democratic defections. Even Roosevelt was unsure about the bill, but when the Supreme Court found the NRA unconstitutional, the National Labor Relations Act seemed just the thing to replace it. Roosevelt announced his support of the bill, pushed it through the House of Representatives, and signed it in July.

But the biggest program to come out of the Second New Deal and the one that would do the most to improve the quality of life in America was none of these. With an eye on the 1936 Presidential election, and also on figures such as Dr. Townsend, Father Coughlin, and Huey Long, Roosevelt had announced as early as 1934 that he wanted some kind of social insurance proposal of his own to benefit retired seniors, widows, orphans, and the disabled, but that he would wait for the new Congress before introducing a bill.

After the mid-terms, Roosevelt appointed a Cabinet committee, chaired by Labor Secretary Frances Perkins, to draft a specific proposal. Roosevelt instructed Perkins, "Keep it simple. So simple that everybody will understand it."

In January 1935, shortly after the new Congress met, Roosevelt submitted his proposal for the Social Security program. A key component of the plan was that it would have its own separate funding through a special tax, to be paid half by employers and half by employees, that would keep the program self-funded through the foreseeable future. Roosevelt told Congress "It is almost dishonest to build up an accumulated deficit for the Congress of the United States to meet in 1980. We can't do that. We can't sell the United States short in 1980 any more than in 1935."

Workers and employers would pay into a Social Security fund that would later pay them benefits. The size of the benefit would be proportional to what the worker paid in. And I want to emphasize here that even in our time, Social Security is widely perceived as only a retirement benefit. It is that, but it also provides disability support to workers who become disabled and survivor benefits to the widows and orphans of deceased workers.

Similar programs existed in some European countries at this time, but what made Social Security unique was that workers bought into the plan, the same as if it were private insurance. This made Social Security benefits not merely a grant from the government; they were a property right, bought and paid for by the workers they covered, which would make them difficult for a future President or Congress to take away. As Roosevelt himself put it later, "We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions... With those taxes in there, no damn politician can ever scrap my Social Security program."

Once again, the Republicans and business groups bitterly opposed the bill. Alfred Sloan of General Motors said, “The dangers are manifest. With unemployment insurance no one will work; with old age and survivor benefits no one will save; the result will be moral decay and financial bankruptcy.” Republican Member of Congress John Taber of New York proclaimed, “Never before in the history of the world has any measure been brought in here so insidiously designed as to prevent economic recovery, to enslave workers, and to prevent any possibility of the employers providing work for the people.”

Some of this sounds familiar...

The Social Security Act was the subject of hearings and was debated for months, but in the end it passed with huge margins. Even a majority of the Republicans in Congress voted for it in the end. Frances Perkins later observed that “I think he took greater satisfaction from [Social Security] than from anything else he achieved on the domestic front.”

The Act was not perfect. It excluded large categories of workers from coverage, including teachers, nurses, domestic workers, farm workers, and businesses with fewer than ten employees, meaning it only covered about 60% of American workers at first. The exceptions were mostly due to the difficulty in recording and tracking the wages and contributions of these classes of workers, in an age where all the record-keeping had to be done by hand, on paper.

But it was a beginning. And despite the dire predictions, Americans still sought jobs, they still saved money, the economy continued to improve, slavery was not reinstated, and the sun still rose the next morning.

We’ll have to stop there for today. I thank you for listening, and I’d especially like to thank Suzanne for her kind donation, and thank you to Mitchell for becoming a patron of the podcast. Donors and patrons like Suzanne and Mitchell help cover the costs of making this show, which in turn keeps the podcast available free for everyone. They also keep Mrs. History of the Twentieth Century happy, by convincing her I’m not wasting my time on this thing, so my thanks to them and to all of you who have pitched in and helped out. If you’d like to become a patron or make a donation, just visit the website, historyofthetwentiethcentury.com and click on the PayPal or Patreon buttons.

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Next week is a bye week for the podcast, but I hope you’ll join me in two weeks’ time, here on *The History of the Twentieth Century*, as we go back to Europe and see what the latest trends are

in fascism. The Nazi government in Germany ponders how to create a legal framework for reducing a whole category of its own citizens to second-class status and looks for inspiration to...the United States. The Nuremberg Laws, in two weeks' time, here, on *The History of the Twentieth Century*.

Oh, and one more thing. I'll have a bit more to say about Huey Long in a future episode, but there were many at the time who saw him as the closest thing there was in the US to a fascist leader in the mold of Mussolini or Hitler. In particular, Sinclair Lewis's 1935 novel *It Can't Happen Here*, which envisions a fascist takeover of the United States, uses a thinly disguised fictional version of Huey Long as its would-be American dictator.

In 1946, American novelist Robert Penn Warren would publish his own take on Huey Long, and call it *All the King's Men*. The title echoes Long's campaign slogan, "Every man a king." The book would be awarded the Pulitzer Prize for the Novel and would be adapted into a film of the same title in 1949, starring Broderick Crawford, which would win the Academy Award for Best Picture that year, while Crawford would take the award for Best Actor.

[music: Closing Theme]