

America Between the Wars 1920-1940

The Federal Reserve and Depression of 1920

- The economic calamities of this period had a major impact on history and indirectly affected culture going forward at least for two generations
 - Greatly diminished faith in western institutions – willingness to follow institution authority
- The Creation of the Federal Reserve
 - by 1910 central control of financial resources had largely been consolidated in the competing Morgan and Rockefeller groups
 - These two groups combined had control of one-fourth of the world's wealth
 - industry at the time was facing competition from market forces in the form of businesses financing future growth from profits as opposed to borrowing capital
 - dependent on a limited and stable money supply tied to a gold standard. Rates were low enough to attract capable borrowers but high enough to discourage mal-investment
 - From the perspective of the banking industry, this was a bad trend and had to be fixed, interest rates would have to be tipped down to favor debt
- Selling this to the public, however, was a difficult task
 - had to be presented as a measure to stabilize the economy which is now presented as having been in response to bank failures in 1907
- The First Great Depression 1920
 - In 1920 the unemployment rate had jumped from 4% to 12% and GNP declined by a whopping 17%
 - Commerce Secretary Herbert Hoover (wrongly seen as a defender of laissez-faire economics in his younger days), urged President Harding to intervene but was ignored
 - Instead the Federal Reserve did very little, taxes were cut across the board, and the government slashed nearly in half
 - By the summer of 1921 the economy was already recovering and by 1924 unemployment was 2.4%

Roaring 20's, House of Morgan, Support of England

- Throughout the 1920's the Morgan group generally had control of the FR
 - including Benjamin Strong who is considered to have been the most influential and powerful Federal Reserve banker of the time
 - When Harding died suddenly and Coolidge was elevated to president the level of Morgan control of the government and the Fed increased dramatically
- Morgan's had long been deeply tied to the British government through their subsidiary Morgan, Greenfield of London
 - Morgan's played a significant role in the US entry into WWI in support of the British and, through Benjamin Strong, in expanding the money supply (doubling) to finance America's role in the war
 - Strong sharply increased money supply throughout the 20's devaluing the dollar
 - intended to help Great Britain impose a new gold exchange standard on Europe that was to restore the financial dominance of England and the House of Morgan
 - the US inflated their money and credit in order to prevent Britain from losing gold to the U.S.
- Hoover is elected in 1928 (critique of Strong who was to die in 1929)
 - heavy critic of Strong's inflationary policies but he had also been in favor of a different form of inflationary policies, cheap credit – Tried to persuade banks not to lend money to purchase stock
 - money supply in the U.S leveled off by the end of 1928
 - The credit boom was over and the American economy started to contract by July of 1929
 - Further expansionary monetary policies managed to keep the stock market boom going while other data was strongly negative until the actual market crash on October 24th of 1929

The Great Depression

- The first response was drastic federal intervention to re-inflate economy
 - In the last week of October the Fed doubled their holding of government securities. This added \$150 million to bank reserves and discounted \$200M for member banks
 - member bank's assets expanded \$1.8 billion or 10% in just one week
 - Interest rates were also driven down from 6% to 4.5% - Asset prices stabilized
 - While the Fed continued to try to inflate, the general public being aware of the risk was removing funds from the banking system.
- Struggle over FR policies
 - Roy Young and other Fed officials who favored allowing market factors to force the losses associated with mal-investment to be realized, were pushing for a return to non-interventionist policies
 - NY Fed chair Harrison effectively overruled them and drove discount rates down and continued to expand the purchase of government securities which was offset by expanding bank failures
- Bank of International Settlements (BIS) created
 - Montagu Norman realized his long standing goal to establish a collaboration between central banks in the form of the Bank of International Settlements
 - Congress forbade the Fed from joining the BIS but they effectively did it anyway by working through the New York Fed (BIS was Morgan enterprise and NY Fed Morgan controlled)
- *In general government policies attempted to support asset prices and maintain wages and prices at previous levels while keeping business from failing*
 - These characteristics, however, never created prosperity, they just reflected it

FDR and The New Deal

- When Roosevelt defeated Hoover in a landslide in 1932 his policies went beyond Hoover's in some respects, most notable direct federal relief
 - Rexford Tugwell, who was an important figure in the New Deal, said later of Hoover's policies, *"We didn't admit it at the time, but practically the whole New Deal was extrapolated from programs that Hoover started"*
- The depression lasted 10 years and in 1934 conditions reached a low point with what could be called a recession within a depression. During this time period unemployment got as high as 25% and averaged 18% from 1933 to 1940
 - WWII did increase employment in part by removing workers from the economy – allowed for employment to expand without first forcing investment losses
 - The country eventually returned to normal because both conditions and government policies were normalized
 - One of the many lasting effects of New Deal economic policies was the elevation of private home indirect subsidies
- For those who lived through this time period, they developed a dislike of debt, practices of thrift, and a tendency to appreciate and maintain things that subsequent generations would simply see as disposable
 - Many ordinary people lived close to hunger and frequently multiple families or generations lived together. Possessions were few and highly valued and material aspirations were generally modest and constrained

Overview of the FDR Administration (New Dealers)

- The New Dealers were a classic progressive regime comprised of academic elites
 - generally came from prominent families of the Northeast with Ivy League backgrounds
 - believed that society should be run by elite “experts” who would steer society in the directions determined by a political ruling class
 - Many of them had long standing personal and economic relationships
 - In some cases there were competing views, the most significant probably being the “Wisemen” and Secretary of State Stanton with regard to Japan and China
- largely filled with people who came from a heritage of northern denominational and evangelical Protestantism
 - although they themselves may have become marginal adherents or stepped away from any sort of church connection entirely
 - All but Morgenthau, who was Jewish, had a family background in Northern Progressive Protestantism and some were very active in this tradition as young people
 - Most had studied “social sciences” and/or had a background in the social welfare movement and came from a tradition of activism
- The New Deal saw the displacement of the Morgan dynasty with the Rockefeller’s along with their “*intellectual and technocratic entourage*”
 - part of a coalition that included the Harriman’s, Kuhn-Loeb, and the Lehman Brothers
 - Rockefeller family was from New York but also had property in New England and was historically associated with the Republican Party
 - The Senior Rockefeller also founded the University of Chicago and was a devout Northern Baptist. John Jr. was also closely linked to Northern Protestantism and was a social activist

The Advance of Progressivism

- The 1920's and 30's saw the final secularization of Christian progressivism
 - The objective of creating a society through government *“correcting, organizing, and eventually planning the perfect society”* remained but God was now gone
 - final shift can be generally associated with the move of postmillennial Progressive Christianity away from Oberlin College to the *“New Theology”* of the Andover Theological Seminary in Massachusetts in the 1880's
 - those educated with these views gradually obtained positions of power and influence over the next 30 to 50 years
- Educational System (John Dewey)
 - Dewey is now remembered as the founder of pragmatist philosophy and progressive education
 - Dewey saw science and democracy working together to reconstruct religious truth to bring about, *“the spiritual unification of humanity, the realization of the brotherhood of man, all that Christ called the Kingdom of God ... on earth”*
 - Dewey's reforms aimed to move away from classical curriculum through not only high school but sought to expand junior college and four year college to the point where it would become the norm
 - required an expansion of curriculum to include vocational classes and expansion of new humanities disciplines – added general education classes
- Economics
 - Professor John Rogers Commons (born in 1862) was a student of progressive economist Richard T. Ely at John Hopkins graduate school who was the leading advocate for a state managed economy
 - founded the American Institute for Christian Sociology based in the support of Christian Socialism
 - Several of his doctoral students became significant players in the New Deal

The Advance of Progressivism (cont.)

- Social Welfare System

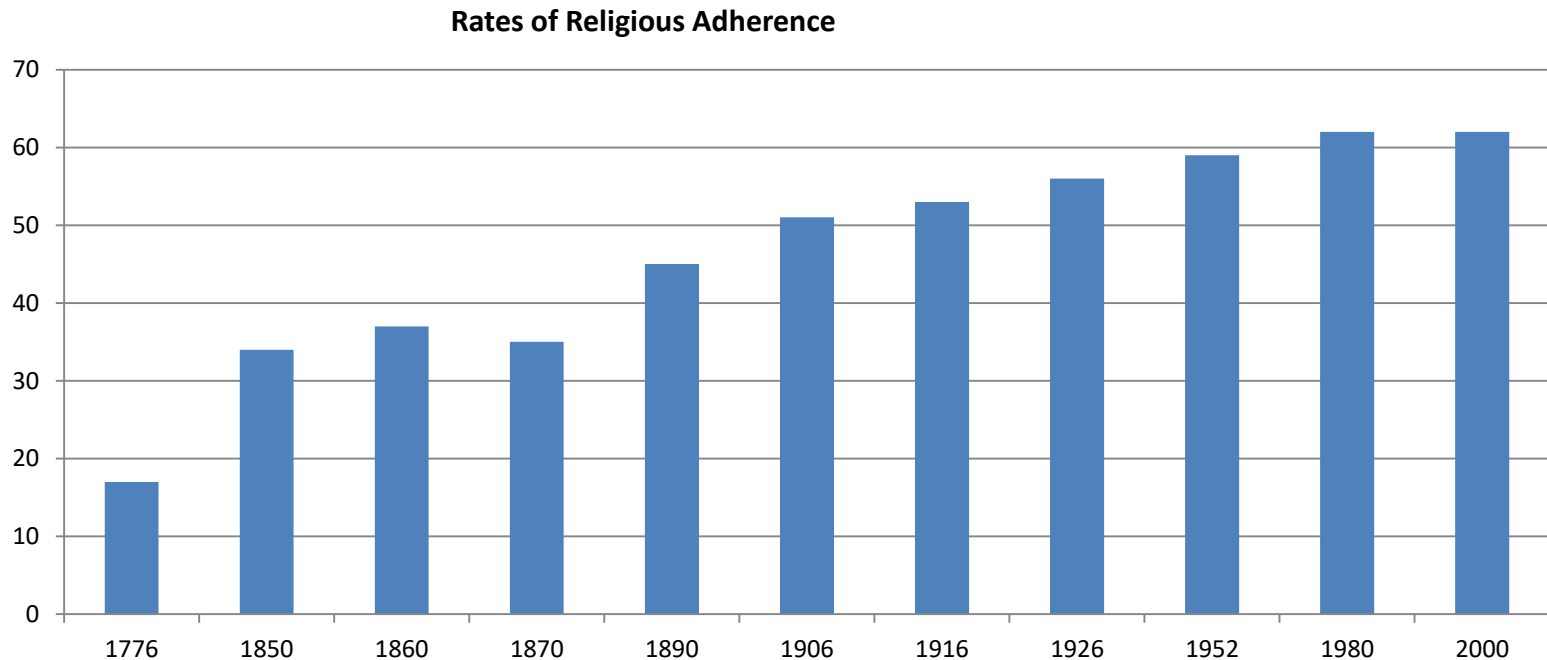
- Jane Adams and Julia Clifford Lathrop, established Hull House which was the genesis for the social welfare movement with the federal government taking over what was previously a church function
- Hull House led to the Children's Bureau which became an anchor of the welfare state that was the center of propaganda and advocacy for federal subsidies and expanding government programs
- After World War I, Lathrop and the Children's bureau lobbied for and got Congress to approve in 1921, the Sheppard-Towner Maternity and Infancy and Protection Act providing federal funds to states that set up Children's Bureaus along with public instruction in maternal and infant care
- Julia Lathrop was instrumental in getting the original draft of the Sheppard-Towner Act changed from a welfare measure for only those unable to pay to a bill that was intended to encompass everyone

- Overall Impact or Progressivism

- In these cases we see functions that were largely performed by the church that then became linked to the government and then incorporated into the government. Instead of being done in a decentralized and voluntary manner, they became massive bureaucracies that were imposed on everyone
- created massive economic and social dependency not just on the part of recipients but on the providers and even the communities and this is especially true with colleges that frequently have entire mid-sized towns built around them

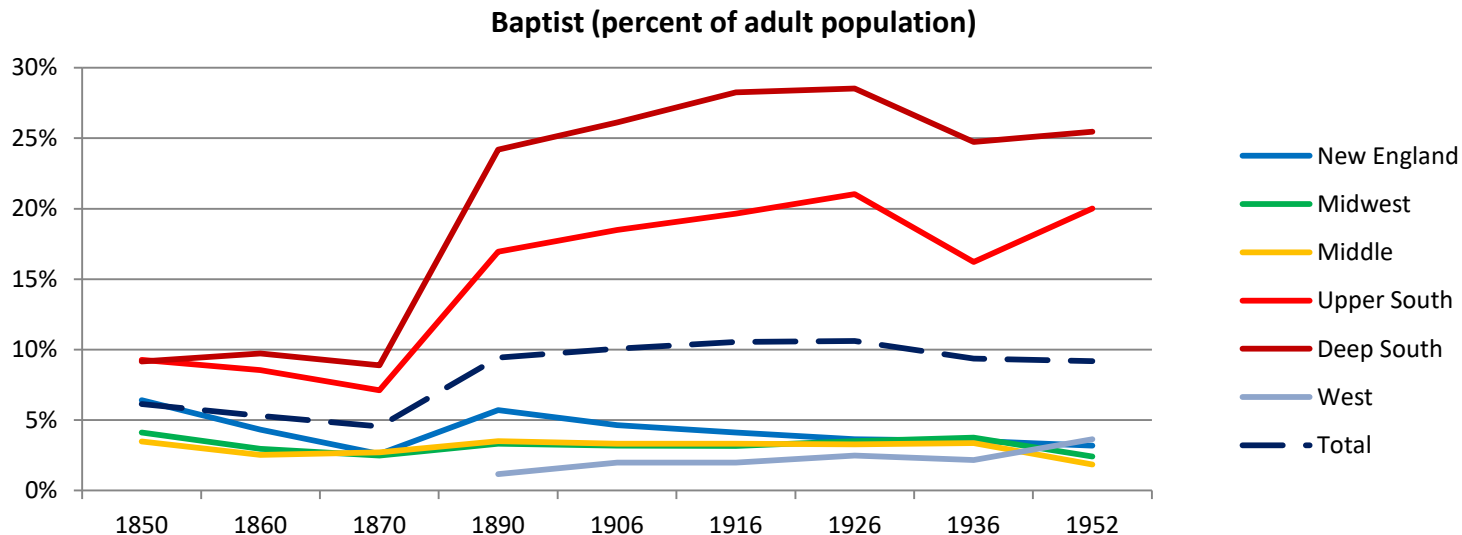
Growth in Church Participation

- From World War I through the 60's and 70's there was a gradual growth
 - despite continuing projections from academics of the imminent demise of Christianity.
 - The growth, however, was not universal as it represented expansions of the Catholic and Protestant Evangelical faiths while other Protestant faiths remained steady or contracted



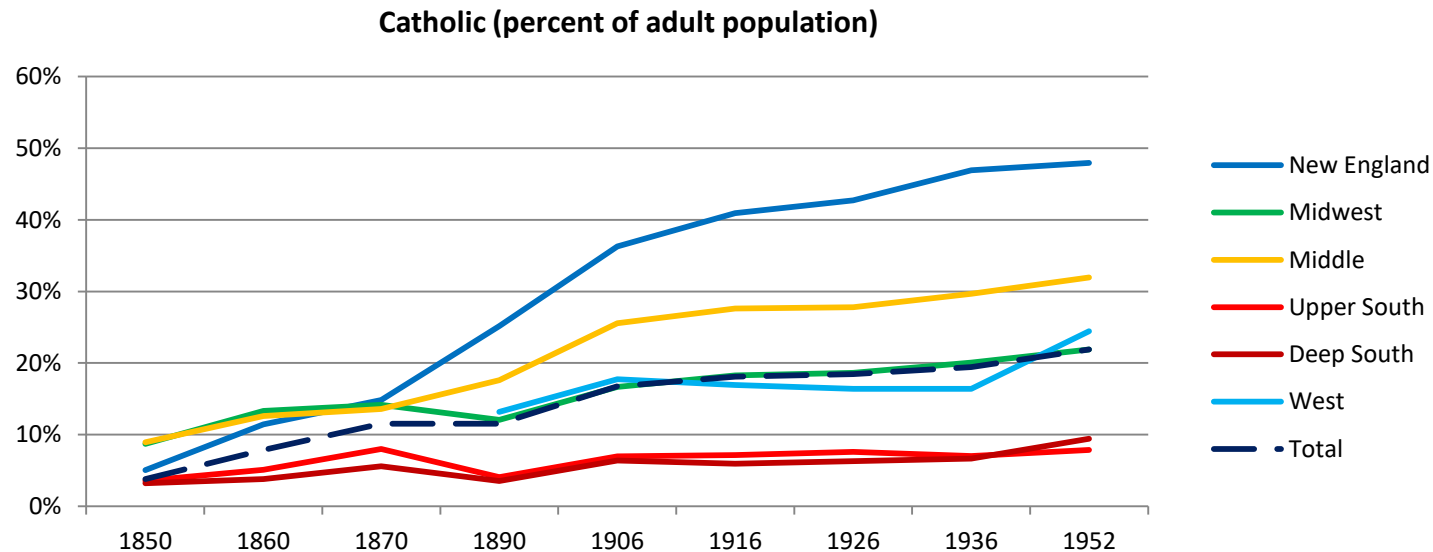
Baptists became the Largest Protestant Denomination

- The Baptists were largely a Southern denomination
 - increasingly Baptists outside of the South were becoming the products of Southern economic migrant communities
 - This can be seen in gradually rising Baptist numbers in western states
 - Northern Baptists were becoming a statistically insignificant group and in more than a few cases Northern Baptist churches were being taken over by So Baptist migrants living outside of the South
- Baptists were the most likely large denomination to adopt extra-Biblical standards
 - like no drinking, no dancing, and no going to theatres that were associated with fundamentalism which had gradually spread from the North to the South



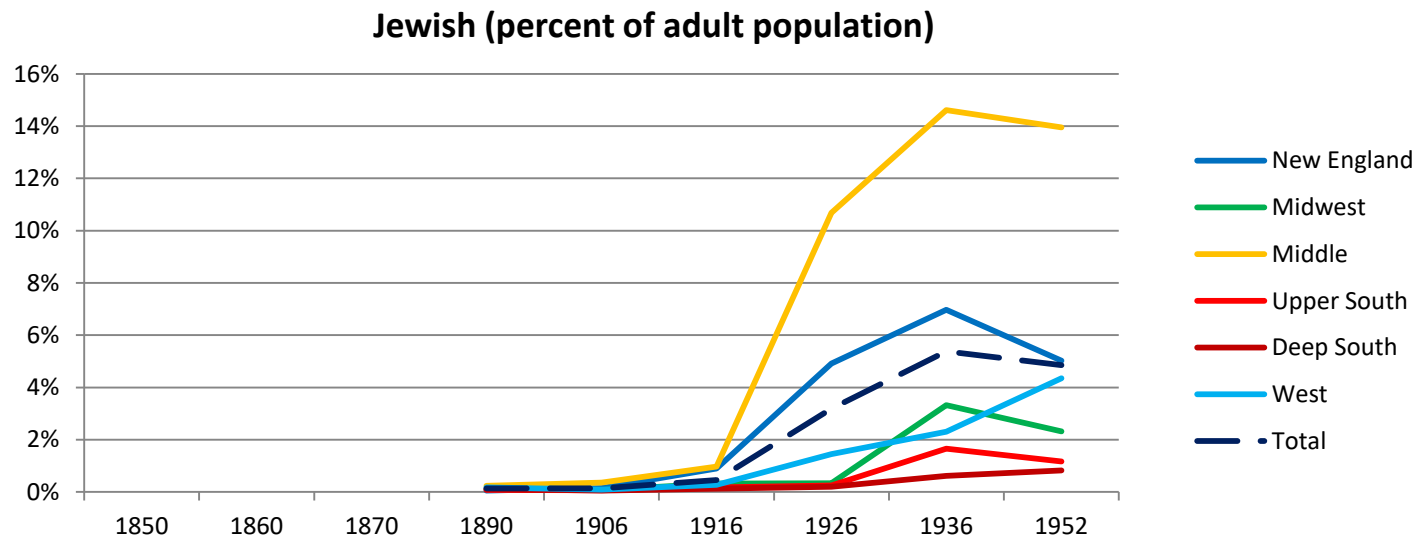
Catholics Continued to Grow but Slowed

- The strong Catholic presence in New England represented a few urban areas, most notably Boston and areas around Boston
 - The Catholic growth largely represented Irish, German, and Southern European migration and the ethnic communities that developed in urban areas helped preserve the religion and the culture
 - Catholics had a significant presence throughout the country and, while a minority, were far more integrated into broader society outside of the Northeast
- The American Catholic Church had withstood continuous attacks but would now start to destroy itself from within



Rapid Jewish Immigration

- While there was a small consistent Jewish presence in a couple of areas from the colonial period (in the South this was around Charleston), the Jewish population exploded around World War I and continued to grow through World War II
 - The Jewish population became highly concentrated in New York and a few other east coast cities but had a national presence including along the west coast
 - They controlled a good deal of wealth and became politically significant nationally as well as in specific states and cities



Secularization of Denominational Protestantism

- In the time following World War I Protestant denominations gradually liberalized to the point where they lost most of the fundamental teachings of the historic Christian faith
 - While secularization had a long history in northern Protestantism and Evangelicalism, with the exception of the Congregationalist and their offshoot groups of Universalists, Unitarians, and Transcendentalists, the major denominations hadn't fully and formally abandoned fundamental doctrines up until this point
- In the 1920's the Princeton Theological Institute, which stood resolute against secularization and "scientism" fell to a liberal takeover
 - large minority of the Presbyterian clergy signed a document known as the Auburn Affiliation that accepted alternate positions on the five core points of Christian belief that had been approved by the church council a few years earlier
- The issue at the core of the denial of Christian doctrine on the part of the denominations was denial of scriptural authority which led to denial of doctrinal authority which flowed out in sermons and literature
 - Federal Council of Churches and the magazine *Christian Century* was a mouthpiece for this form of secularized Christianity
 - The liberal church would commonly associate Christianity with democracy was in keeping with the elevation of democracy in liberal politics by the likes of Dewey and others

Protestant Secularization (cont.)

- World peace movements were very popular with the liberal church
 - but this too was deceptive as they rarely were pacifists and justified war to avoid war and distinguished between what they felt to be “good wars” and “bad wars”
- The growing hostility toward capitalism and, in a broader sense perhaps market economics ,was reflected in pulpits and in church conferences
 - In January of 1932 a conference of 600 protestant ministers concluded regarding capitalism that, “*we are driven by the very logic of the facts to look upon his tragic tide of human misery as directly the result of those principles which we cannot square with the teachings of Jesus*”
 - At a Methodist Conference representing churches primarily in the Northeast it was unanimously adopted that the government should take control over principal means of production and distribution of goods
 - Not to be outdone or left behind, the Quadrennial Statement of the Bishops of the United Brethren Church given at their general conference in 1933 declared that individual capitalism had undermined the structure of American life and the “*the whole system of our economic life must be changed*”
- Liberal theology increasingly made no distinctions between religions and disregarded the uniqueness of Christianity
 - Each was an acceptable road to the same end even if they taught irreconcilably different things
- The real critics and jury, however, were the people. Based on church membership statistics, the liberal churches had not been attracting new members for some time and by the 1920's were starting to decline

Expansion of Evangelicalism following the War

- Following the war and extending through the 50's there was an unprecedented expansion in evangelism
 - Made extensive use of mass media
 - Bypassed institutional gatekeepers
 - This involved both individual evangelists, of which Billy Graham was and remains the most famous, and denominations and was not entirely limited to Evangelicals
 - The Missouri Synod Lutherans, who were conservative orthodox but liturgical in style of worship, made very effective use of both TV and radio with weekly shows like the *"Old Time Revival Hour"*
- Revivalism during this period blended patriotism with Christianity to a greater degree than had been seen previously
- A common criticism was that faith may have grown broader but not deeper

Catholic Modernizers

- Throughout the history of religion in America the Catholic Church had remained remarkably consistent but that was starting to change
 - The process of secularization in the Catholic Church was similar to what occurred in mainstream Protestantism but also varied from it due to the highly centralized structure of the Catholic Church
- In the late 1870's the Catholic Church lost its political independence which was the first firewall to collapse
 - the Church became increasingly under assault from modernizers, which roughly translates to secular humanists, that became commonplace in the Church and its institutions of learning
 - Some of these people were adherents to the faith whose views changed
 - Many of the most notable examples were converts to the faith who entered the clergy and there are confirmed cases of high ranking clergy being masons
- Giuseppe Melchiorre Cardinal Sarto, otherwise known as Pope Pius X, observed and understood this and took steps to combat it
 - The Catholic intellectual tradition of integrating pre-Christian thought, such as Aristotle and Plato who influenced the interpretations of Augustine, was being expanded to include post-Christian thought
 - Post-Christian thought sought to reinterpret Christianity to conform to a system that already rejects Christianity
 - “demythologizing” - to deny authority to scripture making the Bible a collection of legends
 - Followed by the rejection of the sin, faith, atonement, and the uniqueness of Christian salvation
 - Ending in the rejection of morals, doctrine, and aesthetics which can be roughly described as moral relativism