**The First New Deal: 1933-1934**.

Roosevelt drew much of his inspiration for the New Deal from the writings of British economist John Maynard Keynes, who believed that a government’s deficit spending could prime the economic pump and jump-start the economy. With the support of a panicked Democratic Congress, Roosevelt created most of the “alphabet agencies” within his landmark first Hundred Days in office.

On March 6, 1933, two days after becoming president, Roosevelt declared a five-day national bank holiday to close banks temporarily. During Hoover’s presidency, about 1,500 banks had closed each year, and FDR hoped that a short break would give the surviving banks time to reopen on more solid footing. Congress then passed the **Emergency Banking Relief Act**, which gave Roosevelt the power to regulate banking transactions and foreign exchange. Several months later, Congress passed the **Glass-Steagall Banking Federal Deposit Insurance Corporation** (FDIC), which insured an individual’s savings. The act also regulated lending policies and forbade banks from investing in the stock market.

In March 1933, Congress created the **Civilian Conservation Corps** (CCC), which hired unemployed young men to work on environmental conservation projects throughout the country. For a wage of $30 a month, men worked on flood control and reforestation projects, helped improve national parks, and built many public roads. Approximately 3 million men worked in CCC camps during the program’s nine-year existence.

The “Hundred Day Congress” also created the **Federal Emergency Relief Administration** (FERA), in May 1933, to dole out about $500 million to the states. About half of this money was earmarked to bailout bankrupt state and local governments. States matched the other half -$3 state for $1 federal- and distributed it directly to the people. FERA also created the **Civil Works Administration** (CWA), which helped generate temporary labor for those most in need.

Roosevelt encouraged the creation of the **Agricultural Adjustment Administration** (AAA) to assist America’s farmers. The AAA temporarily reset prices for farm commodities, including corn, wheat, rice, milk, cotton, and livestock, and then began to subsidize farmers to reduce production. Congress also passed the **Farm Credit Act** to provide loans to farmers in danger of bankruptcy.

The AAA was very controversial, as many critics wondered why landowners rather than sharecroppers and tenant farmers were receiving federal aid. In spite of the criticism, the AAA did manage to raise prices to their pre-WW I highs.

Next, Congress created the **Tennessee Valley Authority** (TVA), whose goal was to modernize and reduce unemployment in the Tennessee River valley, one of the poorest and hardest-hit regions in the country. The agency hired local workers to construct a series of dams and hydroelectric power plants, which brought cheap electricity to thousands of people. The public corporation also created affordable employee housing, manufactured cheap fertilizer, and drained thousands of acres for farming.

The TVA, like the AAA, was highly controversial. Many conservatives claimed that government production of electricity was a mild form of socialism and that it disrupted market prices. Competing electric companies also attacked the TVA for selling cheaper electricity and lowering their profits. Still, the TVA had such a profound impact on the economy and quality of life in the Tennessee Valley region that the federal government initiated similar projects throughout the West and South. Within a decade, many major U.S. rivers were set up to produce hydroelectric power that provided both electricity and jobs.

The 1933 **National Industrial Recovery Act** was the federal government’s first attempt to revive the economy as a whole. The bill created the **National Recovery Administration** (NRA) to stimulate industrial production and improve competition by drafting codes of conduct. The NRA also sought to limit production of consumer goods to drive up prices. Furthermore, the act helped set up the **Public Works Administration** (PWA) to construct public roads, bridges, and buildings. In accordance with Keynesian economic theories, Roosevelt believed that improving the public infrastructure would put more money into the economy.

Finally, Roosevelt also lobbied Congress to establish new regulations on the financial sector of the economy. After taking office, he took the country off the gold standard, which allowed citizens and foreign countries to exchange paper money for gold. To prevent people from hording the precious metal, the president also ordered all private gold stocks to be turned over to the U.S. Treasury in exchange for paper dollars. Congress also created the **Securities and Exchange Commission** (SEC) to regulate trading on Wall Street and curb the out-of-control speculation that had led to the Crash of 1929.

Although the New Deal sometimes comes across as a cohesive package, much of the individual legislation passed during the first Hundred Days was conceived on the fly. So many special interest groups, such as big business and organized labor, were hounding the government for change that Roosevelt and Congress often felt they were being pulled in opposite directions.

Nevertheless, the New Deal policies did much to get Americans back on their feet. They not only provided **relief, recovery**, and **reform** but also drastically changed the federal government’s role in politics and society.

**Relief**: Much of the legislation that the Hundred Days Congress drafted doled out immediate relief for the American people that President Hoover and the Republicans had failed to provide. The **Federal Emergency Relief Administration**’s relief assistance, for example, provided millions of Americans with enough money to make ends meet. The **Civil Works Administration** put the unemployed to work, and the **Agricultural** **Adjustment Administration**, the **Tennessee Valley Authority**, the **National Recovery Administration**, and the **Public Works Administration** kept millions of others alive as well. Americans were so relieved by the federal government’s quick action that many became die-hard Democrats and Roosevelt fans.

**Recovery**: Many of the same programs designed to provide immediate relief were also geared toward long-term economic recovery. The **Civilian Conservation Corps** and the **Public Works Administration** put millions of men to work not only to keep them employed but also to improve the national infrastructure. When the United States finally emerged from the Great Depression during WW II, it had hundreds of new roads and public buildings, widespread electrical power, and replenished resources for industry.

**Reform**: The third goal of the New Deal policies was to reform the banking and financial sector of the economy to curb bad lending practices, poor trading techniques, and corruption. The president’s decision to take the country off the gold standard proved to be a smart move because it boosted people’s confidence in the U.S. dollar. The FDIC, created under the Glass-Steagall Act, eliminated untrustworthy banks that had plagued the country for more than a century. Once Americans became confident that their funds would be safe, the number of bank deposits surged. Likewise, the Securities and Exchange Commission in 1934, which weeded out bad investment habits, gave Americans more confidence in the stock market.

**New Deal Programs at a Glance**:

***Employment Projects: Purpose:***

1933 Civilian Conservation Corps (CCC) Provided jobs for single males on

conservation projects.

1933 Federal Emergency Relief Administration Helped states to provide aid for the

(FERA) unemployed

1933 Public Works Administration (PWA) Created jobs on government

projects.

1933 Civil Works Administration (CWA) Provided work in federal jobs.

1935 Works Progress Administration (WPA) Quickly created as many jobs as

possible –from construction jobs to

positions in symphony orchestras.

1935 National Youth Administration (NYA) Provided job training for

unemployed young people and part-

time jobs for needy students.

***Business Assistance and Reform:***

1933 Emergency Banking Relief Act (EBRA) Banks were inspected by Treasury

Department and those stable could

reopen.

1933 Federal Deposit Insurance Corporation Protected bank deposits.

(FDIC)

1933 National Recovery Administration (NRA) Established codes of fair

competition.

1934 Securities and Exchange Commission (SEC) Supervised the stock market and

eliminated dishonest practices.

1935 Banking Act of 1935 Created a seven-member board to

regulate the nation’s money supply

and the interest rate on loans.

1938 Food, Drug, and Cosmetic Act (FDC) Required manufacturers to list

ingredients in foods, drugs, and

cosmetic products.

***Farm Relief and Rural Development:***

1933 Agricultural Adjustment Administration Aided farmers and regulated crop

(AAA) production.

1933 Tennessee Valley Authority (TVA) Developed the resources of the

Tennessee Valley

1935 Rural Electrification Administration (REA) Provided affordable electricity for

isolated rural areas.

***Housing:***

1933 Home Owners Loan Corporation (HOLC) Loaned money at low interest to

homeowners who could not meet

mortgage payments.

1934 Federal Housing Administration (FHA) Insured loans for building and

repairing homes.

1937 United States Housing Authority (USHA) Provided federal loans for low-

cost public housing.

***Labor Relations:***

1935 National Labor Relations Board (Wagner Act) Defined unfair labor practices and

established the National Labor

Relations Board (NLRB) to settle

disputes between employers and

employees.

1938 Fair Labor Standards Act Established a minimum hourly

wage and a maximum number of

hours in the workweek for the

entire country. Set rules over the

employment of workers under 16

and banned hazardous factory work

for those under 18.

***Retirement:***

1935 Social Security Administration Provided a pension for retired

workers and their spouses and aided

people with disabilities

**The Second New Deal:**

The legislation that Roosevelt and Congress passed between 1935 and 1938- was different from the First New Deal. Perhaps most important , the Second New Deal legislation relied more heavily on the Keynesian style of deficit spending than the First New Deal did. Roosevelt altered his policy partly because of complaints from critics and partly because by 1935, it was clear that Americans still needed some help. Roosevelt thus aimed approximately half the Second New Deal programs and policies at long-range reform.

Roosevelt’s policies came under fire from Republicans, conservative Democrats, bankers, and Wall Street who claimed that it doled out too many federal handouts. Many of these critics also feared that the policy and programs involved were a dangerous step toward socialism and the destruction of the American capitalistic system. Such misgivings were understandable given the political atmosphere in the 1930s, as communism was becoming a more imminent threat. In fact, Soviet agents in the U.S. went so far as to launch a “popular front” campaign to actively support the president. Moreover, an unprecedented number of people joined the American Communist Party.

Perhaps more surprising, the New Deal also came under fire from the far left. Many socialist activists denounced the New deal because they thought it too conservative and that it did not provide enough relief and assistance. Over the years, many historians have tended to agree with this argument. Several have argued that the Great Depression would not have been so devastating for so long had Roosevelt handed more federal money out to a greater number of Americans.

One of the most vocal of Roosevelt’s critics was Father Charles Coughlin. A Catholic priest from Michigan, Coughlin began broadcasting a weekly radio show in 1930 that criticized the New Deal. Within a few short years, Coughlin had a following of 40 million listeners who agreed with his anti-New Deal opinions. He blamed the great Depression on Wall Street, crooked financiers, and Jews and campaigned for the nationalization of the entire American banking system.

Senator Huey P. Long of Louisiana was another major thorn in Roosevelt’s side. Long believed that Roosevelt was not doing enough to help poor Americans. He believed that income inequality had caused the Depression, he promoted his own “Share the Wealth” (or “Every Man a King”) program which would levy enormous taxes on the rich so that everyone got $5000 a year. Long was assassinated in 1935.

The first major legislation that Roosevelt and Congress passed in the Second New Deal-in response to the critics-was the **Works Progress Administration** (WPA). Created in 1935, the WPA was an effort to appease the “**Longites**” who clamored for more direct assistance. The WPA was similar to the Public Works Administration of the First New Deal, this time hiring nearly 10 million Americans to construct new public buildings, roads, and bridges. Congress put more than $10 billion into the projects in just under a decade.

Congress also passed the Social Security Act in 1935, creating a federal retiree pension system for many workers, funded by a double tax on every working American’s paycheck. The act also created an unemployment insurance plan to provide temporary assistance to those who were out of work, while also making funds available to the blind and physically disabled. Furthermore Congress agreed to match federal dollars for every state dollar allocated to worker’s compensation funds.

Despite its vocal critics, the Social Security Act had an enormous impact on Great Depression-era Americans and future generations. It brought the most sweeping change of the Second New Deal legislation as it not only gave income to some of the most destitute in society but also forever changed the way Americans thought about work and retirement. The paycheck taxes were advertised as a personal retirement savings plan even though those tax dollars were actually being redistributed as soon as they were collected. Nevertheless, retirement came to be seen as something every worker could enjoy. Still, many criticized the Social Security system for not extending pensions to enough people, particularly unskilled black and women laborers.

The Second New Deal provided even more assistance to farmers. After the Supreme Court declared the Agricultural Adjustment Administration unconstitutional in 1936, Democrats immediately responded with the passage of the **Soil Conservation and** **Domestic Allotment Act**. This act continued to subsidize farmers to curb overproduction and also paid them either to plant soil enriching crops (instead of wheat) or to not grow any crops at all. In 1938, Congress created a **Second Agricultural Adjustment** **Administration** to reduce crop acreage. Meanwhile, the United States Housing Authority (USHA) gave assistance to American urbanites, building new houses for over half a million Americans.

American Indians also received federal assistance during Roosevelt’s second term. In 1934, Congress passed the **Indian Reorganization Act** (IRA) to promote tribal organization and give federal recognition to tribal governments. The IRA also reversed the 1887 **Dawes Severalty Act**, changing the relationship between various tribes and the federal government. The **Dawes Act** had weakened tribal affiliations because it stated that only individual Indians-not tribal councils-could own land.

Despite Roosevelt’s efforts to alleviate Indian suffering, the IRA was only partially successful. Some tribes had difficulty understanding the terms of the new treaty, while others, such as the Navajo in the Southwest, flat-out rejected it. Many tribes saw more immediate benefit from relief programs such as the CCC, PWA, and the WPA, in which nearly 100,000 young American Indian men participated.

The labor reforms had a lasting effect on America. The Wagner Act paved the way for more effective collective bargaining and striking, and within a year, fledgling labor unions such as the one in General Motors, successfully initiated a series of sit-down strike that forced GM to recognize their union.

With the 1936 presidential election on the horizon, Republicans stood no chance against Roosevelt. Democrat’s efforts to provide relief, recovery, and reform were highly visible. Roosevelt had especially strong support among blacks (voting as Democrats in large numbers for the first time), unskilled laborers, and residents of the West and South. Roosevelt won by a landslide with 523 electoral votes.

By 1935, New Deal critics were becoming more numerous and vocal, Congressmen, including some Democrats, had overcome the initial panic and were becoming more fiscally conservative as Roosevelt’s deficit spending soared. More important, aging, conservative appointees dominated the Supreme Court and had begun to strike down several key laws of the First New Deal.

In the 1935 ***Schechter v. United States*** ruling, a majority of justices declared that the National Recovery Act (NRC) was unconstitutional. They argued that the act gave too much power to the president and was an attempt to control intrastate commerce. The following year, justices also struck down the **Agricultural Adjustment Act** (AAA) in ***Butler v. United States*** on the grounds that it was unconstitutional and tried to exert federal control over agricultural production.

Roosevelt believed that the NRC and the AAA were crucial to reviving the economy and feared that any more conservative Supreme Court rulings would cripple or even kill New Deal policy entirely. In 1937, to prevent this from happening, the president petitioned Congress to alter the makeup of the Supreme Court on the pretense that old age was affecting justice’s ability to work and concentrate. Roosevelt asked for the power to appoint as many as **six new justices**, bringing the total to fifteen, and to replace justices over the age of seventy. The true aim of the request was obvious: it would enable Roosevelt to effectively stack the deck to ensure that only pro-New Dealers would sit on the Court. The **court-packing scheme** backfired. Rather than win over Democrats and New Dealers in Congress, Roosevelt shocked supporters with his attempt at misusing his executive powers. The president’s blatant disregard for the cherished separation of powers stunned even the American people. Roosevelt denied charges that he was trying to bend the entire federal government to his will and defended his belief that aging justices were often incapable of performing their duties. The court-packing debate dragged on for several months before Congress and Roosevelt reached a compromise. Congress made minor reforms in the lower courts but left the Supreme Court untouched.

The court-packing scheme took a severe toll on Roosevelt’s popularity and marked the beginning of the end of the New Deal. Politicians and regular Americans alike were keenly aware that the federal government under the tight control of a single individual would be nothing more than a dictatorship, no matter how benevolent or well intended the leader happened to be. Roosevelt’s clumsy attempts to disguise his intentions had the effect of only making him look guilty.

In 1937, Roosevelt began to scale back deficit spending, because he believed that the worst of the Great Depression had passed and because he was receiving pressure from conservatives in Congress. The size of the WPA was severely reduced, as well agriculture subsidies. This decision to cut back spending turned out to be premature as the economy buckled again resulting in what became known as the **Roosevelt Recession.** The stock market crashed for a second time in 1937, and the price of consumer goods dropped. Contrary to conservative beliefs, the economy had simply not pulled far enough out of the Depression to survive on its own. The embattled Roosevelt only made himself look worse by trying to place the blame on spendthrift business leaders. The American people were not convinced, and as a result, Democrats lost a significant number of seats in the House and Senate in the 1938 congressional elections. This return of Republican power killed the New Deal.

Republicans in Congress further weakened Roosevelt’s executive powers with the **Hatch** **Act of 1939**. The act forbid most civil servants from participating in political campaigns and public office holders (i.e. Roosevelt and New Dealers) from using federal dollars to fund their reelection campaigns. The bill also made it illegal for Americans who received federal assistance to donate money to politicians. Conservatives hoped that these measures would divorce the functions of government from the campaign frenzy and ultimately dislodge entrenched New Dealers who preyed on a desperate public for votes.

Despite the numerous positive effects that the New Deal had, it failed to end the Great Depression. Millions of Americans were still hungry, homeless, and without jobs as late as December 1941, when the United States entered WW II. Many historians and economists have suggested that the New Deal would have been more successful if Roosevelt had put a greater amount of money into the economy. Only after the surge in demand for war-related goods such as munitions, ships, tanks, and airplanes did the economy finally right itself and begin to grow.

**Legacy**:

The New Deal was a crucial turning point in the history of the U.S. government. Politics had never before been so involved-or exerted more control- over the daily lives of regular Americans as it did during Roosevelt’s terms in office in the 1930s. Critics lamented that the United States had transformed itself into a welfare state. Indeed, the budget deficit increased every year, and the national debt more than doubled in just ten years. However, the New Deal did in fact help millions of Americans survive the Great Depression. Unlike his predecessor, Hoover, Roosevelt tried to directly help as many people as the conservatives in Congress and the Supreme Court would allow him to do. His New Deal legislation helped create new jobs, build houses and shelters for the homeless, and distribute food to the hungry. New Deal policy also raised agricultural commodity prices, put banks back on solid footing, and greatly improved the national infrastructure. Moreover, the New Deal created a number of long-standing government institutions, such as **Social Security**, that we still have today.

**Visual Summary**:

***Problems:***

* industries and farms failed
* U.S. stock market crashed and banks closed
* bankrupt businesses
* unemployment
* homelessness

***Solutions:***

* work projects help the unemployed
* money given to farmers, sharecroppers, and migrant workers
* new opportunities for women and minorities
* Social Security Act allocates money to the elderly, the unemployed, and the disabled
* NLRB protects workers’ rights
* SEC monitors stock market
* FDIC protects individuals’ deposits in banks
* fireside chats increase public confidence

***Continuing Effects***:

* banking and finance are reformed
* government takes a more active role in the economy
* workers benefit from labor standards
* Social Security system continues to provide for the needy
* conservation efforts continue to preserve the environment

**The Government Takes Control of the Economy, 1942-1945:**

***Agencies and Laws***:

* Office of Price Administration (OPA): Fought inflation by freezing wages, prices, and rents. Rationed food, such as meat, butter, cheese, vegetables, sugar, and coffee.
* National War Labor Board (NWLB): Limited wage increases. Allowed negotiated benefits, such as paid vacation, pensions, and medical insurance. Kept unions stable by forbidding workers to change unions.
* War Production Board (WPB): Rationed fuel and materials vital to the war effort, such as gasoline, heating oil, metals, rubber, and plastics.
* Department of the Treasury: Issued war bonds to raise money for the war effort and to fight inflation.
* Revenue Act of 1942: Raised the top personal-income tax rate to 90%. Added lower-and middle-income Americans to the income-tax rolls.
* Smith-Connally Labor Disputes Act (1943): Limited the right to strike in industries crucial to the war effort. Gave the president power to take over striking plants.