Impact of the Depression of 1929 on the USA and the New Deal Program for Economic Recovery (1932-1939)

انعكاسات أزمة 1929 في الولايات المتحدة و برنامج "النيو-ديل" للإصلاحات الاقتصادية (1932-1939)

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الملخص: تعتبر الأزمة الاقتصادية لعام 1929 أخطر الأزمات الاقتصادية التي ضربت العالم الرأسمالي. بدأت في الولايات المتحدة بانهيار كارثي لأسعار الأسهم في بورصة نيويورك للأوراق المالية (NYSE) يوم الخميس 24 أكتوبر 1929 ، وانتشرت في جميع أنحاء العالم. نتيجةً لذلك ، تحاول هذه المقالة الإجابة عن أسئلة حول الأسباب المؤدية لهذه الأزمة وتسليط الضوء على برنامج روزفلت New Deal للتعافي الاقتصادي من عام 1932 إلى عام 1939. تستند طريقة البحث الموضحة في هذه المقالة إلى مقارنة البيانات من مصادر مختلفة. تكشف النتائج أن الرئيس هوفر (Hoover) بدأ في البداية بمشاريع لتحفيز الاقتصاد، لكنها أثبتت أنها غير فعالة في إنقاذ الاقتصاد الأمريكي من المشاكل التي أدت الى الأزمة. لكن مع وصول فرانكلين روزفلت (Franklin Roosevelt)إلى السلطة ، بدأ الاقتصاد الأمريكي في التعافي عندما بدأ تطبيق البرنامجه المعروف باسم الصفقة الجديدة.

الكلمات المفتاحية: الأزمة الاقتصادية لعام 1929، بورصة نيويورك (NYSE) ، الصفقة الجديدة، برنامج فرانكلين روزفلت، بطالة.

Abstract : The economic crisis of 1929 is considered as the severest of all economic crises that hit the capitalist world. It started in the USA with a catastrophic collapse of the stock-market prices on the New York Stock Exchange (N.Y.S.E) on Thursday, October 24, 1929, and then spread to the world. Therefore, this article attempts to find answers to questions about the reasons attributed to this crisis and to shed light on Roosevelt's New Deal program for economic recovery from 1932 to 1939. The research method in this article is based on comparing data from various sources. The results reveal that at first, President Hoover launched projects for recovery, but the latter proved ineffective to save the American economy from the problems engendered by the depression. It was only with the coming of Franklin Roosevelt to power that the American economy began to recover when he put into practice his New Deal program.

***Key Words*:** Depression of 1929, New Deal, Economic crisis, NYSE, Franklin Roosevelt, Unemployment.

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Introduction

Although the USA participated only in the last nineteen (19) months of World War I, its armament factories flourished to supply Europe's needs in weapons and ammunition. It was estimated that the new economic and industrial situation, created by the War in Europe eradicated unemployment in the USA. Although the Allied countries stopped their purchase of armament from the USA by the end of the War, the American industry remained prosperous. There was just a shift in the products purchased by the Europeans, who were in need of the American help to reconstruct what the War had destroyed. Therefore, the USA emerged from the War as the major creditor and financier of European countries, victorious and defeated alike. The burden was heavier for the defeated countries especially Germany because they had to pay war reparations to the victorious countries. The financial system developed after the War was new and very risky because it relied on the US banking system for the supply of loans. This meant that any financial or economic crisis would surely be catastrophic for both the USA and Europe.

1. Causes and Effects of the Depression of 1929

An economic crisis was by no means a novelty. Severe and prolonged ones had afflicted the world between 1873-1878 and 1893-1897. They were usually preceded by a speculative and inflationary boom like that immediately followed the First World War giving way to a short and sharp slump in 1921-1922. The recovery from this slump led to the general prosperity commonly known as the *roaring 1920s*, which ended with the depression of 1929.The latter is considered as one of those days in our modern era after which everything was different. The great stock market crash on Wall Street was for millions of workers, farmers, sharecroppers, and shareholders a dark day in which jobs were eliminated, banks were bankrupted, and credits were stopped. In order to understand the depression of 1929, it is primordial to study the world events that happened before 1929 and the policies of the American Government during the 1920's.

The need of the Europeans to reconstruct their countries after the First World War created a flow of American loans and investment to Europe in order to develop sectors involved in reconstruction such as building, steel and iron, agriculture, etc. The revival of the European industry provided great business opportunities, which pushed President Harding during his 1921-1923 term to adopt a policy favourable to cut taxes and federal spending in order to encourage local or foreign investment (Rothbard, 2000, P: 121). When President Harding died in 1923, Vice-President Calvin Coolidge took the wheel just to follow the policy of his predecessor. He passed the *Revenue Act of 1926* that reduced taxes on high and middle income, diminished inheritance and personal income taxes, cancelled many excise imports (luxury or nuisance taxes), and terminated public access to federal income tax returns. He also supported the policy of easy credits, which was adopted by the American banks to encourage many ordinary people to buy stocks as collateral with loaned money. This policy created a very unsteady stock market boom because it was based on borrowed money and false optimism.

In 1924, the American economy witnessed a decline in business that pushed the Reserve Bank to inject $ 500 million (Rothbard, 2000, P: 296) in new money to redress the situation. Hence, the banks had the possibility to lend more money as credits intended to stimulate the economy. However, the inflation created by injecting new money in the system to prolong prosperity had a reverse outcome. The credits were expanded because of the interest rates reduction policy, which in turn meant an increase in capital savings. The capital savings then gave false signals to the manufacturers who increased production leaving large stocks unsold. Every time money was injected, the prices were altered to meet the purchase power. Therefore, every time the prices increased, the costs of production increased simultaneously until it was impossible for business to remain in operation (Rothbard, 2000, P: 304). When the Federal Reserve Bank started abandoning its policy of 'easy money' to redress the situation, the Stock Market acted the same. The banks began to recall their money from the brokers, who found themselves in trouble since they had sold their stocks on margin. Since they could not get more money from their clients who in majority could not pay, they started selling the remained stocks. Therefore, supply was greater than demand i.e. at a given time there were sellers but no buyers, which resulted in the fall of the prices as everyone tried to avoid being 'burned' by selling stocks at any price. On Thursday, October 24, 1929, the New York Stock Exchange crashed announcing the beginning of a long and strenuous decade, not only for the USA, but for the whole capitalist world.

One of the causes advanced to explain the depression of 1929 is that speculators were driven by excessive greed and optimism in the economy (Brown and Shi, 1984, P: 697). They ignored the signs of coming danger that were visible in the decline of the rate of the consumers' spending, the rise of business inventories, and the decline of production and employment. They also ignored the declining demand for goods that reduced the rate of investment mainly caused by the decline of the American personal incomes, and the increase of unemployment rates. On September 5, 1929, the situation became alarming to the point that the economist Roger Babson declared: "Sooner or later a crash is coming, and it may be terrific" (Kenneth, 1997, P: 84.).

Thursday, October 24, 1929 was the first of the days that history identifies with the New York Stock Exchange crash of 1929. On this day, 12,894,650 shares changed hands. (Galbraith, 1980, P: 87). Many of these shares were sold at prices that shattered the dreams of those who had owned them. Prices were firm at the market opening, but soon began to decline further and faster. By 11.00, the market was caught in a mad scramble to sell, and the uncertainty that settled led more and more people to try to sell. The stocks of those who were unable to provide money to margin calls were sold out. By 11.30, the market collapsed and stocks were sold for nothing.

On Tuesday, October 29, 1929, the situation worsened further and any hope for recovery vanished. Prices dropped sharply and no one could prevent the catastrophe. Although billions of Dollars in open market values were wiped out as prices dropped under the pressure of liquidation securities, which were sold at any price, the crash at the N.Y.S.E had not damaged the nation's factories, agriculture, and infrastructure. The average American did not lose any money (Artaud, 1969, P: 22). It was estimated that 95% of all families did not take share in the stock market exchange in 1929 (King and Dwiggins, 1986, P: 513).

Until 1930, the economic slump affected nearly just the Americans. When the American Congress passed the *Hawley-Smoot Tariffs Act* in 1930 to raise custom duties on imports up to as much as 50 % to protect the domestic industries from foreign competition, the other nations reacted in a similar way by increasing their tariffs on the American goods. These restrictive measures reduced greatly the volume of international trade. The depression reached about every nation as the American credits stopped flowing to Europe and the American banks started to recall their money from their European debtors. When the investors lost confidence, the European market crashed. On June 20, 1931, President Herbert Hoover proposed a moratorium i.e., a suspension of payments on intergovernmental debts for one year. Despite this measure, Depression became even more acute and too serious and complex to be solved with such a simplistic remedy, and Hoover's proposal failed to cease the decline.

2. President Hoover’s Policy for Recovery and Relief (1929-1932)

President Hoover convened Henry Ford, Pierre Du Pont, and other business leaders on November 21, 1929, in the morning, to form a consortium with the government. The aim was to take joint action to counteract the adverse consequences of the Depression. The industrialists promised the President not to cut wages (Rothbard, 2000, P: 211). In the afternoon, he had a meeting with labour leaders, after which he announced that they promised not to ask for wage raises. Until the summer of 1930, the wages did not slip much. However, such consortium did not last long since the United Steel Corporation announced a 10% wage cut in the autumn of 1931 followed by others announcing cuts between 15% and 25% (King and Dwiggins, 1986, P: 518). At that time, it was estimated that only one out of six workers lost their contracts. The first workers to be fired out were generally the unskilled ones. When the savings of the unemployed were gone, people turned to public charities for help. Millions of dollars were distributed in the form of food, clothes, and cash to jobless Americans. (King and Dwiggins, 1986, P: 518). For some economic theorists, the government’s intervention was similar to some temporary pain relief and was not necessary because the economy always heals after a crisis.

The traditional wisdom did not see any role for government in an economic crisis further than to provide financial stability through balancing the budget and evading inflation. The idea of having the government borrow and spend money to counterbalance deflation in time of depression ran counter to orthodox economic theory. President Hoover remained true to his principle of the Federal Government’s non-interference in the economic matters of the States, and believed strongly in the capacity of the States and local governments to handle recovery and relief programs. He called for voluntary giving and mutual self-help and backed the efforts of the charities by creating the President’s Organisation on Unemployment Relief (P.O.U.R).

These efforts were not sufficiently effective because unemployment rates increased to surpass the efforts of the charities and donors. By 1931, about 3 million people lost their jobs and the situation worsened because the charities that were active in large cities were unable to raise money to feed all people in need for help and most of them fell bankrupt by autumn 1931(King and Dwiggins, 1986, P: 518). The number of the unemployed in the USA reached 12 million by March 1932, and 13 million in June. (King and Dwiggins, 1986, P: 519)

President Hoover was blamed for his passive attitude. Feeling the pressure and that his reputation had sunk along with the economy, he finally began to act in an effort to create jobs, and embarking on a program to build new public buildings, roads, parks and dams. The President established the Reconstruction Finance Corporation (R.F.C) that had the task of providing loans totaling more than $ 1, 5 billion for banks, mortgage companies, railroads, and insurance firms. This operation was intended to boost industrial investments, which were supposed create jobs and more consumers' spending. In the summer of 1932, Congress passed the *Emergency Relief and Construction Act* to give the R.F.C up to $ 300 million for relief loans to the states for public works. (*Emergency Relief and Construction Act 1932. P.520)* Apparently, only the banks and the companies benefited from these loans to redress their financial situations.

The ability of businesses to take profit from holding down wages, prices, and the cost of living revealed itself as harmful to the economy. This caused an unbalanced and unfair distribution of the nation's wealth because one third of the country's personal income went to 5% of the population. (*Emergency Relief and Construction Act 1932. P.699)* By 1933, the nation's industry was approaching collapse as the number of units of manufacturing enterprise dropped from 133,000 to 72,000 (Rayback, 1966, P: 320). Production regressed by nearly 48%, and the industrial income declined from $29 Billion in 1929 to $ 2, 9 Billion in 1933. At this stage in the development of the Depression, the federal government also abandoned its policy of intervening in the economy to find possible solutions to the effects of the crisis.

The Federal Government abandoned the relief program for the farmers by 1931, which brought an end to the credits allocated to buy surpluses of the agricultural production. Hoover's Administration did nothing to stop the slide of the prices (Tindall and Shi, 1984, P: 702). The decline in prices caused the passing of 1 million farms from their owners to mortgage holders. According to the 1930 census, there were 2,733,000 wage-earners in agriculture (Clough, 1953, P: 72), and it was estimated that 6 million workers in agriculture emigrated from rural areas to the urban ones between 1920 and 1930.

Since troubles never singly come, the Depression was accompanied by a drought that settled over the States plains between 1932 and 1935 playing a major role in reducing production, the creation of the 'Dust Bowl,' and the migration of people northwards abandoning agriculture. Farm mortgage debt rose from $3.2 billion in 1910 to $9.6 billion by 1930 (Hope, 1974. P: 92).

As a response to the farmers' distress, President Hoover established a Committee on Agriculture and Forestry on December 2, 1929, chaired by Senator Charles McNary a Republican from Oregon with 10 Republican members and 8 Democrats. The committee backed the passing of the Agricultural Marketing Act of 1929, which created the Federal Farm Board from the Federal Farm Loan Board, with a stabilization fund of $500 million. (Rothbard, 2000, P: 227). The objective of

President Hoover was to increase the domestic price level for the major export crops relative to the world level for the benefit of the farmers.

Congress also endorsed policies that benefited the farmers depending on the domestic and international economic situation by adjusting trade policies with the political and economic realities of the time. During the 1930s, trade policies as adopted by Congress were characterized by protectionism, which was reflected in the *Smoot-Hawley Tariff of 1930*. The latter established the Farmers Home Administration (FmHA) and the Farm Credit System (FCS) as primary lenders to provide credits that enabled the producers to purchase farmland as well as to finance annual production expenses. The two lenders played different roles (Rothbard, 2000, P: 241); while the Farm Credit System provided credit to creditworthy borrowers, the Farmers Home Administration made financial assistance available primarily to family farmers unable to secure credit from private lenders.

In short, the Depression of 1929 brought the USA to the verge of bankruptcy. The Government's interference, unpleasant in the short run, was seen as the last resort to restore economic health. In an attempt to put the American economy back on its feet and to bring relief to the population, President Roosevelt (1932-1945) introduced his program known as the 'New Deal' as remedial action to the chaotic situation caused by the depression.

3. Historical Overview of the 'New Deal' Program (1932-1939)

The Democrats met in Chicago and nominated New York Governor F. D. Roosevelt as their candidate for the Presidential Election of 1932. Roosevelt spoke to the convention arguing that the main concern was to find solutions to the problems engendered by the Depression of 1929. He told the attending delegates: " *I pledge you, I pledge myself to a new deal for the American people."* (Pederson, 2006, P: 318). In November 1932, Roosevelt won the election by 472 electoral votes to 59 for Hoover. The vote was more considered as a mark of blame to Hoover than of trust in Roosevelt (Rayback, 1966, P: 521).

At the beginning, President Roosevelt had little idea about what the New Deal would be in practice. Nevertheless, he was more flexible than Hoover, and more willing to experiment new ideas. President Roosevelt's willingness to act and experiment new programs and policies was stated clearly in his statement: "…*take a method and try it. If it fails admit it frankly and try another*." (Pederson, 2006, P: 311). Roosevelt's New Deal took, therefore, the form of trial-and-error actions. March 1933 was a laborious month for the President and Congress since different executive and legislative procedures were passed concerning different economic fields. In practice, the New Deal program was applied in two phases. While the first phase lasted 100 days from the President's first day in office, the second phase, or the Second New Deal, was applied from 1935 to 1939.

3.a. President Roosevelt First Term and the First New Deal 1932-1935

The Government had to take action on more than one front. The front that the President gave priority to was finance. He called Congress for a special session on his second day in office. He introduced the *Emergency Banking Relief Act* (E.B.R.A), which did not take a long time for Congressmen to pass, to shut down all banks. Only sound banks were permitted to reopen under the approval of the Treasury, and the ones that still had problems were provided with government managerial staff to supervise them. Government inspectors found that two-thirds of the banks were healthy and were allowed to reopen. Under the provisions of the Emergency Banking Act, Congress established the Federal Deposit Insurance Corporation (F.D.I.C) on March 6, 1933 to insure deposits of up to $5,000, (Pederson, 2006, P: 278) intended to re-establish faith in the banks. The Americans were no longer scared to lose their savings in a bank failure. After reopening, deposits exceeded withdrawals thanks to the President's radio speeches, in which he urged the Americans to deposit their money in the banks.

Although the banking crisis was over, there remained the problem of debts owed by farmers and homeowners. On March 27, 1933, the President issued an Executive Decree in which he reorganised all farm credit agencies into the Farm Credit Administration (F.C.A), and the Federal Emergency Relief Administration (F.E.R.A) led by Harry Hopkins, a former social worker. This agency distributed $500 million (Ronald L. Heinemann. 1983. P.69) as funds to deplete local relief agencies. His program also funded public work programs and revitalised many deteriorating relief programs.

Believing that the unemployed had to be put back to work, the President established the Civil Works Administration (C.W.A) in 1934. This public work program gave the unemployed jobs in building, road maintenance, parks, airports, etc. The C.W.A regained popular faith in the Government after it allowed the employment of 4 million workers. Within the same perspective, the Civilian Conservation Corps (C.C.C) was created under an environmental program that provided jobs for 2.5 million unmarried men, and funded similar programs for 8,500 women (Lee, 2009, P: 164). From 1934 to 1937, the workers maintained and restored forests, beaches, and parks receiving a wage of only $1 a day, but received free board and job training. Although such programs were popular and regained public faith in the government, the jobs provided were temporary and represented a burden on the treasury, which made President Roosevelt endeavour to solve the problems of the industrial sectors.

It was evident that the eradication of unemployment could be only realised through the recovery of the national industries. Therefore, the President urged Congress to pass the *National Industrial Recovery Act* (N.I.R.A) of June 1933. This Act was considered as the cornerstone of the major legislation on which the New Deal was based because it was intended to boost the declining prices, and help businesses and workers at the same time. It is worth reminding that the decline in the industrial prices after the crash of the N.Y.S.E had caused business failures and unemployment. The N.I.R.A also allowed the unions in many industries to write codes regulating wages, working conditions, production, and prices. However, the Supreme Court declared the N.I.R.A unconstitutional on May 27, 1935. It was this declaration that pushed government to pass the *Wagner Act* (July 5, 1935), and create agencies with specific purposes to put the economy back on its feet (Turot, 1977. P: 7).

The Government established other agencies that had a very important role in the country's economic recovery and relief for the workingmen in particular and the whole population in general. In this instance, the Public Works Agency (P.W.A) was established to launch construction projects such as the Grand Coulee Dam on the Columbia River. Congress passed the *Federal Securities Act (May 1933)* that established the Securities and Exchange Commission (S.E.C), which had the task of regulating the stock market. This Act required full disclosure of information on stocks being sold. Congress also gave the Federal Reserve Board the power to regulate the purchase of stock on margin, which did not please the businesses.

Other Agencies were also created to provide and administer the relief programs in sectors like housing and agriculture. For this purpose, the Home Owners Loan Corporation (H.O.L.C) and the Agriculture Adjustment Administration (A.A.A) were created. The H.O.L.C helped people keep their houses and refinanced mortgages of middle-income homeowners. The A.A.A tried to raise farm prices through a new tax intended to offset the losses of the farmers as a result of their approval not to raise the production of specific crops and animals. Since lower production would increase prices, the farmers were ordered to kill off certain animals and destroy specific crops as they were told to by the A.A.A. (Heinemann, 1983, P: 106). It was unbelievable for many farmers that the Federal Government tolerated such action when many Americans were starving. Later, the A.A.A was declared unconstitutional by the Supreme Court.

In an attempt to create new jobs by reclaiming and sustaining the Tennessee Valley, President Roosevelt established the Tennessee Valley Authority (T.V.A) in May 1933 to help farmers and to create jobs in one of the least modernised areas in America. This project was intended to reactivate a hydroelectric power plant to provide cheap electric power, flood control, and jobs for the unemployed besides recreational opportunities to the entire Tennessee River Valley.

3.b. Roosevelt's Second New Deal (1935-1939) and Opposition to Its Legislations

F. D. Roosevelt won the presidential election of 1936 with a popular vote of 27.7 million. His opponent the Republican Landon got 16.7 million votes. The Democrats dominated the Republicans in Congress by 328 to 107 and by 77 to 19 in Senate. It is worth mentioning that the central figure in the elaboration of the policy of full employment that influenced Roosevelt in the elaboration of the New Deal policy was John Maynard Keynes. Keynes techniques of economic management were revolutionary in the economic field. In his book *General theory of Employment, Interest and Money* (1935-36), Keynes argued that high money-wages were one of the main causes of unemployment (Viner, 1936, P: 160). He maintained that labor strongly resisted money wage reductions but accepted willingly reductions in real wages, which was logically a remedy for unemployment, but would not be a practicable one.

In addition to that, the works of John Maynard Keynes contributed enormously to the provision of important justifications to state intervention in economic affairs. Keynes advocated a remedy for economic recession based on governmental sponsor for a policy of full employment. In this instance, the government was the employer, the taxer, and distributor of benefits. In theory, supply and demand would balance to provide full employment, in order to reach appropriate levels of employment. The government, through its treasury, should either budget for a deficit and encourage state and private spending through tax cuts, reduce the rates of interests, or reverse these measures if demand for labour force was too high (through raising taxes and interest rates). The positive results of this policy brought about the consent of the population that witnessed a reduction of unemployment rates. Further relief to the population was provided by the enactment of the *Social Security Act of 1935* (S.S.A), which was considered by President Roosevelt as the cornerstone and supreme achievement of the New Deal.

The S.S.A included three major provisions. The first was to create a retirement fund to provide a pension for retired people over 65 years old funded by the contribution of the workers and employers through payroll taxes from 1937. The second provision was to set up a shared Federal-State unemployment insurance program financed by payroll taxes on the employers. This measure initiated the commitment of the federal Government in a broad range of social welfare activities on the basis of Roosevelt's belief that the unemployable who did not find a job was under state responsibility, and that it was the duty of the Federal Government to provide him with work and relief. The third provision of the S.S.A was to provide grant-in-aid public assistance programs including old age assistance, aid for dependent children, and aid for the blind. It also provided aid for maternal and child welfare, and public health services. This program was intended to bring relief for a large category of people with limited financial resources since it was funded through fixed rate payroll taxes for all people in a period characterised by the scarcity of jobs. Another drawback of the S.S.A was that it excluded the class of farm workers, maids, and the self-employed. Nevertheless, the year 1935 witnessed further victories and achievements of the government when President Roosevelt announced the launching of a second New Deal.

The reason for launching the Second New Deal in June 1935 was to end the contests and attacks against the President's policy. In fact, once the downward slide of the depression was halted and prosperity was in sight, a group of businessmen and politicians including the Democrats Al Smith, and John W. Davis, formed the American Liberty League to oppose the New Deal measures. They considered these measures as a violation of personal and property rights. However, During July and August 1935, Congress passed important Acts. One of these was the Wagner Act, which was considered as the '*Magna Carta*' of the American workers. This Act salvaged most of the labourers' rights that were included in the *National Industrial Recovery Act of 1933*.

It was evident for President Roosevelt that providing relief and creating jobs, and establishing agencies required financial resources. Therefore, Congress passed the Revenue Act of 1935, or as commonly called the 'Wealth Tax Act'. The Revenue Act raised tax rates on incomes above $ 50,000 a year, (Turot, 1977, P: 723) and on the estates and gifts. The taxes raised touched only the big corporations, which opposed such measures accusing the President of plain socialism. Although Roosevelt believed in an equal distribution of wealth as a condition for recovery, to avoid any accusation of socialist tendency, he declared: "…*I am fighting communism … I want to save our system, the capitalist system*." (Tindal and Shi, 1984. P: 702).

President Roosevelt found himself in a situation where he could not satisfy all parties. Seeing that trade unions constituted a very important ingredient for the success of the New Deal, the government passed two major pieces of legislation in favour of the workers in 1935. The first was the creation of the Works Progress Administration (W.P.A) by executive decree to provide jobs for 8 million Americans in the construction or repair works of schools, hospitals, airfields, etc. In the same year, the Farm Security Administration (F.S.A) was established with the objective of providing loans to bankrupted farmers, and set up camps for migrant workers.

A second piece of legislation was initiated by President Roosevelt and passed by Congress, namely the *National Labour Relations Act of 1935* commonly known as the Wagner Act. The latter made legal practices that were previously not allowed. These included the closed shops system and collective bargaining, in which only union members were employed. This Act also set up the National Labor Relations Board (N.L.R.B) to enforce its provisions. The Government considered the inequality of bargaining power that characterised the relationships between the employees, who did not have full freedom of association or actual liberty of contract, and employers, who were organised into corporations and other forms of ownership associations, as a cause of burdening and affecting the flow of commerce. This situation tended to "aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilisation of competitive wage rates and working conditions within and between industries."

It should be noted that the US Government adopted such policy because the workers were the first to be affected by the Depression. It was clear that most of the social troubles would certainly arise from that mass of enforced redundancies. By giving rights to the workers to enable them to face their employers, the Government wanted to avoid at any cost the strikes and practices that obstructed interstate commerce. When the workers could bargain collectively with their employers and see the latter accept their conditions, they would not resort to strikes. The right to strike was preserved in *Section 13* of the Wagner Act stipulating that: "*nothing in this Act, except as specifically provided for herein, shall be construed so as either to interfere with or impede or diminish in any way the right to strike or to effect the limitations and qualifications in that right.*" The American legislator gave workers the right to go on strike but under some conditions and regulations set forth by law. Within the same perspective, Congress passed the *Fair Labour Standards Act of 1938* to set a minimum wage and ban child labour. This law was a long awaited triumph for the progressives and social reformers.

President Roosevelt's measures laid the foundations for the welfare state in the USA. However, the businesses and many fervent advocates of the free market policy did not support the new deal legislation. This opposition was spearheaded by the Supreme Court that nullified important legislation in favour of the workers or the public in general like the *National Labour Relations Act of 1935*. The President could not remain indifferent and had to undertake measures to ensure the viability of his New Deal program.

From the beginning, the Supreme Court displayed its opposition by issuing a series of decisions against the New Deal. It ruled against New Deal laws in seven of the nine major cases it reviewed. The Court abolished the national Industrial Recovery Act by unanimous vote, and by 1936, the suits against the Social Security Act and the National Labour Relations Act were still pending.

In order to save the New Deal, Roosevelt resolved to enlarge Court membership, although the prerogative of determining the number of the members of the Supreme Court has always been vested in Congress. The latter maintained at different times the number from 6 to 9 and 10 justices. On February 5, the President sent his plan to Congress for the creation of 50 new Federal Judges including six new Supreme Court members in addition the existing nine justices. It goes without saying that the newly nominated justices had to be in favor of the New Deal measures as a condition for being nominated by the President. The result was that during the spring of 1937 the Supreme Court reversed previous judgements against the S.S.A and the Wagner Act. Roosevelt's action was known as the "Court-Packing" (Epstein and Segal, 2005. P: 45) maneuver that he justified as a means to introduce new blood to the Supreme Court.

This did not discourage the New Deal opponents who continued suing the legislation that they considered against their interests. Therefore, the manufacturers sought to organise themselves within the National Manufacturers Association and the United States Chamber of Commerce that were established in 1895 and 1912, respectively. They engaged into judicial procedure against the New Deal legislation before the Federal Trade Commission, mainly after the issuing of the National Industry Recovery Act N.I.R.A. the struggle continued between the President and his opponents until the outbreak of the Second World War in 1939. The latter dissipated all disagreements and brought all belligerents around one and unique objective, specifically to contribute in the war efforts to defeat the enemies of the USA.

4. Conclusion

During the 1920s, the United States of America witnessed an economic prosperity economy that caused a national craze and fever to get rich rapidly by buying stocks on margin and speculating in the New York Stock Exchange. However, the Depression of 1929 brought the Americans back to reality announcing the beginning of long lean years of unemployment, misery, and bankruptcy. Different explanation have been advanced to decipher and highlight the technical and operational mode of the Depression of 1929, but they all agree on the human factor as a constant element that triggered off the crisis. Speculation and excessive and unbridled greed combined with false optimism of the economic and financial operators and even the ordinary people brought the country to the verge of annihilation. In an attempt to save what could still be saved, the government intervened in the economy by passing laws and initiating relief programs, but the situation reached an advanced ailing stage to be healed by simple palliative procedures.

President Hoover's economic policy had its share in the deterioration of the situation since he believed that the key to recovery was in confidence in the economy as advocated by classic economists. However, the economic slump reached an unprecedented level that the actions of the confused government became the fuel that stoked the fire of the Depression. The unpopularity of Hoover cost him the loss of the presidential election of 1932 in front of his opponent Franklin D. Roosevelt form the Democratic Party.

President Roosevelt had four main aims to reach in his New Deal policy for national economic recovery. He passed Executive decrees and urged Congress to pass laws to protect people's savings and property, provide relief and jobs, reform the banking system, and revitalise the country's industry and agriculture. Although the government passed laws and intervened in matters that were traditionally out of its jurisdiction in order to save the nation's economy, recovery from the Depression of 1929 was very slow. The Americans had to wait until the outbreak of the Second World War, which created a very wide demand for products involved in the war efforts, to see their economy strong and prosperous again.

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