***Sem2.2 Crash Review***

***The Great Depression (1929 – 1941)***

**\*Causes of the Great Depression\***

- On **October 24, 1929** (“Black Thursday”) there was an initial panic, which was rescued by a bunch of bankers who bought stocks to bring the prices back up. Once the news got out, though, there was another crash, on **October 29** (“Black Tuesday”). Why did it happen? Several reasons:

* *Overproduction/Under consumption* – Basically, companies expanded to such a degree that they had to keep producing more and cutting wages in order to keep their profits up. By cutting wages, however, they reduced purchasing power and thus limited the amount of goods they sold, so there was all this extra stuff lying around causing problems for companies.
* *Corporate Debt* – Companies overextended themselves and lied about their assets to get loans, which got the banking system all screwed up.
* *Speculation* – Ah, does this sound familiar? In addition to heavy investment by companies, people were buying on margin (put a down payment on stocks w/o having the money to pay the full amount, then buy more stocks on the profits), so when people tried to sell what they had bought on margin to minimize their losses prices collapsed and brokers were put into big trouble since they didn’t actually have the $ to pay people with.
* *Lack of Recovery in Farming* – Farmers never recovered from the post-war recession, as they faced a return of foreign competition and were often unable to repay their debts.
* *Internat’l Problems* – Following the war the US upped tariffs, which caused Europeans to stop buying our goods.
* *Gov’t Policies* – The gov’t followed very *lassiez-faire* policies w/easy credit and low discount rates, which stimulated the speculation mania.

- Then, as the 1930s began, things just seemed to get worse and worse, as banks collapsed, people lost their money and jobs, and “Hoovervilles” formed in major cities. Farm prices dropped even more, and entire families ended up leaving their homes in search of better times.

**\*Hoover’s Response\***

- Poor **Herbert Hoover** was the guy who got stuck w/dealing w/the result of a decade of crazed speculation. At first, urged by Secretary of the Treasury **Andrew Mellon**, he did nothing, assuming it was just a natural boom-and-bust thing and that welfare would undermine American individualism.

- As things worsened, however, Hoover began to ask for promises from companies not to lower wages and ask for public works projects from state governors. Additionally, he created some new institutions (to varying results) as follows:

* **POUR** (President’s Organization on Unemployment Relief) – Asked for private donations for relief, but not very successful.
* **Hoover/Grand Coulee Dams** – This was more successful, as Hoover’s encouragement of public works did indeed provide new jobs.
* **Federal Farm Board** (created in 1929 under the **Agricultural Marketing Act**) – The FFB lent money to cooperatives so they could buy crops and thus keep them off the market.
* **Reconstruction Finance Corporation** – Theoretically, through lending money to groups at the top of the economy, the RFC was going to help people all over (filter-down system), but it didn’t work.

- But on the other hand, there was the **Hawley-Smoot Tariff** (1930) i.e. one of the biggest mistakes ever, as it raised tariffs ultra high and therefore totally killed off foreign trade. To balance the budget, Hoover then decreased expenditures and increased taxes (**Revenue Act of 1932**). Wow, somebody slap him!

- The basic problem was this: Hoover was too much of a traditionalist to give up the balanced budget idea (he vetoed a bunch of relief bills for this reason, and he also refused to repeal Prohibition). But as far as he could w/o giving that up, he did try to reform, so he can be thought of as a bridge between the 20s and FDR.

**\*The Presidential Election of 1932\***

- The Republicans ran **Hoover**, e/t he was pretty much screwed due to his poor leadership abilities (no inspiring speeches and such), while the Democrats picked New York Governor **Franklin Delano Roosevelt**, who supported direct relief payments for the unemployed and extensive public works as governor.

- In order to find a good platform, Roosevelt gathered a “Brain Trust” of lawyers and university professors. Together, they decided that the gov’t had to regulate business and restore purchasing power to the masses by cutting production, which would lead to rising prices and rising wages (“economics of scarcity”).

- But Roosevelt also believed in direct unemployment relief and repealing prohibition, which, when combined with the whole **Bonus Army** debacle in 1932 (where WWI vets marched to Washington to ask for their pensions and had the army turn on them), led to a landslide victory for him.

**\*FDR’s First Term: The First Hundred Days and the New Deal\***

- So, other than proclaim that we have nothing to fear but fear itself (in FDR’s inaugural address), which helped people stop freaking out, what the heck did FDR do? Let’s see…

* *Bank Holiday* – Right after being sworn in, FDR declared a four day bank holiday and called Congress for an emergency session (which would start the New Deal). The first measure was the **Emergency Banking Relief Bill**, which provided for the reopening of solvent banks and the reorganization of screwed up ones, and prohibited the hoarding of gold. It was still sort of conservative, though, b/c it left the same bankers in charge.
* *Economy Act* – This act balanced the budget by reducing veterans’ pensions and federal employees’ pay.
* *Fireside Chats* – These began in March 1933, and began with a message urging Americans to return their savings to banks, which they promptly did.
* *Beer-Wine Revenue Act* – This deflationary measure imposed new taxes on the sale of wines/beers. The repeal of Prohibition had been passed as the **Twenty-First Amendment**.
* *Agricultural Adjustment Act* – Meant to restore farmers’ purchasing power, the AAA had the gov’t pay farmers to reduce the amount of crops sold (this would increase prices). The support payments would be funded by taxes on processors of farm goods. This act raised a lot of opposition from people urging more money instead of fewer goods.
* *Farm Credit Act* & *Home Owners Refinancing Act* – The FCA provided short/medium loans to farmers so that they could keep their land, and the HORA helped home mortgages.
* *Public Works* – The **CCC** (Civilian Conservation Corps) put many young men to work, as did the **PWA** (Public Works Administration, established as part of the **NIRA**) and the **TVA**.
* *Federal Emergency Relief Act* – This authorized a bunch of aid money to state/local gov’ts.
* *National Industrial Recovery Act (NIRA)* – This was the AAA for industry, and it established the **National Recovery Administration** (NRA), which regulated business through establishing fair production codes, limiting production and pricing, and guaranteeing the right of workers to unionize and bargain collectively.
* *Federal Securities Act* & *Banking Act of 1933* – The FSA enforced rules among brokers, and the Banking Act set up the **Federal Deposit Insurance Corporation** (FDIC) to insure bank deposits. The US was also taken off the gold standard, so the Federal Reserve Board could expand the currency in circulation.

- Believe it or not, all those bills were passed in the **Hundred Days**, and they saved the nation from hysteria and panic. Other bills passed after in FDR’s first term include: the **Commodity Credit Corporation** (lent farmers money for keeping under priced crops off the market), the **Securities and Exchange Commission** and the **Taylor Act** (established federal supervision of public lands).

**\*Opposition to the New Deal\***

- Although the Democrats won big time in the Congressional elections in 1934 and the New Deal had made major progress, the problem was far from solved, and once there was partial recovery, people started whining about FDR’s policies.

- Many *conservatives*, for instance, said there was too much regulation, taxation, and government spending. The **American Liberty League** (conservative Democrats and corporation leaders) led this with calls that the New Deal was destroying the American individualistic tradition.

- On the flip side, some *farmers/laborers* and such felt the NRA set prices too high (favored big business) and that the AAA was no good b/c it led to waste when people were starving and didn’t encourage landlords to keep their tenant farmers, as was hoped.

- Then there were a series of *demagogic attacks* – i.e. people who went around conveniently blaming everything on some big power elites. Examples of these people include:

* **Father Charles Coughlin**: A Roman Catholic priest who specialized in anti-communism, anti-capitalism, and anti-Semitism – “conspiracy of Jewish bankers.”
* **Francis Townsend**: Old Age Revolving Pensions Plan, where the gov’t would give old people $ on the condition they spend it fast (to pump $ into the economy).
* **Huey Long**: “Every Man a King, but No One Wears a Crown.” At first a ND supporter, Long switched to the idea of the **Share Our Wealth Society** in 1934, which was basically a 100% tax rate on incomes over a million. Long was on the way up politically, but was assassinated.

- Of course, there were also socialists and the new **Communist Party** of the US, which had changed its strategy to supporting a “Popular Front” instead of trying to overthrow the gov’t.

- The biggest threat to the ND, though, was actually the Supreme Court, which felt the new legislation gave the President too much power. So in *Schechter v. US* (1935) they got rid of the NIRA (federal gov’t has no right to regulate intrastate business), and in *US v. Butler* the AAA was invalidated for the same reason.

**\*The Second New Deal and Roosevelt’s Second Term\***

- As the election of 1936 approached, FDR was worried that his ND coalition was breaking up, so he decided to take the initiative again in 1935 and pass a bunch of new laws now referred to as the **Second New Deal**. The SND differed from the first b/c it bashed business more instead of cooperating w/it.

- Programs in the Second New Deal included:

* *Emergency Relief Appropriation Act* – Let the President establish big public works programs for the unemployed, like the **Resettlement Administration**, **Rural Electrification Administration**, and the **Nat’l Youth Administration**.
* *Works Progress/Projects Administration (WPA)* – Funded by the ERAA, the WPA was a major public works organization and also sponsored cultural programs that brought art to the people by employing artists, ex. **Federal Writers Program**, which was accused by some as being left-wing propaganda (since most involved were decidedly to the left).
* *National Labor Relations (Wagner) Act* – This act established the **National Labor Relations Board**, which was empowered to guarantee democratic union elections and stop unfair labor practices, like the firing of union members.
* *Social Security Act* – This act established old-age insurance in which workers paid taxes out of their wages, which were then matched by their employers and stored for use as benefits starting at age 65. The act also included other federal/state welfare programs.
* *Public Utility Holding Company (Wheeler-Rayburn) Act* & *Wealth Tax Act* – The tax act raised income taxes on rich people.

- Then the **Presidential Election of 1936** rolled around, and FDR totally creamed the Republican nominee, and the Democrats gained in the Congress too. FDR’s supporters are known as the **New Deal Coalition**, and they consisted of urban (immigrant) workers, organized labor, the “Solid South,” and northern blacks.

- In FDR’s second term, however, the momentum of the ND started to fizzle out – partially b/c of FDR’s own actions, like the whole **Court-Packing** fiasco – FDR tried to use the **Judiciary Reorganization Bill** (1937) to allow him to add judges when old ones failed to retire (he wanted ND judges). But there was too much opposition and he had to settle w/providing pensions to retiring judges to encourage them to leave.

- Another problem was the “relapse” of 1937 – 1939, which was partially caused by FDR’s retightening of credit and cutbacks on federal spending. After that, FDR soon resumed deficit spending. Still, the ND was threatened in 1937/1938 as people suggested diverging paths for reform. And, in the end, FDR simply chose deficit financing to stimulate demand, and then dropped off on reforming around 1939 w/the war.

- The last important ND acts were: **National Housing Act** (1937), a new **Agricultural Adjustment Act** (1938), and the **Fair Labor Standards Act** (1938).

**\*Labor during the Great Depression\***

- The **Wagner Act**, which gave workers the right organize unions and bargain collectively, was a big help to the labor movement, of course, although management still resisted by using the police to intimidate workers and stop strikes.

- Another problem was the competition between the AFL (craft unions) and the new industrial unions, which represented all workers in a given industry, skilled or unskilled. Attempts to join the two types of organizations together failed.

- In 1935 **John L. Lewis** then quit the AFL and formed the Committee for Industrial Organization (CIO), which led to the AFL then suspending the CIO unions, so the two separated totally. The CIO then went on to become a very pragmatic, influential organization that relied on new tactics like *sit-down strikes*.

- Management still sometimes resorted to violence, though, like in the **Memorial Day Massacre**, which occurred when strikers in front of the Republic Steel plant in Chicago were shot by the police in 1937.

**\*Racism during the Great Depression\***

- African Americans, like the rest of the country, were hurt by the GD, as they were pushed deeper into poverty and segregation, as black unemployment rates were higher than for whites. Hoover was quite insensitive to race issues; he even tried to appoint an SC justice who supported black disenfranchisement.

- *Scottsboro Trial*  (1931) – Nine black teens were arrested for throwing white hoboes off a train and were then accused and convicted (by a white jury) of rape. An SC ruling intervened, but they were still imprisoned.

- Organizations like the **Brotherhood of Sleeping Car Porters** and the militant **Harlem Tenants League** fought for civil rights and attacked discrimination, but they were for the most part ignored. NAACP lawyers, however, still made some gains in the SC ruling in *Missouri ex rel. Gaines v. Canada* (1938).

- Then, with FDR’s election, blacks generally switched to the Democratic side, mainly b/c of the relief programs. FDR also had a “Black Cabinet,” as there had never been so many black advisers before.

- Still, FDR didn’t really care for black civil rights (he was also afraid of alienating voters in the South), so ND welfare programs often ended up excluded blacks from working or receiving aid. These inconsistencies spurred blacks to seek direct action, as they knew they couldn’t really rely on gov’t support.

- *March on Washington Movement* (1941) – In response to discrimination in the new jobs in the war industries, **Randolph** (leader of the porters’ union) came up with a huge march. Afraid it would lead to riots, FDR then promised to outlaw discrimination in war industries in exchange for a cancellation of the march.

- *Executive Order No. 8802* – In exchange for the cancellation of the march, FDR established the **Fair Employment Practices Committee** (FEPC).

- Native Americans also were hurt even more by the GD, especially so b/c there had been a 1929 ruling that landless tribes couldn’t receive federal aid, so they had to wait until 1931, when the Bureau of Indian Affairs was finally given more money for relief.

- Indians actually benefited from the ND approach once it started: In 1934 the **Indian Reorganization (Wheeler-Howard) Act** restored lands to tribal ownership and outlawed its future division. And finally, under **John Collier** (he ran the BIA during the ND), Indian culture got some respect.

- Mexican-Americans, however, were majorily screwed during the GD b/c no gov’t programs helped them out since they were migratory farm workers. Only the **Farm Securities Administration** (1937) did something by setting up migratory labor camps, but it was too little too late.

*Foreign Policy in the Interwar Years (1920 – 1941)*

**\*1920 – 1930: Independent Internationalism and Idealism\***

- In the interwar years, there is a great tendency to classify American foreign policy as isolationist. It wasn’t. Independent internat’lism is a better description – we kept our independence (unilateralism) but did become involved around the world through diplomacy, our economic interests, etc.

- Although we rejected the **League of Nations**, which turned out to be quite weak both because we ignored it and because its members refused to actually use it mediate disputes, Wilsonianism lived on through American peace organizations, which were especially popular among women.

- Some of the peace associations’ idealistic goals are reflected in a series of treaties/agreements:

* **Washington Conference** (1921 – 1922): In a series of conferences, delegates from several powers discussed naval disarmament. Three treaties were promulgated establishing ratios of naval power – the *Five-Power Treaty* (battleships, 5:3:1.75 ratio), the *Nine-Power Treaty* (Open Door China), and the *Four-Power Treaty* (possessions in the Pacific). However, there was no limit on other stuff or enforcement clauses.
* **Locarno Pact** (1925): Series of agreements that tried to reduce tension between Germany and France.
* **Kellogg-Briand Pact** (1928): Outlawed war. Too bad it didn’t work out.

**-** Additionally, throughout the 1920s **Secretary of State Hughes** felt that American economic expansion could help promote prosperity worldwide, eliminating the need for war. So the **American Relief Administration** delivered food to Europe both to stimulate growth and hopefully stop radicalism.

**\*1920 – 1930: Economic/Cultural Expansion and the Great Depression\***

- Following WWI, the US was a creditor nation and the financial capital of the world. In addition to giving us power internationally this made it easier for us to spread our culture – Coca-Cola, movies, mass-production, and so on.

- The government helped the process of US economic and cultural expansion along…

* **Webb-Pomerene Act** (1918): Excluded companies set up for export trade from antitrust laws.
* **Edge Act** (1919): Allowed American banks to open foreign branches.
* The Dept. of Commerce also took it upon itself to gather information abroad. Foreign loans by American investors were also encouraged.

- Europeans watched nervously, and were just a little pissed about the US handling of WWI debts, which it insisted on collecting in full.

- The big issue really lay with Germany’s huge bills, which it began defaulting on due to inflation. US bankers then loaned money to Germany, which went to the Allies, and then back to the US. The **Dawes Plan** (1924) increased the cycle by providing more loans and reducing the yearly repayment.

- Then in 1928/1929, Americans stopped investing abroad and concentrated more on the stock market at home. The **Young Plan** (1928) reduced Germany’s reparations but was too little too late.

- The Great Depression brought the world economy to a standstill, and when Hoover declared a moratorium on payments in 1931, hardly any of the money had been repaid. Annoyed, we passed the **Johnson Act** (1934)forbidding loans to gov’ts not paying back.

- As the depression got worse, we exacerbated international problems by upping tariffs: **Fordney-McCumber Act** (1922) and **Hawley-Smoot Act** (1930). World trade declined, hurting all involved.

- Finally, in 1934 we passed the **Reciprocal Trade Agreements Act**, which empowered the president to reduce tariffs through special agreements with foreign countries (most-favored-nation-principle entitled us to the lowest tariff rate set by any nation with which a friend nation had an agreement).

- The **Export-Import Bank** (1934) also helped things along by providing loans to foreigners for the purchase of American goods. In the long term, this stimulated trade and so forth. Still, in the short term, even the new economic programs had only mixed results. Uh oh…

**\*1920 – 1930: US Hegemony in Latin America\***

- In the early 20th century, we had majorily gotten involved in Latin America through the **Platt Amendment** (Cuba, all treaties must have US approval, US basically controls gov’t), the **Roosevelt Corollary** (US as police power), the **Panama Canal**, and so on.

- This only increased after WWI, when we became involved in numerous aspects of Latin American life. Basically, we built stuff, changed tariff laws, invited companies in, and got rid of people we didn’t like, among other things. We occupied (at one time or another) Cuba, DR, Haiti, Panama & Nicaragua. PR was a colony.

- Criticism of our domination, however, also increased in the interwar years. Some charged that presidents were taking too much power in ordering troops abroad w/o a declaration of war, and business people worried that LA nationalists would get mad at their products too. And then talk about a double standard…

- Consequently, in the interwar years we shifted from military intervention to other methods: Pan-Americanism, support for local leaders, training nat’l guards, economic/cultural power, etc. E/t this didn’t start w/him, FDR wrapped it up nicely in 1933 by calling it the **Good Neighbor Policy** (nice imperialism).

- In order to avoid having to use our military power, we trained people to do it for us (nat’l guards) and supported dictators [“He may be a SOB, but he is our SOB” – FDR]…

* *Dominican Republic* – When we left in 1924, we gave them a present: a national guard and, soon enough, a nasty dictator who ruled until 1961, **Trujillo**.
* *Nicaragua* – Troops occupied from 1912 – 1925 and then returned for the civil war in 1926. We left as a result of anti-imperialist opposition, but left behind (again) a nat’l guard headed by **Somoza**, who ruled (horribly) until 1979.
* *Haiti* – Troops occupied from 1915 – 1934 and were their biggest trading partners. When we left, the country remained in a horrible condition, not that we gave a crap.
* *Cuba* – In 1933 Cubans rebelled against our dictator **Machado**, and the nat’lists took over and in defiance of the Platt Amendment. Naturally, we helped **Batista** overthrow the gov’t in 1934, and until 1959 we kept Cubans dependent on our economy, etc.
* *Puerto Rico* – E/t the **Jones Act** (1916) had made PRs US citizens, we didn’t like the idea of statehood or independence, and didn’t really give PR many of the ND programs. Both Nationalist and Popular Democratic Parties developed, and the argument continues until today about what status PR should have.
* *Mexico* – Wilson sent troops in 1914/1916 to deal w/the Revolution’s Anti-Americanism, but it only made it worse, and in 1917 the gov’t stated all land/water belonged to the nation (not to US corporations), so there were some problems w/US interests. Then in 1938 the gov’t expropriated the property of all foreign-owned oil companies. The US then reduced purchases from Mexico until a 1942 agreement had the US accept Mexican ownership of raw materials in exchange for compensation for lost US company property. Basically, they declared their independence (somewhat) from US hegemony. Go Mexico!

- The Good Neighbor policy was also expressed through **Pan-Americanism** – i.e. we endorsed non-intervention, whatever that’s worth. This was what helped us get the Latin American regimes’ support during WWII (the ones we didn’t control by default, that is).

**\*The 1930s: The Prelude to World War in Europe\***

- This is EHAP stuff, but to make a long story very short: Hitler was a nasty man who came to power in Germany in 1933. He then proceeded to withdraw from the League of Nations, stop paying reparations, and rearm. He sucked up to Mussolini, and then marched back into the Rhineland in 1936.

- The **Rome-Berlin Axis** was formed in 1936, and Germany and Japan joined in the **Anti-Comintern Pact**. Britain and France went for appeasement, letting Hitler get away with supporting Franco in the Spanish Civil War (1936 – 1939), and eat up parts of Czechoslovakia (**Munich Conference**).

- Hitler then signed the **Nazi-Soviet Pact** in 1939, and started looking at Poland, which Britain and France vowed to defend. So on **September 1, 1939**, when Hitler launched *blitzkrieg* against Poland, WWII began.

- During the 1930s, as far as we were concerned, the Soviets were also pretty rotten. We refused to open diplomatic relations w/the USSR for a while (“godless commies”).

- When trade began to fall, however, business leaders wanted access to new markets, which led FDR to grant the USSR recognition in 1933. Relations then deteriorated, especially after the 1939 Nazi-Soviet pact.

**\*The 1930s: Isolationism and Neutrality\***

- As Europe got increasingly screwed up, our immediate response was, “Oh hell. Not again!” Isolationism was the order of the day in the 1930s. We intervened as little as possible militarily and kept our freedom of action in international relations until we had to do otherwise. We (thought) we had learned from WWI.

- Not all isolationists thought alike, obviously: Conservatives feared higher taxes and more presidential power, Liberals worried about war killing reform and obsession over the military instead of on domestic problems, and many worried about loss of freedoms at home.

- E/t isolationism was strongest among anti-British groups (like the Germans or the Irish), it basically was a nationwide thing that cut across party, race, and class lines.

- Some isolationists also charged that big business had self-interestedly promoted war back in WWI, and this led to the **Nye Committee Hearings** (1934 – 1936), in which evidence was uncovered that showed corporations had bribed foreign politicians to buy more arms.

- As a result, many grew suspicious of American business ties that could endanger neutrality this time around. This led to a series of new and improved neutrality acts that hoped to avoid the pitfalls that had caused involvement in WWI. As follows:

* **Neutrality Act of 1935**: Prohibited arms shipments to either side in a war once the president had declared the existence of belligerency.
* **Neutrality Act of 1936**: No loans to belligerents.
* **Neutrality Act of 1937**: *Cash-and-Carry* principle – warring nations trading w/the US had to pay cash for their nonmilitary purchases and carry the goods in their own ships. Also, Americans were prohibited from going on ships of the nations.

- For a long period in the 1930s, FDR was pretty isolationist, and wanted to focus on problems at home. Nevertheless, he ordered the largest peacetime defense budget ever in 1935, and was privately annoyed at Britain and France for not tackling the problem.

- By 1939 FDR asked Congress to repeal the arms embargo and let the cash-and-carry principle work for munitions. The embargo was lifted in November, and FDR continued to gradually push towards more involvement.

**\*The 1930s: Crises in Asia\***

- Not wanting to be left out of the mess, Asia promptly followed Europe in getting itself screwed up. Unlike Europe, though, we had major interest in Asia – our islands, religious missionaries, trade, and the Open Door in China.

- As we became extra friendly w/the Chinese (under Jiang), the Japanese liked us less and less, as they had decided that they (not the US) would control Asia and exploit (I mean, use) other countries’ raw materials. The Japanese also weren’t so happy about the fact that we excluded them from coming to the US in 1924.

- So commercial and military rivalry between the US and Japan continued. Things got even worse in 1931 when the Japanese seized Manchuria. We didn’t have enough power to stop them, the LON did nothing, and they got away with it. Our only response was the **Stimson Doctrine** – we won’t recognize any impairment of China’s sovereignty, but we won’t talk about enforcement b/c we can’t.

- Then in 1937 the **Sino-Japanese War** began. FDR got away with giving arms to China by refusing to acknowledge the existence of war. FDR also made a speech in 1937 calling for a “quarantine” to stop the “epidemic of world lawlessness” – a definite shift towards more interventionist policies, in theory.

- In practice, though, after the Japanese “accidentally” sank the *Panay* in December, we just waited for Tokyo to apologize. For them, it was just a test of how ready and willing we were to fight.

- Anyhow, the whole idea of Japan’s **Greater Asia Co-Prosperity Sphere** and “New Order” scared the crap out of us, so we continued to give loans and munitions to China and embargoed shipments of airplanes to Japan. However, we kept shipping them other stuff, even up to 1939.

**\*1931 – 1941: Things Get Ugly\***

- Even in 1939, most Americans wanted to remain at peace. There was an unusually high level of public interest, and more Americans than ever spoke out on foreign policy, mainly b/c of radio, and the ethnic affiliations of immigrants.

- Gradually, however, especially with the fall of France in June 1940, Americans began to change their minds (mainly liberals). FDR tried one last time to bring everyone to the peace table, but still waited for some incident to bring us in to the war. In 1940, he ran with promises of peace.

- In the meantime, he helped the Allies by selling surplus military equipment to them. He also passed the **Selective Training and Service Act**, the first peacetime draft. Mainly, though, he claimed if that the US could stay out by helping Britain win.

- The **Lend-Lease Act** of 1941 further helped the British (and Soviets) by allowing them to borrow money to buy weapons, and the US Navy patrolled halfway to Britain to ensure delivery of the goods. Then in August Churchill and FDR met on a battleship and issued the **Atlantic Charter**, a Wilsonian set of war aims.

- The US entered into an undeclared naval war w/Germany following the *Greer* Incident, in which a German sub shot at (but missed) the *Greer*. This gave FDR an excuse to get the US Navy to shoot on sight, and have American warships take British merchant ships across the ocean.

- Following the *Greer*, there was also the *Kerney* (they fired at our destroyer) and the *Reuben James* (they sank our destroyer)incidents. Consequently, Congress got rid of the cash-and-carry policy and allowed the US to ship munitions to Britain on armed merchant ships.

**\*Pearl Harbor and US Entry into the War\***

- FDR actually hadn’t wanted to get involved with Asia at all, e/t he did embargo shipments of fuel and metal to Japan after the **Tripartite Pact** (September 1940), and once Japan occupied French Indochina in 1941, trade was ended altogether with Japan.

- Tokyo proposed a meeting, but the US rejected the idea, instead simply demanding that the Japanese agree to keep the Open Door in China (basically, to get out). FDR still saw Europe as more important, so he told his advisers to keep talks going to give him time to fortify the Philippines.

- Tokyo was getting impatient, though, and soon rejected demands to withdraw from Indochina. And e/t we had cracked their secret code, the Japanese found a way to completely surprise us on that day that will “live in infamy,” **December 7, 1941** at **Pearl Harbor**.

- FDR asked and got a declaration of war, which, three days later, brought Germany and Italy in against the US. We signed allegiance to the Atlantic Charter, and joined the war…

***World War II (1941 – 1945)***

**\*The Course of the War\***

- We won. Hah.

(Don’t worry: military history is NOT on the AP! I just summarized it a little more concisely this time, anyway!)

\*The Wartime (and Post-War) Conferences\*

**- Now THIS is important. The key conferences are as follows:**

* *Teheran Conference* (December 1943) – FDR, Stalin & Churchill met. The main issues were:
  + - The opening of a second front (the fact that they hadn’t already was annoying Stalin), which led to a decision to invade France in 1944.
    - The USSR also promised to help against Japan as soon as Germany lost.
* *Dumbarton Oaks Conference* – The US, GB, the USSR, and China basically talked over the details of the UN here, finally deciding on the Security Council/General Assembly we all know and love today.
* *Yalta Conference* (February 1945) – FDR, Stalin & Churchill once again. They discussed…
  + - Poland: After letting the Germans wipe out an uprising, the USSR had installed its own gov’t – but another one was still waiting in London. So it was decided that the USSR would get more territory but would (supposedly) use a coalition gov’t there.
    - Germany: They decided upon its division into four zones, and a preliminary figure for reparations (most of which would go to the USSR).
    - Stalin also promised (again) to declare war on Japan soon after Hitler lost and sign a treaty with Chiang in China (not Mao). In exchange, the USSR would get back some of the land it lost in the Russo-Japanese war.
    - Yalta was the high water mark of diplomatic relations between the three and then…
* *Potsdam Conference* (July 1945) – Truman replaced FDR here. They discussed….
  + - Germany: They agreed on disarmament, dismantling of war industries, de-nazification, and war crimes trials.
    - Japan: Unconditional surrender.
    - Not much else was actually settled, as the spirit of unity had been broken and there was much haggling about gaining/losing territory & spheres of influence and so on…

- That’s all.

**\*World War II: The Home Front\***

- In many ways, what occurred on the home front in WWII is very similar to what occurred during WWI, although there were also some significant differences. Here’s what you should remember about the home front in WWII:

* *Propaganda* – FDR started out by getting everybody geared up with his Four Freedoms idea (speech, worship, want, fear), and telling people they had to go out and fight for the American Way of Life. To help get the idea around, he established the **Office of War Information** (1942) to take charge of the matter – Hollywood joined in too, of course (Capra’s *Why We Fight)*.
* *Gov’t Regulation of the Economy*– As follows…
  + - **Office of Price Administration** (1942): The OPA quickly went to work controlling inflation through price ceilings on commodities and rents, as well as establishing *rationing* through local **War Price & Rationing Boards**. Many businesses protested, and blamed the OPA for scarcity, but tough luck for them.
    - **War Production Board** (1942): Following Pearl Harbor, the WPB was established to convert the economy from civilian to military production.
    - **War Manpower Commission** (1942): Recruited workers for the factories.
    - **Gov’t Incentives in Business**: The gov’t guaranteed profits (cost-plus-fixed-fee contracts), lowered taxes, and excluded businesses from antitrust laws. Witness the rise of the dreaded *military-industrial complex*.
* *Results of the Wartime Economy* – As always, unemployment basically vanished, and people started making more than ever. The gov’t didn’t even bother to overtax them, instead relying on deficit financing. Also, industry (and especially agriculture) experienced yet another period of consolidation.
* *Federal Support of Science & Technology* – Like business, scientific enterprises all got bigger as the gov’t poured $ into big universities and military/science projects.
* *Growth of Organized Labor* – A labor/management conference agreed (after PH) to a no strike/lockout pledge to guarantee war production. The NWLB was then created to oversee any disputes – unions were allowed, but workers couldn’t be forced into them either. It wasn’t all good, though, b/c when the NWLB tried to limit wage increases in 1943, workers struck big time, leading to the **War Labor (Smith-Connally) Act** (1943), which gave the president authority to seize and operate plants w/strikes if needed for nat’l security, and gave the NWLB the authority to settle disputes for the duration of the war.
* *Growth of the Federal Gov’t* – The gov’t increased both its size and power during the war, esp. the executive branch, which now also had to manage the labor supply and control inflation.
* *Japanese Internment* – Also as a result of the war, thousands of Japanese citizens were “relocated” to internment camps.
* *Opportunities for African Americans* – Although blacks were able to find jobs in the military and in cities (**Executive Order No. 8802** outlawed discrimination in defense industries), they still faced major problems and race riots in the cities (1943). Membership in civil rights organizations increased as a result.
* *Opportunities for Women* – In addition to being more involved in the actual army/navy action, women took new war production jobs.

- So there you have it. No more outlining of the book for me tonight, sorry. This will have to be a short one.

***Postwar America (1945 – 1961)***

**\*Truman’s First Term: Domestic Policies\***

- Truman had become President after FDR’s death, and was subsequently the one who had to face the possible economic consequences of demobilization – as war contracts were cancelled and price controls removed, cutbacks in production led to layoffs and inflation.

- Truman responded by decided to combat unemployment through expansion on the New Deal programs like unemployment compensation, minimum wage, farm supports, public works, and so on. He also brought back the idea of FDR’s Economic Bill of Rights (everyone deserves a job).

- It turned out, though, that while there was temporary high unemployment the economy remained stable and even *boomed*! Why? People had saved up during the war, and easy credit promoted buying. The only big problem was *inflation*, spurred by shortages of goods and housing.

- However, **inflation soon led to a decline in real incom**e (purchasing power), so workers became discontented b/c they felt they weren’t sharing in the widespread prosperity. In 1946, **unions responded by ordering nationwide shutdowns and strikes**.

- This further limited production and created *more* inflation, so many people began to get very pissed at the unions, including Truman, who declared to Congress that if an industry vital to nat’l security refused to return to work, all the workers would be drafted into the army. This *really* angered labor, though!

- Another debacle occurred w/Truman’s handling of the OPA (price controls), which big business & consumers wanted lifted. When they did expire, however, inflation rose further. People blamed Truman, leading to the Republican majority in both houses in the 1946 elections.

- **Taft-Hartley Act** (1947)🡪 Prohibited the closed shop (union only), permitted states to ban union-shop agreements, forbade union contributions to candidates in federal elections, forced union leaders to swear in affidavits that they were not communists, and mandated an 80 day cooling off period before carrying out strikes. This enraged labor, but helped Truman, who was vindicated in their eyes through his veto.

- The Republican Congress also offended other groups, like farm organization, with their obliviousness to public demands. Still, though, it seemed like they had a sure Presidential victory.

**\*Truman’s Second Term: Domestic Policies\***

- Anyway, in the **Presidential Election of 1948**, in addition to the Republican candidate, **Thomas Dewey** (G-NY), Truman faced two other parties: (1) the *Progressive Party*, which advocated friendly relationships w/the USSR, racial desegregation, and the nationalization of basic industries and ran **Henry Wallace**, a New Dealer who had been fired by Truman for criticizing US foreign policy and (2) the *Dixiecrats*, who ran **Strom Thurmond** of SC and consisted of anti-civil rights Southerners.

- So, basically, most people felt that Truman was totally screwed. As a last ditch tactic, he called the all Republican Congress into a special session and challenged it to enact all their plans. They did nothing in the end, giving Truman the opportunity to go around the country taking about the “do-nothing” Congress.

- And Truman won! Why? Well, the US was doing well economically, at peace, and united on foreign policy. Plus, the ND coalition – blacks, union members, urban ethnics, and most of the South – still remained, and farmers joined as they worried the Republicans would lower price supports.

- So Truman started off again all confident and excited – he had a program called the Fair Deal, which he hoped (but largely failed) to implement. The programs he *did* manage to get passed are as follows:

* *Welfare/Relief* – He extended minimum wage, extended Social Security coverage to thousands of people, passed a Housing Act, and passed the **Agricultural Act of 1949**, which gave farmers 90% of the market price as supports.
* *Civil Rights* – He desegregated the military, appointed more blacks than ever to high offices, and created a President’s Committee on Civil Rights, which wrote what was to become the agenda for the movement in the coming years – *To Secure These Rights* (1947).
* *Displaced Persons Act* – He passed an act to allow more refugees into the country.

- However, his attempts to modify TH, pass a civil right bill, establish national health coverage, and get more money for education were blocked by the Republican Congress and special interests.

- Truman’s most significant legacy, however, is that he strengthened the powers of the Presidency and made many WWII agencies permanent – **Atomic Energy Commission**, **Department of Defense**, **CIA**.

***The [Early] Cold War (1945 – 1961)***

**\*General Origins of the Cold War\***

- Following the war, the US & USSR developed a tremendous rivalry. This was for several reasons…

* *Power Vacuum* – Following the collapse of Germany and Japan and the devastation of much of Europe, there was the question of how rebuilding would commence, and who would have hegemony in the areas where the Axis once dominated.
* *Decolonization* – Another source of instability was the disintegration of the big empires and the creation of the new “Third World” countries, which both the US and USSR hoped to win over as military bases and markets.
* *Failure of Diplomacy* – Diplomacy was largely ignored b/c both countries were thoroughly convinced they were completely right, and weren’t willing to accept “appeasement.”
* *US Economic/Strategic Needs* – The US knew that its economic well being depended on exports, and therefore wanted to continue the trend towards economic expansionism through an active foreign policy. Also, the increasingly interconnected world (faster travel, etc.) made the US feel it was important to establish defense away from home.
* *Truman’s Tough Style* – Truman was not a good diplomat.
* *US Suspicion of Soviet Intentions* – Throughout the Cold War the US obsessed over what the USSR could and wanted to do. They really weren’t as much of a menace as we thought, but we still were concerned they could take over our interests in Western Europe.

- Basically, only US influence was allowed, so as soon as the USSR started taking interest in new territory we lost it…

**\*The Cold War under Truman\***

- After the war ended, the US & USSR lost no time in getting each other mad. As follows:

* *Soviet Expansion*: In 1945 The USSR didn’t allow the Polish gov’t that had been in exile in London to join their new communist gov’t in Lublin (as they had promised). They also took over *Romania*, and encouraged coups in *Hungary* (1947) and *Czechoslovakia* (1948). The Soviets claimed the US was doing the same thing, and complained about the double standard.
* *Atomic Diplomacy*: The USSR whined that the US was trying to scare them into concessions b/c of their monopoly on the atomic bomb. Then Truman refused to turn the bomb over to an internat’l institution and backed the **Baruch Plan** instead – the US would give up its atomic monopoly if all the world’s fissionable materials were given to an agency. The Soviets felt this would let the US continue researching the bomb w/o letting anyone else…
* *World Bank/IMF*: After clashing on several fronts (reconstruction loans, Iran, etc.) in 1946, the USSR decided not to join the new institutions, believing them to be too US dominated (and also b/c they were capitalist). Still, the IMF opened and began making loans.

- This caused more paranoia and obsession on both sides, and we responded with the…

* *Truman Doctrine* (1947): After the British asked for US help in Greece (to defend their client gov’t against a leftist uprising) Truman gave a speech to sell the idea to Congress that defined the Truman Doctrine – “It must be the policy of the US to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.” The US backed both Greece (gov’t won in 1949) and Turkey (because big US ally) as a result.
* *X Article*: After Truman’s speech, **George Kennan** (writing as “Mr. X”) published an article on *containment* of Soviet power – confronting the USSR with a strong counterforce anywhere they showed signs of expansion.
* *Marshall Plan* (1947): In order to prevent radicalism through the sponsorship of international prosperity, the US began a huge European recovery program – money was sent, but it had to be spent in the US on US-made products (to stimulate our economy). It was mixed success, as it caused inflation and divided Europe even more (East/West) in addition to spurring industrial progress. From our POV, though, it was excellent b/c it helped contain communism.
* *National Security Act* (1947): This act created the **Office of Secretary of Defense** (later the Dept. of Defense) and the **CIA** (“The Department of Dirty Tricks”).
* *Fulbright Program* (1948): This program of exchange students tried to blunt anti-Americanism and aid cultural exchanges – there was also the **Congress for Cultural Freedom**.
* *Rio Pact (1947)* & *Organization of American States* (1948): Both these military alliances were in Latin America and served to protect American interests and boost the militaries of LA states.

- Other key events in the early Cold War:

* *Recognition of Israel* (1948): Truman did this to gain Jewish votes and get another ally.
* *Berlin Blockade/Airlift* (1948): After the US, France and GB agreed to merge their German zones, the USSR cut off access to all of Berlin, prompting a US airlift of supplies there until May 1949 and the foundation of the German Democratic Republic (East Germany).
* *Point Four Program* (1949): This was an aid program for the Third World that helped to win allies onto our side. It later became part of the Mutual Security Agency.
* *NATO* (1949): We formed a Western Europe security pact, which caused some domestic debate (no alliances since 1778) since some felt it would force us into war. But it was ratified.
* *NSC-68* (1950): After the double shock of the USSR exploding its first bomb and China going communist, the Nat’l Security Council came up w/this report asking for more $ for the military.

**\*The Cold War in Asia\***

- Like Europe, Asia became involved in the conflicts of the Cold War.

* *Japan*: In Japan, the US monopolized reconstruction through military occupation under **MacArthur**, who started a “democratic revolution from above.” In 1951, we signed a separate peace w/Japan that ended occupation. A **Mutual Security Treaty** the next year provided for the stationing of our forced on their soil.
* *China*: We didn’t do so well in China, where we insisted on backing Chiang against Mao, who we refused to talk to once he did come to power in 1949 (this pushed him over to the USSR, but that relationship didn’t last either – Stalin & Mao didn’t get along). Anyway, we didn’t recognize the actual gov’t of China in 1979.
* *Vietnam*: During WWII, Ho Chi Minh, while planning to free the nation from the French, also fought against the Japanese (with our help). Once we “lost China,” though, we decided to back a restoration of French rule in order to (1) gain French cooperation, (2) have more economic hegemony in the areas, and (3) Ho was a communist, so we thought he was Soviet-sponsored. Anyway, in 1950 we decided to recognize the puppet gov’t under **Bao Dai** and start sending weapons and advisers to the French. More on this later…

- Then there was the whole **Korean War** issue, which bears going into. The KW began as a civil war in 1950 when North Korea moved across into South Korea (the two parts had been divided in 1945 w/US & USSR approval). Both leaders hoped to reunify the nation, but Truman thought that the USSR had planned the whole thing (he hadn’t really, and had barely been convinced to help at all).

- Anyway, the United Nations then voted on helping South Korea, and since Stalin wasn’t there (he had walked out b/c of the China deal) it went through. MacArthur became commander of UN forces (90% US), and they fought until they not only passed the original boundary but went into NK (hoping to reunify).

- UN forces went deep into NK until they were stooped by a surprise counterattack by Chinese forces. This sent them back to the 38th parallel (original boundary) and e/t MacArthur wanted to go fight China, Truman told him off and then fired him as a result.

- Fighting went on as the POW issue stalled negotiations (US officials said only the prisoners that *wanted* to go back would be returned, and NK countered by saying they wouldn’t return *anyone*). An armistice was finally signed in **1953** – the POW question was handed over to a board of neutral nations, who ended up giving the prisoners their choice, and the border went to the 38th parallel again w/a demilitarized zone.

- Domestically, the war helped get Eisenhower elected, and also gave the President more power, since he had never asked Congress for a declaration of war prior to sending the troops.

- Overall, Truman’s legacy was a very militarized foreign “containment” policy on a global scale.

**\*McCarthyism – The Red Scare Redux\***

- McCarthyism was a major problem in both the Truman and Eisenhower administrations, and can basically be summarized as mass hysteria and overreaction to the idea of the Communist threat. Anti-communism had already surfaced in the Red Scare in the early 1920s, and e/t the Communist Party grew during the Depression, the Cold War brought the whole anti-communist deal back big time.

- Anyhow, here’s how anti-communism began under Truman…

* *Investigations of US Gov’t Employees*: Truman helped begin the circus in 1947 by ordering investigations in the loyalty of employees of the US gov’t.
* This bred a whole atmosphere of fear and accusations ran rampant – in addition to the **Hollywood Ten** in the movie industry, teachers, professors, and union leaders were all targeted by the gov’t and by each other. This was especially harmful to the Unions.
* *Alger Hiss Case* (1949) 🡪 State Department official Alger Hiss was accused by confirmed spy **Whittaker Chambers** of giving him classified documents. He was defended by Truman, and ended up being convicted of perjury (not espionage).
* *The Rise of McCarthy*: It was in the midst of this whole deal that **Senator Joseph McCarthy** started waving around his lists of confirmed communists (they were really shopping lists, apparently). When this turned out to be a winning campaign issue, he stuck to it, and (for a time) seemed invulnerable.
* *Julius & Ethel Rosenberg Case* (1950): The Rosenbergs were accused of passing atomic secrets to the USSR and were executed in 1953 (under Eisenhower).
* *Internal Security (McCarran) Act* (1950)– Targeted Communist front-group orgs. by forcing them to register w/the gov’t and prohibiting them from holding defense jobs or traveling.
* *Dennis et al. v. US* (1951) – This SC decision upheld the **Smith Act (1940)**, under which CP leaders had been arrested, due to the precedent set by *Schenk v. US* and the whole “clear and present danger” deal on free speech.

- Then, under Eisenhower, there was more of the same. McCarthy continued his demagogic attacks, and Eisenhower avoided confronting him lest it split the Republican Party. Additionally…

* Eisenhower attacked communists himself though a 1953 executive order that allowed federal workers to be dismissed as “security risks.”
* *Communist Control Act*(1954): This act, which received widespread bipartisan support, effectively made membership in the CP illegal.
* *Army-McCarthy Hearings*(1954): McCarthy finally fell after he attacked the US army. In the hearings, his vile treatment of witnesses and general obnoxiousness got him condemned for sullying the dignity of the Senate. McCarthy finally fell the hysteria had already taken its toll on the American tradition of free speech.