THE GREAT DEPRESSION AND THE AMERICAS 1929-39
INTRODUCTION

- THE WORLDWIDE GREAT DEPRESSION BEGAN IN 1929 AND LASTED UNTIL 1941
- IN THE AMERICAS, MOST SERIOUS ECONOMIC COLLAPSE IN HISTORY
- U.S. WILL ANALYZE POLICIES OF HOOVER AND FDR
- CANADA WILL ANALYZE POLICIES OF KING AND BENNETT
- LATIN AMERICA WILL DEAL WITH IMPORT SUBSTITUTION INDUSTRIALIZATION (ISI)
THE GREAT DEPRESSION IN THE U.S.

- One panic per decade since 1819; panic of 1911
  - Economy continued to grow until 1929
  - Stock crash in 1929; recession turned into depression

- CAUSES OF THE DEPRESSION
  - Difficult to separate the economic and political causes
    - 1st phase- leading up to 1929 crash
    - 2nd phase- 1929-1933; panic to deep depression
    - 3rd phase- 1933-1937; period of recovery
    - 4th phase- 1937-1941; WWII
  - 1920s a time of economic growth and political conservatism
    - Businessmen were kings; era of TITANS OF WALL STREET
GREAT DEPRESSION IN U.S. pt. 2

- Speculation (buying on margin) and extension of credit
  - FED stayed on the sidelines
  - Spring of 1929 - car sales, steel production and construction declined

- CRASH OF 1929

- TRENDS THAT CAUSED THE GREAT DEPRESSION
  - Income disparity
  - Construction declined by 20%
  - Market for U.S. products in Europe declined
  - Unstable underlying economic foundation
PRESIDENT HOOVER AND FEDERAL RESERVE MONETARY POLICY

- Hoover (Republican) believed in minimum government involvement in business
- FED Monetary policy was to decrease the money supply; mistaking deflation for inflation
- Fiscal Policy was protectionist
  - Hawley-Smoot Tariff Act of 1930
- Reconstruction Finance Corporation allowed questionable loans—overextended
SOCIAL EFFECTS OF THE DEPRESSION
- Major cities saw unemployment rise above 50% in 1932
- Increasing numbers of people asking for government assistance
- Hoovervilles - shanty towns
- IN THE HEARTLAND
- Long term drought - The Dust Bowl - lost 100MM acres

EFFECTS OF DEPRESSION ON MINORITIES
- AFRICAN AMERICANS - 1920s was stagnation in improvements
  - In Great Depression, 75% unemployed vs. 25% overall
GREAT DEPRESSION IN U.S. pt 5

**EFFECT ON MINORITIES (cont)**
- **AFRICAN AMERICANS (cont)**- Black Cabinet advised FDR on African American issues
  - The GREAT MIGRATION moved African Americans to the North
  - Little job availability in North as well
  - Bright spot was Brotherhood of Sleeping Car Porters
- **HISPANIC AMERICANS**- lowest paying jobs
  - Latin American children not allowed to enroll in schools/ hospitals
  - Mass move to urban areas
- **WOMEN**- worsening of circumstances and additional responsibility due to men going on the road to find work
  - Most remained in traditional roles
  - Married women working increased by 50%- reason was economic necessity; need for subsistence; maintain some type of lifestyle
EFFECTS ON MINORITIES

- WOMEN (cont)- survivalist entrepreneurship- black women were boarding houses and beauty parlors
  - African American women were limited due to lack of capital investment
  - New Deal gave women more oppyty with Fed Govt jobs
  - Eleanor Roosevelt is credited with increasing place for women in government

PRES. FDR AND NEW DEAL

- Public persona was as important as his programs; Fireside chats
  - New coalition lasted until the 1960s
  - WWII pulled U.S. out of Great Depression
GREAT DEPRESSION IN U.S. pt. 7

- **FIRST NEW DEAL**
  - EMERGENCY BANKING ACT- FED additional powers; off the gold standard
  - ECONOMY ACT- balancing budget
  - AGRICULTURAL ADJUSTMENT AGENCY (AAA)- raise farm prices; subsidies
  - GLASS-STEAGALL BANKING ACT- prevents banks from underwriting securities and established the FDIC
  - NATIONAL RECOVERY ACT OF 1933- established minimum wage, wage hours, prevented child labor; industrial production rose 22%
  - FEDERAL EMERGENCY RELIEF AGENCY (FERA)- loans to states for jobs; established the Civil Works Administration (CWA); declared unconstitutional by SCOTUS in 1935
FIRST NEW DEAL (cont)

- OTHER AGENCIES CREATED: TENNESSEE VALLEY AUTHORITY; SEC; PUBLIC WORKS ADMINISTRATION; CIVILIAN CONSERVATION CORPS; FCC; CIVIL AERONAUTICS AUTHORITY (CHANGED TO FAA IN 1958); FEDERAL HOUSING AUTHORITY
  - Success of agencies has been debated
  - Waste and fraud; expansion of Federal Government

FDR AND THE COURT SYSTEM

- Court not ruling in his favor, so FDR creates court packing scheme; able to name six new judges
  - Court acquiesced and favored federal involvement in the economy
OPPOSITION TO THE NEW DEAL

- Conservatives opposed New Deal initiatives
- Townsend, Coughlin, and Long led the political animosity
  - Townsend-Old Age Revolving Pension Plan- elderly retire to move jobs to younger people; receive $200/mo.- bill defeated
  - Father Coughlin- universal economic rights and responsibility of people within community; proposals to nationalize banking system and revise monetary system; criticized U.S. foreign policy
  - Huey Long- Share Our Wealth Plan- redistribute wealth
- Significant opposition to New Deal from both left and right
GREAT DEPRESSION AND THE ARTS

- Eleanor Roosevelt promoted both civil rights and the arts
- FEDERAL GOVERNMENT AND THE ARTS
  - Would create jobs
  - Public Works Art Project- part of CWA- commissioning murals for buildings; Zimmerman Library on UNM
  - Treasury Relief Art Program
- FEDERAL PROJECT NUMBER ONE- 1935
  - Includes theater, music, writing, local culture
  - Operated until 1939
  - Visual arts contributed more than 20K works of art; Rothko
  - Farm Services Administration was source of iconic images of Great Depression
POPULAR CULTURE- movies, radio, music and literature
- Two themes- art that reflected the time or allowed escape
- The Lone Ranger, Superman, Dick Tracy
- Music- live acts on radio, folk, blues, jazz

SETBACK- RECESSION OF 1937
- GDP increased 80%; private investment increased
- Beginning in May, significant reversal; stunning setback for the country
- Causes varied- some blame FED for tightening
  - Keynesian school blames FED and FDR for attempting to balance the budget
  - Congress and FDR increased taxes and decreased spending
  - Some blamed increased regulation of businesses
In response, FDR increased Government spending

WWII was catalyst to end Great Depression

**WERE FDR’S POLICIES SUCCESSFUL?**

- Unemployment did not return to ‘29 levels until war production
- Many government programs lasted well beyond the Great Depression such as Social Security and the SEC
- Benefits to minorities were mixed
- Benefits and failures of the New Deal are still debated today
GREAT DEPRESSION IN CANADA

- Conscription issue of 1917 fragmented Canada
  - English vs. French speaking
- William Lyon Mackenzie King leads in the ‘20s
- ‘20s saw a remarkable surge in non-traditional parties
  - National Progressive Party- Manitoba and prairie independence
  - United Farmers of Ontario
- Split between moderate and radical progressives
- Regional discontent in the Maritime provinces
ECONOMIC FRAGILITY

- Economic growth in U.S. in ‘20s dragged Canada out of postwar slump
- Demand for Canada mining resources plus pulp and paper
- Auto was stimulus to Canadian economy
- In last years of ‘20s agriculture rebounded

WHY DID THE BOOM END?

- Increased worldwide tariffs decreased trade
- Supply of commodities worldwide exceeded demand
- Over-dependence on staple goods
- Over-dependence on U.S. economy
- Heavy debt burden by governments and individuals
GREAT DEPRESSION IN CANADA pt. 3

- **THE CRASH OF 1929** - reliance on U.S. economy
- **THE ECONOMIC IMPACT OF THE DEPRESSION**
  - Imports fell by 25%; exports fell by 55%; wheat prices decreased by 75%; unemployment 27%; 20% of Canadians needed government relief
  - Exacerbated by misguided economic policies worldwide
  - Prairie provinces were hit hard due to ecological issues
  - Urban workers saw wages slashed and more unemployment
SOCIAL IMPACT OF THE DEPRESSION
- Family farm suffered along with rest of economy
- Long-term unemployment affected people’s self-esteem

GOVERNMENT’S RESPONSE
- King approached early part of Depression cautiously
- British North America Act- responsibility of provinces
- Bennett’s majority gov’t won on promises of action

BENNETT’S RESPONSE TO THE DEPRESSION
- Increased tariffs 50% and allocated $20MM in relief projects
  - Patchwork of municipal, provincial, federal and private efforts
- Montreal slipped into bankruptcy in 1940
GREAT DEPRESSION AND CANADA pt. 5

- **BENNETT’S RESPONSE** (cont)
  - The Canadian Wheat Board
  - The Farmer’s Creditors Arrangement Act
  - The Prairie Farm Rehabilitation Act
  - The Bank of Canada
  - The Canadian Radio Broadcasting Commission
  - Bennett believed in the free enterprise system, not gov’t
  - Known as “Bennett’s New Deal”

- **KING’S RESPONSE TO DEPRESSION**- won ‘35
  - No more of a plan to fight the Depression than he did in ‘30
  - Stumbled toward a recovery running up to WWII
• **POLITICAL RESPONSES TO THE DEPRESSION**
  - New and innovative political parties
    - **THE COOPERATIVE COMMONWEALTH FEDERATION (CCF)**
      - REGINA MANIFESTO- system should not be fixed-replaced
      - Sought reform, not revolution
    - **SOCIAL CREDIT**
      - Increase consumer spending by issuing credits $25/mo. to citizens
      - Struck a positive chord to farmers of Alberta
    - **UNION NATIONALE**
      - French Conservative party organized by Maurice Duplessis ’36
      - Aim at any entity promoting communism
GREAT DEPRESSION AND CANADA pt. 7

- **POLITICAL RESPONSES (cont)**
  - **THE COMMUNIST PARTY OF CANADA 1921**
    - Important force in organized labor
    - Centralized control by Stalin in Comintern
  - **ONTARIO LIBERALS**
    - Center-right perspective - Mitchell Hepburn
  - **UNIONISM**
    - Entrenched during Depression
    - Trade and Labour Congress (TLC)
    - Workers Unity League (WUL) - vehicle of Comintern; organize disparate unions for large scale union action
THE ON TO OTTOWA TREK

- Bennett ‘30-’35 believed that relief came from private sector
- Shantytowns grew in Canadian cities just like U.S.
- Work camps in remote areas were administered by the Department of National Defence - growing dissatisfaction
- The Communist WUL recognized this and organized the unemployed in the relief camps
- Relief Camp Workers Union ’35 left British Columbia, marched to Vancouver and on to Ottawa
- Swelled to 2000
- July 1, 1935 police and Trekkers clashed in the Regina Riot
GREAT DEPRESSION AND CANADA pt. 9

- RELIGION AND THE DEPRESSION
  - Gave new life to the Social Gospel Movement
  - Call to moral rebirth and championed a back-to-the-land movement

- DEPRESSION ERA CULTURE
  - Growing importance of radio and music – Jazz
  - In the arts, a Canadian approach to aesthetic representation - Group of Seven
    - Economy had a stifling impact on art
  - Significant pieces of literature- W.O. Mitchell and Max Braithwaite
SPORTING CULTURE- EMERGENCE OF HOCKEY

- Hockey franchises appreciated in value in the ‘20s
- By the end of the ‘20s NHL was the dominant professional team
- Canadians took refuge in hockey
- Distinctive Canadian culture emerging in the ‘30s
LATIN AMERICA AND THE DEPRESSION

- Roots of the conditions during the Depression from 19th c. leaders
- Prior to Great Depression, the onset of industrialization in U.S. and Europe made Latin American commodities valuable
  - Especially the UK. Argentinian beef and wheat
  - United Fruit Company
- Latin American companies slow to develop own manufacturing
  - For most finished goods, Latin America had to rely on imports
1913, 2/3 investment UK, remainder U.S., France, Germany

Powerful elites believed their own countries lacked educational and technological skills necessary

Cientificos (Mexican economic liberals) promoted incentives for overseas investment- mining and railroads

Supply of good were outstripping demand- leading to Depression
THE ONSET OF THE DEPRESSION
- As demand declined, less inflow of capital
- Protectionist measures by other countries made Latin American goods unaffordable
- Immediate effect was political change
  - Military took power in Argentina, Brazil, Chile, Guatemala, Honduras and Peru
- Approaches to the crisis
  - Government regulation to stabilize local economies- set prices; established production levels
  - IMPORT SUBSTITUTION INDUSTRIALIZATION- promote home grown industries to replace imported goods
  - Bilateral trade agreements with industrialized countries
Approaches to the Great Depression (cont)
- Many countries left the gold standard and pegged USD
- Social inequalities remained

**Brazil: the Coffee Economy**
- Dominated Brazilian exports: ‘20s – 70% of country’s revenue
- 1925 Sao Paulo Institute for Permanent Defense of Coffee- to keep coffee prices high, withhold coffee from world market
  - Policy known as valorization was potentially dangerous- all Latin American countries wanted to increase production
  - Policy successful in ‘20s
  - Created $900MM debt by purchasing imported goods

**Brazil after the Crash**
- Sao Paulo faced bankruptcy; significant effects on local businesses
- 1MM Brazilians were affected by the crisis
• Political repercussions in Brazil
  ○ Vargas led revolts in 1930 and formed a junta
  ○ His personality created political stability and changed economic policies

• The economic policies of Vargas
  ○ Vargas implemented policies that supported coffee industry but also tried to wean country off such importance
  ○ Tried to diversify economy

• Import Substitution Industrialization
  ○ Imports decreased by 75%
  ○ Brazilians began to invest in industries they previously imported
Import Substitution Industrialization (cont)
- WWII led to the growth spurt in these industries
- Steel, iron, aircraft, truck engine production
- Transportation was another growth area- Air Ministry
- Need for support for and control of labor

Changes to Brazil’s economy
- ISI was successful: 1924-1939 industrial output increased an average of 6% annually
- Economic growth was not spread evenly; still very rural
- Still relied on coffee as a major source of revenue
- Sao Paulo had 41% of all workers
**Argentina: from democracy to dictatorship**

- 1916 transition to democracy with election of Yrigoyen and Radical Party
- 1860-1930 average annual growth rate of 6%; strongest economy in South America
- UK dominated the Argentinian economy- beef exports
- Economy more domestic than most South American countries
- Economy more diversified than Brazil
- Yrigoyen administration created Fiscal Petroleum Fields
Impact of Depression on Argentina

- Immediate impact on demand for Argentinian exports
- Imbalance of trade and 40% devaluation of the peso
- Sept. 6, 1930 Yrigoyen overthrown and a military junta headed by Uriburu
- 1932 Justo became president and the coalition, Concordancia, ruled by fraud and corruption
- Roca-Runciman Pact (1933)- British pact that forced Argentina to prefer British goods
- ISI was the outgrowth of the pact and was very positive, creating jobs
- Also did public works which built 32K miles of highways from 5K
Argentina’s economic recovery
- Due to protecting export industries and ISI, Argentina recovered quickly
- ISI became dominant economic policy and remained in place until the ‘60s
- Depression accelerated industry and decreased its dependence on British markets

Political changes in Latin America
- Populist regimes and dictatorships directed and controlled the economies
- Traditional agricultural products continued to dominate the economies
- New urban elite evolved from ISI
- Political systems shifted toward authoritarianism