

Chapter 33

The Great Depression and the New Deal

1933-1939

The Republicans nominated Herbert Hoover to run for president in the election of 1932. The Democrats chose Franklin Delano Roosevelt (FDR). He had been born to a wealthy New York family and served as the governor of New York.

FDR: Politician in a Wheelchair

FDR's wife, Eleanor Roosevelt, was very active in her husband's political career. She was loved by liberals and hated by conservatives.

FDR was a very good public speaker. In the election of 1932, the Democrats called for a balanced budget and social and economic reforms.

Presidential Hopefuls of 1932

During the election, FDR attacked the Republican Old Deal and supported a New Deal for the "forgotten man."

Many Americans distrusted the Republican party because of the dire economic state of the country (Great Depression). Herbert Hoover believed that the worst of the Depression was over. Hoover reaffirmed his faith in American free enterprise and individualism.

Hoover's Humiliation in 1932

Franklin Roosevelt won the election of 1932 by a sweeping majority, in both the popular vote and the Electoral College.

Beginning in the election of 1932, blacks became a vital part of the Democratic Party, especially in the urban centers of the North.

FDR and the Three R's: Relief, Recovery, Reform

On March 6-10, President Roosevelt declared a national banking holiday as a prelude to opening the banks on a sounder basis. The **Hundred Days Congress/Emergency Congress** (March 9-June 16, 1933) passed a series of laws to help improve the state of the country. This Congress

Congress also passed some of FDR's **New Deal** programs, which focused on: **relief, recovery, reform**. Short-range goals were relief and immediate recovery, and long-range goals were permanent recovery and reform. Some of the New Deal programs gave the President unprecedented powers, which included the **ability of the President to create legislation**. Many of the programs that gave the President this authority were declared unconstitutional by the Supreme Court.

Congress gave President Roosevelt extraordinary **blank-check powers**: some of the laws gave legislative authority to the President.

The New Deal legislation embraced **progressive ideas** like unemployment insurance, old-age insurance, minimum-wage regulations, conservation and development of natural resources, and restrictions on child labor.

Roosevelt Manages the Money

Congress passed the **Emergency Banking Relief Act of 1933**, which gave the President power to regulate banking transactions and foreign exchange and to reopen solvent banks.

President Roosevelt gave "**fireside chats**" over the radio in which he soothed the public's confidence in banks.

Congress created the **Federal Deposit Insurance Corporation (FDIC)** with the **Glass-Steagall Banking Reform Act**. The FDIC insured individual bank deposits up to \$5,000. This ended nation's epidemic of bank failures.

President Roosevelt took the nation off of the gold standard by having the Treasury buy gold from citizens. From this point on, only transactions in paper money were accepted.

One of the FDR's goals was to create modest **inflation**. This would relieve debtors' burdens and stimulate new production. Inflation was achieved by buying gold at increasing prices over time. This policy increased the amount of dollars in circulation.

Creating Jobs for the Jobless

FDR created jobs with federal money to jumpstart the economy.

The **Civilian Conservation Corps (CCC)** employed about 3 million men in government camps. Their work included reforestation, fire fighting, flood control, and swamp drainage.

The **Federal Emergency Relief Act** was Congress's first major effort to deal with the massive unemployment. It created the **Federal Emergency Relief Administration (FERA)** which gave states direct relief payments or money for wages on work projects.

The **Civil Works Administration (CWA)**, a branch of the FERA, was designed to provide temporary jobs during the winter emergency. Thousands of unemployed were employed at leaf raking and other manual-labor jobs.

Relief was given to the farmers with the **Agricultural Adjustment Act (AAA)**, making available millions of dollars to help farmers meet their mortgages.

The **Home Owners' Loan Corporation (HOLC)** assisted many households that had trouble paying their mortgages.

A Day for Every Demagogue

Despite New Deal efforts, unemployment continued to plague the nation. Opponents to FDR's policies included Father Charles Coughlin's, who preached anti-New Deal speeches over the radio. Senator Huey P. Long publicized his "Share Our Wealth" program in which every family in the United States would receive \$5,000. Dr. Francis E. Townsend attracted millions of senior citizens with his plan that each citizen over the age of 60 would receive \$200 a month.

Congress passed the **Works Progress Administration (WPA)** in **1935**, with the objective of providing employment for useful projects (i.e. the construction of buildings, roads, etc.). Taxpayers criticized the agency for paying people to do "useless" jobs such as painting murals.

New Visibility for Women

Women began to break gender barriers by holding positions in the Federal government, including the President's cabinet.

Ruth Benedict: made strides in the field of anthropology

Pearl Buck: wrote about Chinese peasant society; won a Nobel Prize in literature in 1938.

Helping Industry and Labor

A cornerstone New Deal agency was the **National Recovery Administration (NRA)**. It was designed to bring industries together to create a set of "fair" business practices (fair to business and workers).

Working hours were reduced so that more people could be hired; a minimum wage was established; workers were given the right to organize.

The NRA was declared **unconstitutional** by the Supreme Court in **1935** (***Schechter vs. United States***), because the NRA gave legislative powers to the President, and it allowed Congress to control individual business, not just interstate commerce.

The **Public Works Administration (PWA)** was intended to provide long-term recovery. Headed by Harold L. Ickes, the agency spent over \$4 billion on thousands of projects, including public buildings, highways, and dams.

Congress repealed prohibition with the **21st Amendment** in late **1933** to raise federal revenue and provide employment,

Paying Farmers Not to Farm

The **Agricultural Adjustment Administration (AAA)** attempted to reduce crop surpluses, which led to lower crop prices. The AAA established standard "**parity prices**" for basic commodities. The agency also paid farmers to not farm (to reduce their crop harvests).

The Supreme Court ruled the AAA **unconstitutional** in **1936**, stating that its taxation programs were illegal.

In a second attempt to make farmers farm less, Congress passed the **Soil Conservation and Domestic Allotment Act of 1936**. Under the guise of conservation, it reduced crop acreage by paying farmers to plant soil-conserving crops.

The **Second Agricultural Adjustment Act of 1938** continued conservation payments; if farmers obeyed acreage restrictions on specific commodities, they would be eligible for payments.

Dust Bowls and Black Blizzards

Late in **1933**, the **Dust Bowl** struck many states in the trans-Mississippi Great Plains. It was caused by drought, wind, and **over-farming** of the land.

The **Frazier-Lemke Farm Bankruptcy Act**, passed in **1934**, suspended mortgage foreclosures on farms for 5 years. It was struck down in **1935** by the Supreme Court.

In **1935**, the **Resettlement Administration**, moved near-farmless farmers to better lands.

The **Indian Reorganization Act of 1934** encouraged Native American tribes to establish self-government and to preserve their native crafts and traditions. 77 tribes refused to organize under the law, while hundreds did organize.

Battling Bankers and Big Business

To protect the public against investment fraud, Congress passed the "Truth in Securities Act" (**Federal Securities Act**). It required people selling investments to inform their investors of the risks of the investment.

The **Securities and Exchange Commission (SEC)** was created in 1934. It provided oversight of the stock market.

TVA Harnesses the Tennessee

New Dealers accused the electric-power industry of charging the public too much money for electricity.

In **1933**, the Hundred Days Congress created the **Tennessee Valley Authority (TVA)**. It was designed to construct dams on the Tennessee River. In addition to providing employment and long-term recovery, these projects would give the government information on exactly how much money was required to produce and distribute electricity. This would be a metric that the government could use to assess the rates charged by private companies.

The TVA turned a poverty-stricken area into one of the most flourishing regions in the United States. Conservatives viewed the New Deal programs as "**socialistic**", and they ultimately helped limit the TVA-style of management to the Tennessee Valley.

Housing and Social Security

The **Federal Housing Administration (FHA)**, passed in **1934**, attempted to improve the home-building industry. It gave small loans to homeowners for the purpose of improving their homes and buying new ones.

The **United States Housing Authority (USHA)** was passed in **1937**. It was designed to lend money to states or communities for low-cost housing developments.

The **Social Security Act of 1935** provided federal-state unemployment insurance. To provide security for old age, specified categories of retired workers were to receive regular payments from Washington. Social Security was inspired by the example of some of the more highly industrialized nations of Europe. The **purpose of Social Security** was to provide **support for urbanized Americans** who could not support themselves with a farm. In the past, Americans could support themselves by growing food on their farm. Now, they relied solely on money from their job. If they lost their job, they could not eat. Republicans opposed Social Security.

A New Deal Labor

Congress passed the **National Labor Relations Act of 1935 (Wagner Act)** to help labor unions. This law created a powerful **National Labor Relations Board** for administrative purposes and it reasserted the rights of labor to engage in self-organization and to bargain collectively through representatives of its own choice.

Unskilled workers began to organize under leadership from John L. Lewis, boss of the United Mine Workers. He formed the **Committee for Industrial Organization (CIO)** in **1935**. The CIO led a series of strikes, including the sit-down strike at the General Motors automobile factory in 1936.

Congress passed the **Fair Labor Standards Act (Wages and Hours Bill)** in **1938**. Industries involved in interstate commerce were to set up minimum-wage and maximum-hour levels. Labor by children under the age of 16 was forbidden.

In **1938**, the CIO joined with the AF of L and the name "*Committee* for Industrial Organization" was changed to "**Congress of Industrial Organizations**." The CIO was led by John Lewis. By 1940, the CIO claimed about 4 million members.

Landon Challenges "the Champ"

The Republicans chose Alfred M. Landon to run against President Roosevelt in the election of 1936. The Republicans condemned the New Deal for its radicalism, experimentation, confusion, and "frightful waste."

Democrats had significant support from the millions of people that had benefited from the New Deal programs.

President Roosevelt was **reelected** as president in a lopsided victory. FDR won primarily because he had appealed to the "forgotten man" (the South, blacks, urbanites, the poor).

Nine Old Men on the Bench

Ratified in **1933**, the **20th Amendment** shortened the period from election to inauguration by 6 weeks. Roosevelt saw his reelection as a mandate to continue the New Deal reforms.

The Supreme Court was dominated by older ultraconservatives who attempted to stop many of the "socialistic" New Deal programs.

With continuous Democrat wins in Congress and the presidency, Roosevelt felt that the American people wanted the New Deal. He argued that the Supreme Court needed to get in line with public opinion. In 1937, Roosevelt proposed legislation that would allow him to add liberal justices to the Court: a new justice would be added for every member over the age of 70 who would not retire. The plan received much negative feedback. The plan was referred to as the **Court-packing plan**.

The Court Changes Course

The public criticized Roosevelt for attempting to tamper with the Supreme Court. This was an affront on the system of checks and balances.

Possibly to due public pressure, the Supreme Court began to support New Deal legislation. This included Justice Owen J. Roberts, who was formerly regarded as a conservative.

A series of deaths and resignations of justices allowed Roosevelt to appoint 9 justices to the Court.

The Supreme Court controversy in 1937 cost FDR a lot of political capital. Because of this, few New Deal reforms were passed after 1937.

The Twilight of the New Deal

In Roosevelt's first term, from 1933-1937, unemployment still ran high and recovery had been slow. In **1937**, the **economy** took another **downturn**. It was caused by **reduced spending**. Consumer spending was reduced because Social Security taxes cut into payrolls. The Roosevelt administration also cut back on spending in an attempt to keep a balanced budget. (The New Deal had run deficits for several years, but all of them had been somewhat small and none was intended.)

The downturn led FDR to embrace the recommendations of the British economist John Maynard Keynes.

Keynesianism Economics: government money is used to "prime the pump" of the economy and encourage consumer spending; this policy intentionally creates a budget deficit.

Congress passed the **Hatch Act of 1939**. It prevented federal administrative officials from active political campaigning and soliciting. It also forbade the use of government funds for political purposes as well as the collection of campaign contributions from people receiving relief payments.

New Deal or Raw Deal?

Opponents of the New Deal charged the President of spending too much money on his programs, significantly increasing the **national debt**. From 1932 to 1939, the national debt increased from \$19 trillion to \$40 trillion.

The Federal government became much more powerful under FDR.

The New Deal did not end the depression; it just gave temporary relief to citizens. Many economists eventually argued that not enough deficit spending was used. Despite the New Deal programs' efforts, **production still outpaced spending**.

Not until World War II was the unemployment problem solved.

FDR's Balance Sheet

New Deal supporters had argued out that relief, not the economy, was the primary objective of their war on the Depression. Roosevelt believed that the government was morally bound to prevent mass hunger and starvation by "managing" the economy.

FDR potentially saved capitalism by eliminating some of its worst faults (ex: poor labor conditions). Had his programs not been implemented, Socialism could've taken a bigger hold in the nation.

FDR was a Hamiltonian in that he supported big government, but he was a Jeffersonian in that he supported the "forgotten man."

New Deal Acronyms

Acronym	Definition
AAA	Agricultural Adjustment Administration
CCC	Civilian Conservation Corps

CWA	Civil Works Administration
FERA	Federal Emergency Relief Administration
FHA	Federal Housing Administration
FSA	Farm Security Administration
HOLC	Home Owners Loan Corporation
NRA	National Recovery Administration
NYA	National Youth Administration
PWA	Public Works Administration
REA	Rural Electrification Administration
SSA	Social Security Administration
TVA	Tennessee Valley Authority
WPA	Work Projects (Progress) Administration