

Roosevelt's New Deal

Key Notes



Big Question: What was Roosevelt's 'New Deal' and how successful was it?

What does this joke reveal about possible attitudes towards the New Deal?

Socialism: If you own two cows you give one to your neighbour.

Communism: You give both cows to the government and the government gives you back some of the milk.

Fascism: You keep the cows but give the milk to the government, which sells some of it back to you.

New Dealism: You shoot both cows and milk the government!

Question and answers

What was the New Deal? Big Picture

- It was Roosevelt's (the new Democratic President) response to the wall st. crash and the depression.
- In essence a series of **federal** (central) government measures to help the US recover.

What were the main 'aims / priorities' of the New Deal?

- Creating employment (the US had 14 million unemployed = 25% of the workforce)
- Immediate support '**relief**' to those who needed it (the unemployed and those in poverty e.g homeless, in breadlines and sleeping in 'Hoovervilles')
- '**Recovery**' – to improve the economy (which had shrunk by nearly 50%) through federal spending. '*Priming the Pump*' (Thereby ending the depression)
- To restore confidence and to '**reform**' the banking system (which had collapsed so spectacularly) – introduce more safeguards and regulations.

What was the 'Hundred Days'?

- Roosevelt's first 100 days (March 9 to June 16, 1933) saw him introduce sweeping measures to tackle the depression.
- He put 15 proposals to Congress – all 15 were accepted. (Including ending prohibition = tax revenue) These focused on banking reform, emergency relief programmes, work creation schemes and support for agriculture)
- He had a group nicknamed 'the brains trust' to advise him.
- In essence this was the **First New Deal**.
- **It was highly significant politically – as it fundamentally changed the way the US Federal Government operated – rejecting laissez-faire politics for 'Big Government'**

How did Roosevelt try to restore confidence in the banking system?

- **Context:** Between 1929 and 1932 over 7,000 banks had 'failed' taking \$7billion of depositors money – with no 'insurance' – thousands left without a penny!
- **Action taken:** He passed TWO acts
 - The Emergency Banking Act & the Securities Exchange Commission
 - Ordered all the banks to close and remain closed until government officials said they were 'fit' to reopen (regulation)
 - After a few days 5,000 banks reopened and were supported by Government money. (Give the public confidence their money was safe in the banks + to revive invest)
 - Within a week 75% of depositors returned their money to the banks. (Success)

What special agencies did Roosevelt establish? (Alphabet Agencies)

- **FERA:** Federal **RELIEF** administration = \$500 million supporting the poor. Blankets, food, shelter.
- **CCC:** Civilian Conservation Corps = giving employment to young men for 6 months at a time. Mostly environmental projects in national parks. 2.5 million enlisted and were helped. Money went to their families.
- **AAA:** Agricultural Adjustment Administration = Helping farmer. Setting quotas to prevent overproduction and stabilise prices. Financial assistance with mortgages.

- **NIRA**: National Industrial Recovery Act = helping industrial recovery by getting Government, Industry and workers to cooperate via TWO agencies:
 - **PWA**: Public Works Administration = government money to build infrastructure – dams, hospitals, school, airports, bridges – creating millions of jobs in construction.
 - **NRA**: National Recovery Administration = regulations about working conditions such as fair wages, working hours, outlawing (cheap) child labour. 2 million workers joined.

What was the TVA?

- The Tennessee Valley Authority
- An area of great poverty across 7 states with great physical problems such as flooding or
- A Federal initiative to help these 7 states build 21 dams to transform the region, proving reliable water supplies, irrigation for crops and electricity to 100,000s of homes.

Did the First New Deal (100 Days) work?

- The impression was YES...
- Emergency relief was provided – via **FERA**
- Millions of jobs were created via the Alphabet Agencies. E.g PWA 600,000 and 3 million in the CCC.
- Workers were paid, taxes were collected, a cycle of prosperity was resuming.
- The **TVA** brought rejuvenation + electrical power to seven states
- Restored confidence in the banking system + 20% of home owners and farmer avoided repossession.
- Farmers 50% better off (Thanks to the AAA)

What were the Fireside chats?

- Roosevelt's way of communicating his reforms to the US people.
- He made 30 evening 'chats' over radio between 1933-34.
- His first explained the Emergency Banking Act and why it was necessary.
- Government policy became less of a mystery to the people.
- They were designed to ease fears and to inspire confidence in his leadership.
- He used simple vocabulary to explain the often complex issues facing the country.

If it worked, why was there a Second New Deal in 1935?

- Roosevelt's ideas (Keynesian economics of 'priming the pump') was criticised as either doing too much OR not enough!
- Europe was recovering faster than the USA
- The NRA was losing popularity (Henry Ford cut wages)

What was the Second New Deal?

- A series of additional measures (by the Federal Government)
- Aims to strengthen union rights, give the old financial security and tackle unemployment (which continued)

What were the main elements of the Second New Deal?

- The **WAGNER ACT** – **protecting workers** - forcing employers to allow trade unions. Made it illegal to sack a worker for being in a union. Employers couldn't 'victimise' workers.

- **Social Security Act** was to pay financial benefits to retirees over age 65 based on lifetime payroll tax contributions.
- The creation of the **WPA**, Works Progress Administration = Combining **job creation schemes** and extending them to unemployed artists, actors and photographers as part of a Federal Arts Projects.
- Helping **farming** through the **RA** (Resettlement Administration) rehoming 500,000 farmers to better quality land and providing loans to buy land and camps for migrant workers.

Did everyone support the New Deal?

It did have much support from ordinary Americans

- In spite of much criticism (see below) Roosevelt won the 1936 election with 27 million votes – the highest margin ever achieved by a US President. Roosevelt commented: *'Everyone is against the New Deal except the voters'*
- The New Deal involved the handling of billions of \$ - no corruption scandals (Unlike early 1902s – Teapot Dome)
- Thanks to NRA there were 7 million union members protecting workers' rights. (Wagner Act)
- The Social Security Act (1935) established the idea of a 'welfare state' – The Government had a role and responsibility to look after its citizens (not just leaving it to charity – until this point the USA was the only major industrial nation without Social Security)
- It restored confidence in the banking systems and financial markets (See first 100 days)

NO!

- Many elements of the business community thought Government was too involved (Too much regulation) Roosevelt was becoming a **DICTATOR** (Especially when he tried to appoint new Supreme Court Judges – see below)
- The wealthy disliked it because it involved higher taxation: this was anti-capitalist! In their view it discouraged hard work! (rugged Individualism)
- Business owners didn't like the way the NRA had the power to regulate wages, determine working hours and set prices – some called it 'communism' (And they resented having to contribute to the cost of social security and pensions)
- Republicans called a lot of the jobs 'boondoggling' – Jobs with no purpose or value. E.g Paying writers and photographers to make a 'public record' of the Depression.
- Some like Huey Long (Senator) thought it didn't go far enough. He proposed a 'share our wealth scheme' where personal fortunes could only be \$3 million (and no more), and government pensions for everyone over 60, free washing machines and radios! (Very radical!).

Why did the Supreme Court 'initially' oppose the New Deal?

- It was 'packed' with Republicans (remember Roosevelt was a Democrat)
- In May 1935 the NRA tried to prosecute a poultry firm (The Schechter Poultry Corporation) for selling diseased chickens for human consumption (seems reasonable!)
- The Supreme Court sided with the Schechter brothers and said the NRA was unconstitutional. (Interfering in the power of the local states)

What was Roosevelt's response?

- He asked Congress to allow him to appoint 6 new Supreme Court Judges.
- The plan back-fired, he was accused of trying to 'pack the court' with his supporters.

- He withdrew the request – and the Supreme Court went on to approve most of the Second New Deal.

Was the New Deal working by 1937?

- It seemed so - so Roosevelt cut the New Deal Budget, **but** this led to a rise in unemployment (19 million in 1938) and a recession. (*Proving the recovery was only based on Government spending*)
- The Republican Party did well in the 1938 Congressional elections – making it harder for Roosevelt to push through reforms. (Although Roosevelt still won the 1940 election with a big majority)
- What really solved unemployment was the war from 1941 (after Japan bombed Pearl Harbour)
- The US economy went onto a war footing creating millions of jobs.