

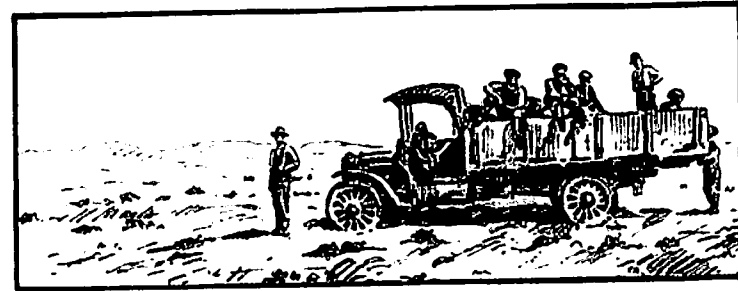
one businessman. Stockbrokers had offices with a stock ticker machine, a contraption that clattered as it spit out the latest prices on a long slim paper ribbon.

And then the great "bull market" crashed. Panic set in on October 24, 1929, as investors worried that stocks were headed for a fall. Millions of orders came in to brokers' offices: sell, sell! Almost nobody wanted to buy, so stock prices plummeted. Investors who bought on margin suddenly found their brokers demanding that their loans be paid back immediately, just as their profits were disappearing in smoke. Anxious crowds gathered on Wall Street while traders bellowed on the floor of the stock exchange. "The whole place is falling apart!" reported one clerk.

Prosperity had seemed as if it would go on forever. The American people had created a mass society in which millions gazed at movie stars, bought automobiles and radios, went to work on assembly lines, bought stocks—and now sold them, or what was left of them. The New Era was over and done in a whirlwind of weeks.

In the midst of the turmoil, a man staying in a New York hotel tried to make a phone call. He couldn't get a line. He went downstairs and finally located the hotel telephone operator. She was modern and up-to-date. Perhaps she even thought of herself as one of the New Women. Now, as she got off the phone, she was in tears. "That was my broker," she said. "I'm ruined. All I have left in the world is my sealskin coat."

A NEW DEAL



THE TWO MOST FRIGHTENING days of the Great Crash, October 24 and 29, 1929, became known as Black Thursday and Black Tuesday. But the stock market plunge lasted months, not days. This is important, because it wasn't just money that people lost, it was confidence. Now and then stocks rose slightly, and hopes would flutter. But the plunge resumed, deeper and deeper; and hope began to fade.

If the "roaring" economy had been strong, Americans might have ridden out the crash, simply enduring a year or two of hard times. But the economy's weakness was much more serious. True, factories had been turning out cars and appliances by the millions. But the same workers who made those products—the new masses—were also the customers buying these items. And workers weren't being paid high enough wages to be able to afford all the goods being produced. Many had bought items on the installment plan, with money they hoped to earn in the future. Now, who

wanted to buy more? If times were tight, the idea was to cut back. It was only common sense.

But as people cut back, so did businesses. With so few people buying, factories let go workers they no longer needed. It was only common sense. And now *these* workers weren't buying either. About one hundred thousand Americans were losing their jobs every single week. By the end of 1932, 13 million were out of work.

At least people had their savings. Or did they? During the Roaring Twenties, banks took savers' deposits and invested them in stocks to make money. But a lot of that money went into "sure-fire" stocks like Radio Corporation of America. And way too many banks were giving their officers huge bonuses or even cheating customers. So banks lost a lot of ordinary people's money—even that of Americans who never went near the stock market. And once rumors of trouble spread, people flocked to the banks to withdraw their hard-earned savings. Big banks closed, like the National Bank of Kentucky, but also small ones, formed to serve workers or farmers. Which bank would be next? In Nebraska John Farr, an African American rancher, heard talk and "moseyed" into town. "Sure enough. There was a big sign. . . . Closed. And people were lined up outside screaming and crying." The Jewish Noel State Bank of Chicago—failed. Smulski's Bank for Polish immigrants—gone. Over five thousand banks went out of business between 1930 and 1932.

Then there were the farmers. Most hadn't prospered even during the 1920s, and the 1930s brought a new calamity. Hundreds of windstorms swept up millions of tons of soil from farm fields on the Great Plains and just blew it away. These "black blizzards" darkened skies, blasted crops, and carried so much dirt east that a single storm in 1934 "rained" 12 million pounds of dust on Chicago alone. That winter red snow, filled with dust from the Great Plains, fell on New England. A change in climate was partly to blame for turning the Plains into a dust bowl, but humans were at fault, too. Farmers were growing crops on land whose soil had been anchored for thousands of years by the deep roots of prairie

grass. Once those roots had been plowed up to make way for corn and wheat, the soil had little to anchor it and was more easily swept loose. Some 3 million people packed up and began a long trek to California in hopes of a better life—Okies, they were called, because so many were from overwhelmed Oklahoma.

Herbert Hoover had been president only six months when the Great Crash struck. A decade earlier, he had won fame directing aid that saved millions from starvation in war-torn Europe. Grateful cities named streets after him, including at least three Hooverstrasses (Germany and Switzerland), two Avenue Hoovers (France), and a Hooverplein in Belgium. As the economy worsened in 1930, the president resisted advice to do nothing. "Let nature take its course," recommended the head of the New York Stock Exchange. Instead, Hoover pushed through a tax cut so people would have more money to buy necessities. He got pledges from businesses not to lower their wages or cut jobs. And he convinced Congress to spend over \$1 billion to hire workers for projects like the construction of Boulder Dam along the Colorado River. (The dam was later named after Hoover.)

All this was not enough. In the end businesses had no choice but to lay off workers. Meanwhile, Hoover began following the same commonsense advice as everybody else: if the government was taking in less money, it ought to cut back and spend less. To balance the budget, Hoover gave up his tax cut and raised taxes instead. Further, he didn't want to give money to the unemployed for fear that people would become lazy and not work. What was left to do? The president fell back on *encouraging* people. Instead of referring to the bad times as a "panic," the usual term, he talked about a "depression," as if that were a milder condition that would soon go away. "We have passed the worst," he announced in 1930.

But by the end of 1931 desperate people out in the countryside were eating weeds to survive. In the cities, men pawed through garbage for scraps to eat. Schoolteachers who had gone unpaid for months fainted from hunger in their classrooms. People who had

lost their homes began to gather in shantytowns, living in canvas tents and cardboard shelters. There were no more Avenue Hoovers bringing honor—instead, the shantytowns were scornfully nicknamed Hoovervilles. The president meant well. He worked tirelessly, rose early, went to bed late. His eyes became bloodshot from lack of sleep. “What this country needs is a good big laugh,” he said hopefully. “If someone could get off a good joke every ten days, I think our troubles would be over.” Unfortunately, the jokes were at Hoover’s expense. (*Hoover*: Can I borrow a nickel to call one of my friends? *Adviser*: Sure, here’s a dime. Call both.) The so-called mild depression turned into the worst hard times in American history. In the election of 1932 the president was roundly voted out of office.

The man who replaced him was a very different person. While Hoover was a master of facts and figures, a brainy engineer, he had never been elected to any public office before becoming president. Franklin Delano Roosevelt, on the other hand, was a politician to his bones, ready to talk, bargain, and hobnob. While Hoover looked glum and hoped someone would make jokes, Roosevelt beamed with a cheerful, sunny energy. In a way, this optimism was surprising. Young Franklin had started out along the same track as his distant cousin Teddy Roosevelt—though as a Democrat rather than a Republican. Like Teddy, he went to Harvard, became assistant secretary of the navy and a candidate for vice president (though Franklin Roosevelt’s ticket lost). But suddenly, at the age of thirty-nine, he contracted polio. The disease left him paralyzed from the waist down, a misfortune serious enough to discourage anyone. Not Roosevelt. He had himself fitted with steel leg braces and then worked tirelessly to walk even a few steps. His arm muscles, he boasted, had become bigger than those of the famous boxer Jack Dempsey. Encouraged by his wife, Eleanor, Franklin plunged back into politics and was elected governor of New York—again like his cousin Teddy. As president, Teddy had promised each American a “square deal.” Franklin promised “a new deal for the American people.”

What would that deal be? Roosevelt had no straightforward plan. Like the Progressives, he believed that in hard times, the government must act: “not as a matter of charity, but as a matter of social duty.” His approach was experimental. “Take a method and try it: If it fails, admit it frankly and try another. But above all, try something.” When he was sworn in on March 4, 1933, Roosevelt assured his fellow citizens that he would try, and that he would succeed. “The only thing we have to fear,” he said, “is fear itself.”

In fact, there was a great deal to fear. In the weeks before the inauguration, the banking system collapsed almost entirely, setting off new panic. The stock market shut down. To calm the situation, Roosevelt proclaimed a “bank holiday,” ordering that every bank in the country be closed for four days. Holiday! It sounded almost jaunty. Then he rushed a law through Congress that reopened all the banks that were in good health, aided the ones that were a little shaky, and closed those that were badly failing. His decisive action relieved Americans and restored some confidence. When the banks reopened, more people put money into them than took it out.

The first hundred days of the New Deal were a whirlwind. The president gathered a band of professors and other experts to advise him. (The newspapers called them his “brain trust.”) They were determined to experiment, to be bold and to change the very way the government worked. Roosevelt created dozens of new agencies to carry out his New Deal, although the program could be boiled down to three avenues of attack: relief for the needy, recovery of the economy, and reform of the system that had produced the Great Depression.

Of these three Rs, relief for Americans in need was the most pressing. Roosevelt created the Federal Emergency Relief Administration and put Harry Hopkins in charge—a pale, wisecracking, chain-smoking social worker from Iowa. Within three hours of getting his marching orders, Hopkins had set up a desk in a hallway and spent \$5 million. The money went to state and local agen-

cies to help those with no homes, no work, no food; and over the following months, another half a billion dollars followed. Meanwhile, the new Civil Works Administration hired 4 million unemployed to work directly for the federal government. A third agency, the Civilian Conservation Corps, sent over 2 million young men into the outdoors to do needed work. Altogether, laborers in these three programs built forty thousand schools, one thousand airports, and improved half a million miles of road. They planted trees, constructed athletic fields, restored Revolutionary and Civil War battlefields, built fire towers, and stocked waterways with over a billion fish.

Critics complained that the government was going into debt instead of balancing its budget and raising much-needed taxes. But some economists were beginning to realize that what was common sense for individuals wasn't always good advice for the entire economy. If everyone cut back, including the government, business would grind to a halt. The government *needed* to go into debt in the short run so that people who got government aid and government jobs could now go out and buy groceries, clothes, and supplies. That meant grocers and other store owners could afford to spend more, too.

Roosevelt wanted his relief programs to be temporary. But he believed that government could make a more permanent contribution toward the second R—recovery. For example, one of the country's poorest regions lay along the valley of the Tennessee River. There, flooding regularly ruined farm fields and communities, timber cutting had left hillsides barren, and malaria, spread by mosquitoes, sickened nearly one out of every three residents. Roosevelt created the Tennessee Valley Authority (TVA), a government organization that revived the region by building dams to prevent flooding, reforesting bare hillsides, and teaching farmers better ways to raise crops. The dams also produced inexpensive electricity, bringing power to houses that before had used oil lamps for light. People living in the valley saw their incomes and health

improve sharply. Other New Deal agencies worked with corporations to build transportation facilities: a port in Brownsville, Texas, and the Lincoln Tunnel into Manhattan.

Finally, the New Deal set in place reforms—the third R—to help prevent any future Great Depressions. One was an insurance program to protect the bank deposits of ordinary folk so that they would never again lose their savings. Other agencies set rules preventing banks and the stock market from making risky investments or misleading their customers. New laws guaranteed workers the right to bargain for better wages by joining a union. Perhaps most remarkable, Roosevelt's New Deal put in place a support system for workers who were old, disabled, or out of a job. The president put his secretary of labor in charge of the problem, an energetic woman named Frances Perkins. The first woman to serve in a president's cabinet, Perkins had worked at Jane Addams's Hull House and for other progressive causes when she was younger. The system of "Social Security" she helped create did more than just provide a safety net for individuals. It and other New Deal reforms made the economy more stable so that future downturns wouldn't be so severe.

Roosevelt's Republican opponents complained bitterly about the dozens of New Deal agencies, each with its abbreviation to shorten a long-winded name. (For example, CCC for Civilian Conservation Corps and FDIC for Federal Deposit Insurance Corporation.) Roosevelt himself was nicknamed FDR. It was true that the new agencies often wasted money and made their fair share of mistakes. (TVA dams, for example, forced thousands of residents out of their homes, despite their many benefits.) Then, too, Roosevelt's method of trying one thing and then another led some advisers nearly to tear out their hair trying to get him to choose the plan *they* favored.

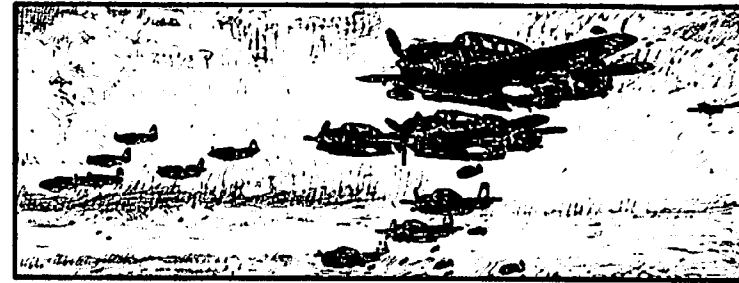
But for all its faults, the New Deal revived a nation that had been badly shaken, even broken down. And Franklin Roosevelt and his wife, Eleanor, were the faces of this new hope. Eleanor crisscrossed the country constantly, viewing hundreds of New Deal projects

and talking with ordinary folk—whether a worker in a Seattle diner, Chinese Americans at a San Francisco nursery, or a West Virginia coal miner's wife in her rough shack. FDR reached out through his radio "fireside chats," listened to by millions in their homes. It felt as if the president was almost actually sitting by the fire. "Every house I visited . . . had a picture of the president," reported one New Deal official. "These ranged from newspaper clippings (in destitute homes) to large colored prints, framed in gilt cardboard. . . . And the feeling of these people for the president is one of the most remarkable phenomena I have ever met. He is at once God and their intimate friend; he knows them all by name, knows their little town and mill, their little lives and problems. And though everything else fails, he is there, and will not let them down." Roosevelt was reelected in 1936 with more electoral votes than any president has ever received: 523 out of 531. And unlike any other president, he was reelected to a third and then a fourth term.

In the end, what mattered most was not the votes he received or the confidence he showered. It was the way he changed people's ideas about government. The nation had always valued its political rights, Roosevelt explained, "among them the right of free speech, free press, free worship, trial by jury. . . . As our Nation has grown in size and stature, however—as our industrial economy expanded—these political rights proved inadequate to assure us equality in the pursuit of happiness. We have come to a clear realization . . . that true individual freedom cannot exist without economic security and independence." Government had a responsibility to *act*, to provide economic security in hard times. In that sense, the New Deal was a big deal indeed.

33

GLOBAL WAR



THE DAY AFTER FRANKLIN Roosevelt was sworn in as president—March 5, 1933—Germany voted to choose its own legislature, the Reichstag. Elections had been called by the new chancellor, Adolf Hitler. An intense man, Hitler had a pale face framed by brown hair, a toothbrush moustache, and piercing eyes that too often burned with resentment. Several times he had tried to sweep his National Socialist (or Nazi) Party into power and fallen short. This election was different. In a brutal campaign, the party's military-style gangs—"brownshirts"—attacked the rallies of opponents and beat up their leaders. Hitler's right-hand man, Hermann Göring, warned business leaders that they had better open their purses for the party. "The elections will certainly be the last for the next ten years," he predicted, "probably even for the next hundred years." The Nazis won control of the Reichstag, which then passed an act giving Hitler the power to make any law he pleased. As Roosevelt worked with Congress on the New Deal, Adolf Hitler became a dictator who spoke of purifying Germany and strength-