FRANKLIN D. ROOSEVELT AND THE NEW DEAL

Redefined Democracy:
Political Rights ★ Economic Security ★ Social Justice
Essential Question & OK Standards

- EQ: How did the New Deal fundamentally change the size of the US government, and how effectively did it solve the Great Depression?

- OKCS 3. Analyze the impact of the New Deal in transforming the federal government’s role in domestic economic policies.

- A. Assess changing viewpoints regarding the expanding role of government as expressed in President Franklin Roosevelt’s *First Inaugural Address* and the *Four Freedoms* speech.

- B. Examine how national policies addressed the economic crisis including deficit spending, Roosevelt’s court packing plan, and the new federal agencies of the Social Security Administration, Federal Deposit Insurance Corporation, Works Progress Administration, and Tennessee Valley Authority.

- C. Cite specific textual and visual evidence to summarize the causes and impact of the Dust Bowl including the government’s responses.
Causes of the Great Depression

- Agricultural overproduction
- Industrial overproduction
- Unequal distribution of wealth
- Over-extension of credit
- International economic situation
How Herbert Hoover Dealt with the Crisis

- He played the game of confidence economics and just kept saying: “Prosperity is right around the corner.” while he took little to no action to ease the Depression.
Voluntary Measures

- Hoover eventually established two privately-funded organizations:
  - The National Credit Association provided $1/2 billion to businesses for emergency loans, but it was too under-funded to do much good.
  - The Organization for Unemployment Relief was a clearing house for relief agencies. However, state and local governments were already in too much debt to benefit from it.
In the end, Hoover resorted to government intervention:

- The Reconstruction Finance Corp gave $1-1/2 billion in federal loans to banks, insurance companies, and industry to prevent bankruptcies, but it was too little, too late.
- The Home Loan Bank Act provided federal loans to homeowners to prevent foreclosures, but got bogged down in red tape.
Reasons for Ineffectiveness

- Hoover thought business should be self-regulating.
- He had a mania for a balanced budget.
- He lacked political finesse.
In 1932 presidential election, FDR was perceived as a man of action.

Hoover was viewed as a “do-nothing president.”

Norman Thomas, the Socialist candidate, was viewed as a radical.

Results: a landslide for Democrats and a mandate to use government as an agency for human welfare.
In March 1933, the country was virtually leaderless and the banking system had collapsed.
FDR Restored Confidence

In his inaugural address, he said “The only thing we have to fear is fear itself....”

He promised vigorous leadership and bold action, called for discipline and cooperation, expressed his faith in democracy, and asked for divine protection and guidance.
FDR’s Personal Qualities

He was a **practical politician** who practiced the art of the possible.

He was a **charismatic** person who exhibited a warmth and understanding of people.

He **knew how to handle press** by focusing attention on Washington.

He **provided dynamic leadership** in a time of crisis.

He was **willing to experiment**
Purposes of the New Deal

- **Relief**: to provide jobs for the unemployed and to protect farmers from foreclosure
- **Recovery**: to get the economy back into high gear, “priming the pump”
- **Reform**: To regulate banks, to abolish child labor, and to conserve farm lands
- **Overall objective**: to save capitalism
Sources of New Deal Ideas

Brains Trust: specialists and experts, mostly college professors, idea men

New Economists: government spending, deficit spending and public works, government should prime economic pump

Roosevelt Cabinet: included conservatives, liberals, Democrats, Republicans, inflationists, anti-inflationists -- often conflicting, compromising, blending ideas
First New Deal (1933-1934)

- Emphasis: reform
- Political Position: conservative
- Primary aim: economic recovery
- Philosophy: economic nationalism and economic scarcity (i.e., raise prices by creating the illusion of scarcity)
- Objectives: higher prices for agriculture and business
- Beneficiaries: big business and agricultural business
National Recovery Act (NRA)

- **Purpose:** recovery of industry
- Created a **partnership of business, labor, and government** to attack the depression with such measures as price controls, high wages, and codes of fair competition
First Agricultural Adjustment Act (AAA)

- **Purpose:** the recovery of agriculture
  - Paid farmers who agreed to reduce production of basic crops such as cotton, wheat, tobacco, hogs, and corn
  - Money came from a tax on processors such as flour millers and meat packers who passed the cost on to the consumer
Federal Emergency Relief Admin (FERA)

**Purpose:** relief

Gave money to states and municipalities so they could distribute money, clothing, and food to the unemployed.
Civilian Conservation Corp (CCC)

Purpose: relief

Gave outdoor work to unemployed men between the ages of 17 and 29

They received $30 per month, but $22 went back to the family
Second New Deal (1934-1941)

- Emphasis: reform
- Political Position: liberal
- Primary aim: permanent reform
- Philosophy: international economic cooperation and economic abundance
- Objectives: increased purchasing power and social security for public
- Beneficiaries: small farmers and labor
Social Security Act

- Purpose: reform
- Gave money to states for aid to dependent children, established unemployment insurance through payroll deduction, set up old-age pensions for retirees.
National Labor Relations Act

**Purpose:** reform

Put restraints on employers and set up a National Labor Relations Board to protect the rights of organized labor to bargain collectively with employers.
Second Agricultural Adjustment Act

Purpose: recovery for agriculture

Paid farmers for conservation practices, but only if they restricted production of staple crops.
U.S. Housing Authority

- **Purpose:** recovery and reform
- Used federal funds to tear down slums and construct **better housing**.
By 1935, political disunity was evident. There were critics on the right and the left.
Criticisms of Conservative Opponents

Conservative opponents said the New Deal went too far:

- It was socialism (killed individualism)
- It added to the national debt ($35 billion)
- It wasted money on relief and encouraged idleness
- It violated the constitution & states rights
- It increased the power of the Presidency (FDR was reaching toward dictatorship, Congress a rubber stamp, independence of judiciary threatened, separation of powers shattered)
Anti-New Deal Organization

- Conservative opponents to the New Deal had an organization called the American Liberty League. They had money but were small in numbers, so FDR was not worried.
Criticisms of Radical Opponents

Radical opponents said the New Deal did not go far enough. They were demagogues (rabble-rousers) and had popular followings, so FDR was concerned.
Senator Huey Long (LA)

Senator Huey Long said New Deal relief measures were mere crumbs and advocated a share the wealth plan (i.e., a guaranteed annual income of at least $5,000 for every American, financed by confiscating wealth of people who made over $5 million per year).
Father Charles Coughlin was a rabble-rousing radio priest from Detroit. His broadcasts were called the “Golden Hour of the Little Flower.” He claimed there was an international bankers conspiracy and Jews were responsible. He advocated nationalization of banking and currency and national resources and demanded a “living wage.”
Dr. Francis E. Townsend was an elderly physician from CA. He had a plan for the federal government to pay $200 per month to unemployed people over 60. The program would be financed by a 2% national sales tax and each pensioner would be required to spend the money in 30 days. This would stimulate the economy.
Moderate Legislation

FDR sponsored moderate legislation to silence radical opposition:

- **Social Security Act of 1935**
  Response to Townsend. Included provisions for unemployables (dependent children, the disabled, blind), unemployment insurance, and old-age pensions.
The Election of 1936:

- Made the Democratic party the **majority party**
- Created a **new Democratic coalition composed of both traditional elements and new elements**
- Showed that the **American people rejected radical solutions to depression**
The Election of 1936

<table>
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<th>Candidate</th>
<th>Party</th>
<th>% Popular Vote</th>
<th>Electoral Votes</th>
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<tr>
<td>FDR</td>
<td>Democratic</td>
<td>60.3%</td>
<td>523</td>
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<tr>
<td>Alfred E. Landon</td>
<td>Republican</td>
<td>36.56%</td>
<td>8</td>
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<tr>
<td>William Lemke</td>
<td>Radical</td>
<td>1.93%</td>
<td></td>
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<tr>
<td>Norman Thomas</td>
<td>Socialist</td>
<td>0.41% (2.21 in 1932)</td>
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<tr>
<td>Earl Browder</td>
<td>Communist</td>
<td>0.17 (0.25 in 1932)</td>
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The Roosevelt Coalition

While Republicans were still relying on their traditional base of political support (big business, big farmers, and conservatives), Democrats broadened their constituency by appealing to small farmers in the Midwest, urban political bosses, ethnic blue collar workers, Jews, intellectuals, and African Americans.
Protection of New Deal Accomplishments

Steps FDR took to protect New Deal accomplishments (both failed):

- **Court-Packing Plan** (proposed increasing Supreme Court from 9 to 15 members, causing a revolt in Dem. Party)

- **Purge of the Democratic Party in the Election of 1938** (came out strongly in favor of liberal Dem. Candidates, evidence that he interfered in a state campaign, Republicans gained strength in both houses of Congress)
Decline of New Deal Reform after 1937

- Reasons for decline of New Deal reform after 1937:
  - Court-packing plan made Congress irritable.
  - Recession of 1937-38 weakened confidence in New Deal measures. Republicans gained strength in both houses.
  - Attempted purge of Democratic party failed.
  - Conservative Democrats were elected to office. Resentful of attempted party purge, they joined ranks with Republicans to block New Deal legislation.
  - Increasing focus on foreign affairs.
THE SIGNIFICANCE OF THE NEW DEAL
Physical Rehabilitation of Country

- Attacked soil erosion
- Built dams and planted trees to prevent floods
- Reclaimed the grasslands of the Great Plains
- Developed water power resources

Encouraged regional reconstruction projects like the TVA and Columbia River project
Human Rehabilitation

- Established the principle that government has responsibility for the health, welfare, and security, as well as the protection and education of its citizens
- Embraced social security, public health, housing
- Entered the domain of agriculture and labor
Revitalization of Politics

- Strengthened executive branch
- Reasserted presidential leadership
- Revitalized political party as a vehicle for the popular will and as an instrument for effective action.
Extension of Democracy

- Redefined the concept of democracy so that it included not only political rights but economic security and social justice as well.
The New Deal maintained a democratic system of government and society in a world threatened by totalitarianism.

- Increased size and scope of government to meet needs of the depression
- Provided the leadership that enabled Congress to put through the necessary relief, recovery, and reform measures.
- Sponsored moderate legislation to neutralize the popularity of radical opponents
Unemployment Rate During the New Deal
Percentage of Jobless Nonfarm Workers, 1926–1947

- FDR’s first New Deal
- Supreme Court declares much of New Deal unconstitutional
- FDR “court packing” crisis; second New Deal
- Germany invades Poland, WWII begins
- U.S. creates “war economy”
- U.S. enters WWII
- Stock market crash
- End of WWII

Unemployment Rates During the New Deal

Percentage of Jobless Nonfarm Workers, 1926 – 1946

- Census Bureau data
- Alternative estimates* including prisoners, government relief workers, the institutionalized

FDR's first New Deal
Supreme Court declares much of New Deal unconstitutional
New Deal, Part 2, begins
World War II begins
U.S. creates "war economy"
U.S. enters WWII
End of WWII

5.5% – Normal unemployment rate, 1970–2008


Chart 2 heritage.org
U.S. Industrial Production, 1928-1941

- Production peaks July 1929: Depression begins
- End of FDR’s First 100 Days
- March 1933: Bottom of the Depression; Roosevelt takes office
- FDR Slashes New Deal Programs to Balance Budget
- Japan attacks the US Navy at Pearl Harbor December 7, 1941; US enters World War II

Source: Federal Reserve Board and MBG Information Services
The total cost of the current bailout now exceeds $4.6 trillion dollars. It has cost more than all of these government expenditures combined. Figures in parentheses have been adjusted for inflation:

- **Marshall Plan**: Cost: $12.7 billion ($115.3 billion)
- **Louisiana Purchase**: Cost: $15 million ($217 billion)
- **Race to the Moon**: Cost: $36.4 billion ($237 billion)
- **S&L Crisis**: Cost: $153 billion ($256 billion)
- **Korean War**: Cost: $54 billion ($454 billion)
- **The New Deal**: Cost: $32 billion est. ($500 billion est.)
- **Invasion of Iraq**: Cost: $551 billion ($597 billion)
- **Vietnam War**: Cost: $111 billion ($698 billion)
- **NASA**: Cost: $416.7 billion ($851.2 billion)
- **TOTAL**: $3.92 trillion