

## Lesson 33

# The New Deal and Its Legacy

*How did the expansion of government during the New Deal affect the nation?*

### Introduction

Franklin D. Roosevelt came from a wealthy New York family, grew up on a large estate overlooking the Hudson River, and attended exclusive private schools, including Harvard College. During his youth, Franklin had little contact with working-class Americans, except perhaps his parents' servants.

Franklin's awareness broadened when he fell in love with a distant cousin named Eleanor Roosevelt, who had been taught that the wealthy have a responsibility to help the poor. Eleanor worked to improve conditions in factories and sweatshops and taught immigrants at a settlement house in New York City. One day in 1903, when Franklin was a college student, Eleanor took him to the home of one of her young pupils, who lived in a tenement in a poor neighborhood. The girl's dark, crowded home shocked Franklin, and he "could not believe human beings lived that way." That day, Franklin Roosevelt realized the harsh realities of life for the poorest Americans.

In the following years, Roosevelt became a skillful politician. Serving as assistant secretary of the navy and as governor of New York, he earned a reputation as someone who could "get the job done." Motivated by his memory of how the poor lived, Roosevelt advocated for social and economic reforms. Roosevelt was victorious in the 1932 presidential election in part because he promised to help the working men and women whose labor energized the American economy. He vowed to defeat the Great Depression by relying on plans "that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid."

FDR was eventually elected to four terms as president. During the first two terms, his New Deal programs gave hope to millions of Americans, he worked to find jobs for the unemployed, and he urged Congress to do more for those in need. In the process, FDR transformed the role of government in American life.



At age 39, Roosevelt contracted polio and lost the use of his legs. An aide once claimed, "If it hadn't been for his affliction, he never would have been President. In those earlier years, he was just a playboy . . . During his long illness he began to read deeply and study public questions." This statue of FDR in his wheelchair rests in the Franklin Delano Roosevelt Memorial in Washington, D.C.

✦ This 1934 mural by Conrad Albrizio depicts FDR with American workers, illustrating the president's increased role in American industry and life.

In this photograph, a Texas couple listens to one of Roosevelt's fireside chats. FDR's radio addresses revolutionized the relationship between the president and the people. After his first fireside chat, hundreds of thousands of letters flooded the White House. Thereafter, FDR received about 6,000 letters a day. To manage the volume of mail, the White House increased its mailroom staff from around two clerks to dozens of mail handlers.



## 1. The First New Deal

In 1933, some 13 million Americans—nearly one-fourth of the workforce—were unemployed. FDR recognized that finding employment for Americans was his primary task as president, but he also understood that businesses needed assistance. Thousands of banks and other companies had closed their doors since 1930, and thus the country's production of goods had fallen by more than half.

FDR was also aware that he was responsible for calming people's fears, a goal he accomplished by delivering a series of radio addresses called "fireside chats." In these brief broadcasts, the president detailed his plans for recovery, asking Americans for their support. With his soothing voice and optimistic tone, FDR appealed to the public, quickly gaining their trust. In turn, Americans supported the New Deal programs of FDR's First Hundred Days, often referred to as the First New Deal.

**Restructuring the Financial Sector** To begin, President Roosevelt tackled problems in the financial sector—regarding issues of money, banking, and investment. On March 6, 1933, he ordered all banks to close temporarily, stopping the steady withdrawal of funds from financial institutions. Over the next few days, officials created the Emergency Banking Act, which reformed the banking system and enabled the government to supervise bank activities. Congress quickly passed the Emergency Banking Act into law.

FDR gave his first fireside chat on March 12, the eve of many banks' reopening, in hopes of restoring public confidence in the banking system. Approximately 60 million radio listeners tuned in to the broadcast to hear the president explain government efforts to end the banking crisis. FDR encouraged Americans to do their part as well. "I can assure you," he said, "that it is safer to keep your money in a reopened bank than under the mattress." The following day, deposits began to circulate back into the nation's banks.

A month later, Congress passed the Banking Act of 1933, establishing the Federal Deposit Insurance Corporation (FDIC), which guaranteed individual bank deposits up to \$5,000. This guarantee helped restore public confidence in banks and stabilize the banking system. The law also limited banks' freedom to trade in stocks and bonds since banks had used depositors' savings for risky, speculative investments before the stock market crash.

Speculation in stocks had helped cause the 1929 crash. Part of the problem was ignorance since many investors lacked reliable information about investments. Together, FDR and Congress worked to reform the stock market, including passing key legislation to create the Securities and Exchange Commission in 1934. The SEC required companies to publish critical statistics about their business and regulated investment activities of stockbrokers and others.

**Shoring Up the Free Enterprise System** Some people believed the free enterprise system had failed during the Great Depression, and they wanted to do away with it. FDR, however, hoped to help the system recover. Like other New Deal initiatives, the president did not have a master plan for economic recovery because he preferred to experiment through successes and failures. One of his most ambitious experiments was the **National Industrial Recovery Act (NIRA)** of 1933.

The NIRA was central to the New Deal's efforts to boost the economy. It was designed to increase production while also raising wages and prices. The NIRA's goal was to increase availability of goods and provide more money for consumers to purchase them. It specifically targeted the needs of three groups: businesses, labor unions, and the unemployed.

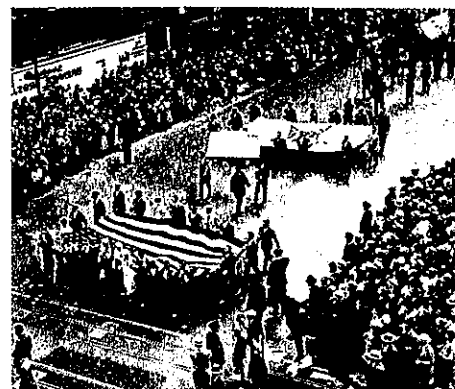
To aid businesses, the NIRA established the National Recovery Administration (NRA), an agency that cooperated with business leaders to create codes of fair competition in various industries. Each industry followed its own code, requiring corresponding companies to standardize products, set minimum prices, and announce any expected price increases. With the NRA, the New Deal increased government regulation and economic planning, departing from past laissez-faire policies.

To help labor unions, the NIRA guaranteed workers' rights to organize and bargain collectively. It further authorized the NRA to propose codes for establishing minimum wages and maximum hours in various industries. These measures represented a greater degree of government support for organized labor.

To assist the unemployed, the NIRA allotted \$3.3 billion for various public works and established the Public Works Administration (PWA) to oversee these construction projects. FDR hoped not only to create jobs, but also to restart the economy with an influx of government funds. Unfortunately, the PWA spent its money slowly and ultimately had little effect on jobs or the economy.

**Paying Farmers Not to Plant** Another piece of recovery legislation created the **Agricultural Adjustment Administration (AAA)**, which attempted to aid farmers by reducing crop production and raising prices. Farmers had long suffered from low market prices for their products, eroding farmers' purchasing power—their ability to purchase farm machinery and other goods. Many farmers also lost their farms by failing to pay their mortgages.

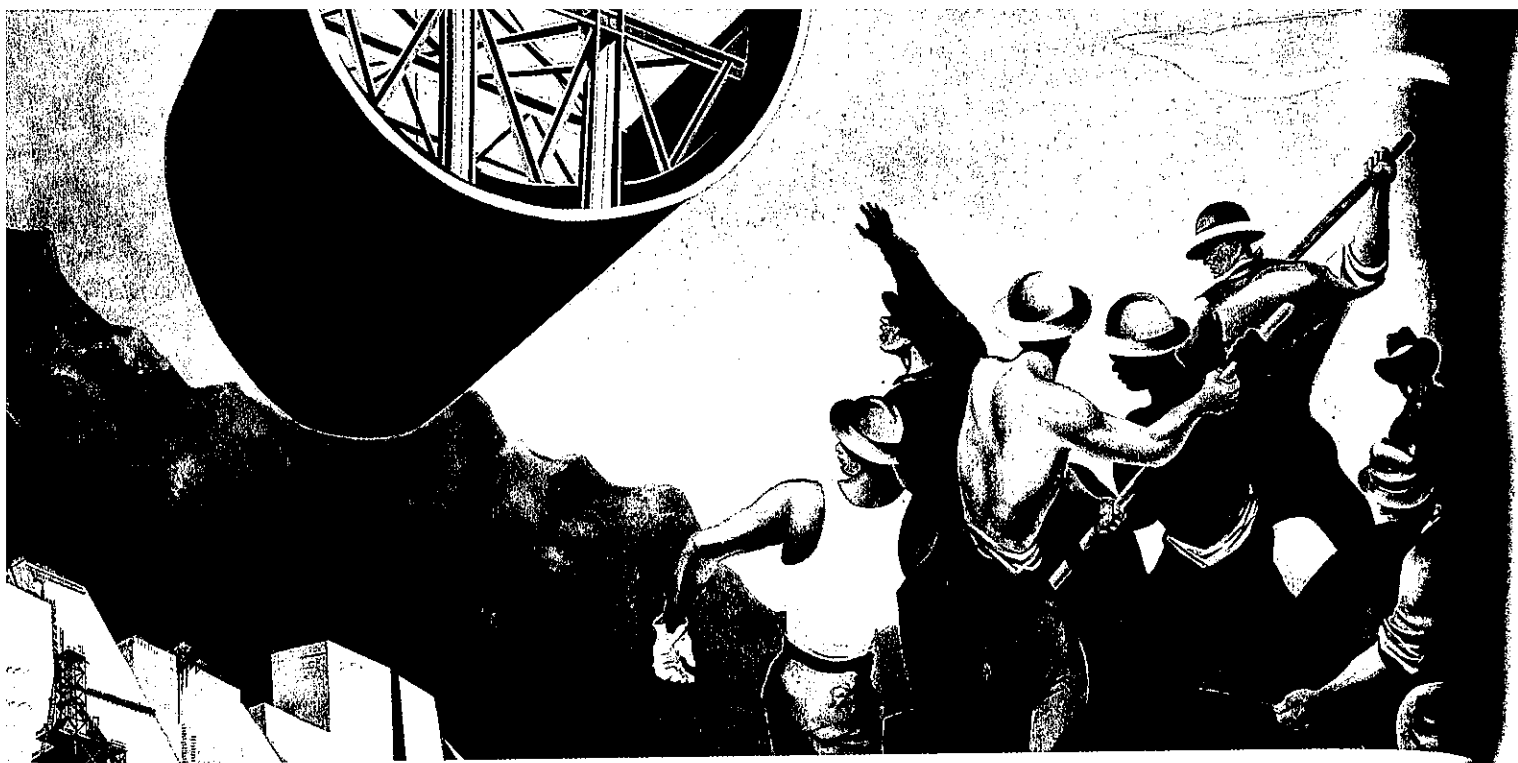
The aim of the AAA was to raise crop prices to reach **parity**, or the price that would give farmers the same purchasing power they had during former prosperous times. To raise prices, the AAA paid farmers to plant fewer crops. In theory, this would reduce crop supplies and increase market demand, thereby boosting prices. The AAA also provided loans for farmers to pay their mortgages and remain on their land, rather than join the hordes of jobless Americans in cities.



Public support for the NRA was widespread. The NRA's efforts centered on businesses, labor unions, and the unemployed to bolster the American economy. Above, female film industry workers march with an American flag during the National Recovery Administration Parade.



The AAA sought to reduce crop production and raise agricultural prices to help farmers. The ultimate goal of the AAA was to achieve parity, which would give farmers the same purchasing power they had before the Depression. Here, an AAA worker examines the surface of the land to determine farming improvements.



The New Deal funded public works projects to stimulate the economy and employ Americans. Among the largest projects launched were constructing dams like those built for the Tennessee Valley Authority. Workers also built bridges and roads, planted trees, and cut trails through national forests. This Depression-era mural by artist William Gropper is titled *Construction of the Dam*.

**Promoting Economic Development and Homeownership** Another New Deal program worked to promote economic development in one of the poorest regions of the country: the Tennessee River valley. In 1933, at the urging of the Roosevelt administration, Congress passed a bill creating the Tennessee Valley Authority. The TVA, an independent government agency, built a series of dams on the Tennessee River and its tributaries. These dams provided flood control and hydroelectric power to seven southern states. The TVA also battled erosion and deforestation, processes that posed serious problems for the Tennessee Valley. In addition, this far-reaching program brought badly needed jobs to the region and encouraged businesses to invest there.

The New Deal also created two federal agencies to handle housing issues. Like farmers, many homeowners had lost their homes because they could not pay their debts. One agency, the Home Owners' Loan Corporation, provided loans to help people meet their mortgage payments. The other agency, the Federal Housing Administration (FHA), boosted the banking and construction industries by insuring mortgage loans up to 80 percent of a home's value.

**Remembering the "Forgotten Man"** After FDR's inauguration, more than 450,000 Americans wrote letters to the new president. Many of them pleaded for help. During his campaign, FDR had promised to remember the "forgotten man." Now, under the First New Deal, he fulfilled that promise by implementing relief programs designed to assist ordinary Americans struggling to survive.

The **Civilian Conservation Corps (CCC)** was an important work-relief program that gave young men jobs planting trees and working on other conservation projects. A much larger program, the Federal Emergency Relief Administration (FERA), sent funds to state governments to distribute money to the needy. For the first time in American history, a federal agency was providing direct relief to the unemployed. State and local agencies also contributed food and clothing supplies to help the poor.



The WPA's Federal Art project provided jobs for more than 5,000 artists, who subsequently created over 200,000 works of art. Many of the works that the WPA commissioned were murals depicting scenes of American life, like the one shown here. It was painted on a courthouse in Trenton, New Jersey. Numerous WPA artists were inspired by famed Mexican muralist Diego Rivera.

### 3. The Second New Deal

To face critics' challenges from the right and left, FDR once again took to the airwaves. In a June 1934 fireside chat, he asked Americans to judge the New Deal's progress by "the plain facts of your individual situation. Are you better off than you were last year?" Most Americans' response was loud and clear when, in the November 1934 congressional elections, Democrats gained numerous seats in the House and Senate.

The sound Democratic victory encouraged FDR, and in 1935, he began introducing another flurry of legislation. In part to counter the demagogues, FDR shifted his focus from recovery to social and economic reforms. These new programs aimed to provide Americans with relief, stability, and security. Many historians refer to this phase of legislation as the Second New Deal.

**Energizing the Country with Electricity and Jobs** Congress passed FDR's Emergency Relief Appropriation Bill in the spring of 1935. Called the Big Bill by FDR, it created several new agencies and called for nearly \$5 billion in new spending, an unprecedented increase.

One of these new agencies was the Rural Electrification Administration (REA). In 1935, fewer than 20 percent of American farms had electricity, so the REA established hundreds of publicly owned electrical cooperatives, built generating plants, and strung power lines. When the REA completed its work, around 90 percent of the country's farms could access inexpensive electricity.

The Big Bill also spawned a large agency known as the **Works Progress Administration (WPA)**, a work-relief organization that put over 3 million Americans to work in its first year. Under this program, workers built hundreds of thousands of bridges, public buildings, and parks. The WPA initiated arts ventures at the urging of Eleanor Roosevelt, hiring unemployed artists to paint murals in public buildings. Musicians combed the American backcountry to find and record folk music, and writers created state guidebooks.

The WPA generated a lot of controversy. Many conservatives denounced the program's cost, while labor unions attacked it for depressing wage rates. Despite these criticisms, the program continually expanded. By 1936, 7 percent of the American workforce was employed by the WPA.

**The Supreme Court Attacks the New Deal** Meanwhile, the Supreme Court began to weigh in on key New Deal programs. In the 1935 case *Schechter Poultry Corp. v. United States*, the Court struck down the National Industrial Recovery Act, ruling that it violated the constitutional separation of powers by giving the president, rather than Congress, the power to issue “codes of fair competition” to businesses.

The next year, the Court terminated the Agricultural Adjustment Act on the grounds that a law “to regulate and control agricultural production [was] a matter beyond the powers delegated to the federal government.” It also struck down a New York law that established a minimum wage for workers. Roosevelt fumed that the Court created a “no-man’s land” where no government, state or federal, could act effectively.

**A Bill of Rights for Workers** Despite the Court’s rulings, FDR continued to push for reform legislation. A month after the Supreme Court declared the NIRA unconstitutional, Congress passed a new bill to protect workers. The National Labor Relations Act, otherwise known as the *Wagner Act* for the senator who sponsored it, was considered a bill of rights for organized labor.

The Wagner Act guaranteed workers “the right to self-organization, to form, join, or assist labor organizations, [and] to bargain collectively through representatives of their own choosing.” To protect these rights, the act founded the National Labor Relations Board (NLRB), which had the power to supervise union elections and ensure that they were free and democratic. The board could also penalize employers for “unfair labor practices,” such as attempting to discourage workers from joining or forming a union.

Congress passed a related bill in 1938 called the Fair Labor Standards Act, which regulated workplace conditions. The act also set a minimum wage of 25 cents an hour and a maximum 44-hour workweek for most workers. In addition, the act banned “oppressive child labor.” Together, the Wagner Act and the Fair Labor Standards Act met many longstanding demands of American workers, promising to make their lives more secure.

The National Labor Relations Board (NLRB) had the power to supervise union elections and regulate some union laws. The board was created to protect the rights for workers guaranteed under the Wagner Act. In the accompanying image, the chairman of the NLRB calls for fewer restrictions on the Wagner Act.



**Economic Security for Americans** FDR also addressed long-term problems of the aged and unemployed. “Among our objectives,” he told Congress in January 1935, “I place the security of the men, women, and children of the nation first.” Later that month, FDR revealed his landmark *Social Security Act*. Congress passed the bill in June, and the president signed it into law in August. At the signing ceremony, FDR said,

We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes [unexpected changes] of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

—Franklin Roosevelt, August 14, 1935

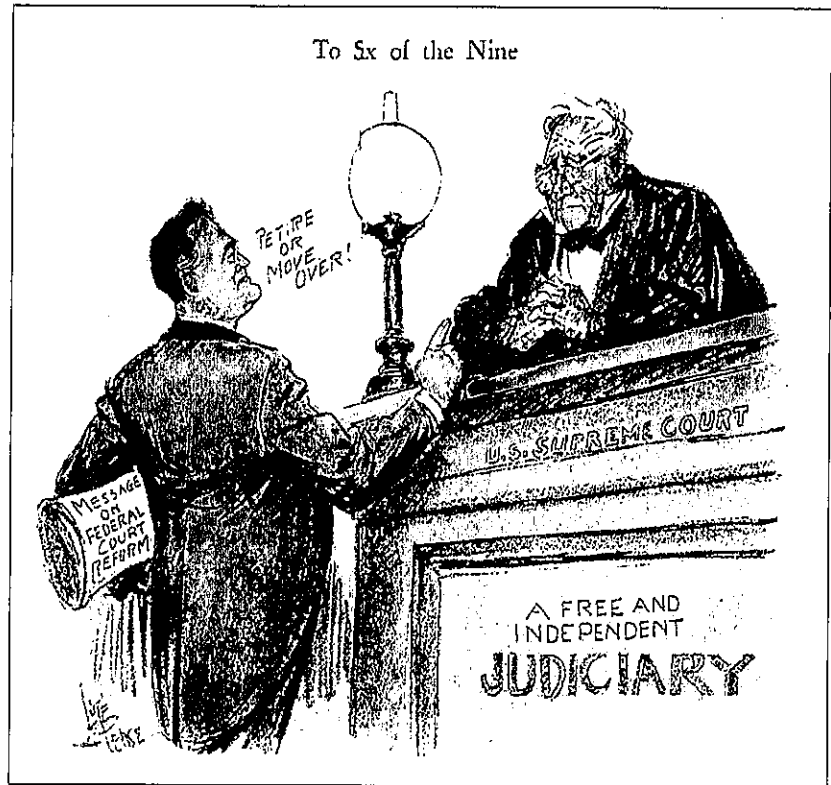
The Social Security Act created a social insurance program to provide retirement and disability benefits. Retirement benefits, or cash payments to retired workers sometime after the age of 62, is the program most often associated with Social Security today. The government finances these payments by taxing current workers and their employers. Disability benefits are payments made to workers who have become too disabled to continue working, regardless of age. Severely disabled children are eligible for Social Security disability benefits as well.

The Social Security Act also established an unemployment insurance program for workers, which allocates payments to people who have lost their jobs and are seeking new work. The program is funded through taxes on employers. Unemployment benefits usually last up to six months, but Congress has sometimes extended benefits during economic recessions.

**Battling the Supreme Court** In 1936, FDR secured a second term as president with a landslide victory. He believed his election was a **mandate**—a grant of authority—to extend the New Deal further. However, FDR feared that the Supreme Court would continue to impede his efforts since several recent Court decisions had threatened FDR's attempts to increase the government's role in stabilizing the economy and society. This hindrance motivated FDR to take a controversial step.





In 1937, FDR presented Congress with legislation to redesign the Supreme Court. The bill called for appointing an additional justice for every sitting justice over age 70. FDR claimed that the Court was behind in its work, partly because aging justices could not keep pace. But his real intention, to pack the Supreme Court with liberal justices who would favor New Deal programs, was abundantly clear. Republicans and Democrats expressed mutual outrage at FDR's court-packing plan, as did the American public. Congress rejected the bill.

At this time, Supreme Court opinion shifted, becoming more accepting of government regulation of the economy. In 1937, the Court upheld both the Social Security Act and the Wagner Act. In these decisions, the Court redefined its understanding of liberty. Conservatives had long equated liberty with private enterprise's freedom to act without government interference, a belief which had been supported by the Court. Now, Chief Justice Charles Evans Hughes observed that there was no constitutional basis for this narrow definition. In fact, he said the Constitution supported a broader definition of liberty that included "the protection of law against the evils which menace the health, safety, morals, and welfare of the people." That is, the government could promote liberty by using its power to ensure fair treatment for all Americans.



Roosevelt's scheme to appoint more liberal justices to the Supreme Court backfired. Opponents accused him of threatening the independence of the judiciary and undermining the system of checks and balances. Congress rejected FDR's court-packing plan, dealing him a harsh political blow.

## Who Benefited from the New Deal?

	Providing Relief	Stimulating Recovery	Promoting Reform
<b>The Hungry and Homeless</b>	Provided funds to state and local relief agencies: <b>1933</b> Federal Emergency Relief Administration		
<b>The Unemployed</b>	Created jobs: <b>1933</b> Civilian Conservation Corps (CCC) <b>1933</b> Public Works Administration (PWA) <b>1933</b> Civil Works Administration <b>1933</b> Tennessee Valley Authority (TVA) <b>1935</b> Works Progress Administration (WPA) <b>1935</b> National Youth Administration (NYA)	Built hospitals, schools, dams, power plants, and highways that stimulated economic growth: <b>1933</b> Public Works Administration (PWA) <b>1933</b> Tennessee Valley Authority (TVA) <b>1935</b> Works Progress Administration (WPA)	Created a publicly owned electric utility to compete with private utilities: <b>1933</b> Tennessee Valley Authority (TVA)
<b>Homeowners</b>	Helped homeowners make mortgage payments: <b>1934</b> Home Owners Loan Corporation	Guaranteed loans for home building and repairs: <b>1934</b> Federal Housing Administration (FHA)	Cleared slums and built low-cost housing: <b>1937</b> United States Housing Authority
<b>Farmers</b>	Provided cash and loans: <b>1933</b> Agricultural Adjustment Act <b>1934</b> Farm Mortgage Foreclosure Act	Raised crop prices by regulating crop production: <b>1933</b> Agricultural Adjustment Act	Improved rural life with electric power and better farming practices: <b>1936</b> Rural Electrification Administration (REA) <b>1937</b> Farm Security Administration (FSA)
<b>The Elderly, Disabled, and Dependent</b>	Aided the blind, the disabled, and dependent children: <b>1935</b> Social Security Administration	Encouraged older workers to retire to open up jobs: <b>1935</b> Social Security Administration	Provided pensions to retired workers: <b>1935</b> Social Security Administration
<b>Workers</b>		Recognized the right of collective bargaining: <b>1933</b> National Recovery Administration (NRA)	Protected workers' rights and set a minimum wage: <b>1935</b> National Labor Relations Board (NLRB) <b>1938</b> Fair Labor Standards Act
<b>Businesses and Consumers</b>		Established codes of fair competition: <b>1933</b> National Recovery Administration (NRA)	Required companies to list ingredients on products: <b>1938</b> Food, Drug, and Cosmetic Act
<b>Banks and Depositors</b>		Restored confidence in banks by insuring deposits: <b>1933</b> Federal Deposit Insurance Corporation (FDIC)	Regulated bank practices: <b>1933</b> Emergency Banking Act <b>1933</b> Federal Deposit Insurance Corporation (FDIC)
<b>Investors</b>		Increased confidence in the stock market: <b>1933</b> Securities Act	Regulated trading in the stock market: <b>1934</b> Securities and Exchange Commission (SEC)