**Learning Objective:**

Explain how the Great Depression and the New Deal impacted American political, social, and economic life over time.

**Thematic Focus:**

*Debates fostered by social and political groups about the role of government in American social, political, and economic life shape government policy, institutions, political parties, and the rights of citizens.*

1. During the 1930s, policymakers responded to the mass unemployment and social upheavals of the Great Depression by transforming the U.S. into a limited welfare state, redefining the goals and ideas of modern American liberalism.
2. Franklin Roosevelt’s New Deal attempted to end the Great Depression by using government power to provide relief to the poor, stimulate recovery, and reform the American economy.
   1. New Deal Philosophy
      1. Coming from a wealthy New York family, Franklin Roosevelt went to Harvard and Columbia Law School, and entered state politics in the 1910s. Roosevelt was the Democratic vice presidential candidate in 1920. He was stricken with polio in 1921 and had to spend the remainder of his life in a wheelchair. As governor of New York, his depression programs for the unemployed, public works projects, aid to farmers, and conservation programs attracted national attention.
      2. Roosevelt did not have a developed plan of action when he took office. He intended to experiment and to find out which worked. As a result, many of his programs overlapped or contradicted others, and were changed or dropped if they did not work. Unlike Hoover, Roosevelt favored direct federal relief to individuals.
      3. The ***New Deal*** was a reform program that sought to restructure American capitalism rather than replace it with a socialist system. It used deficit spending on public works programs to revive the economy.
      4. Roosevelt’s plan focused on “Relief, Recovery, and Reform.” Franklin Roosevelt’s New Deal attempted to end the Great Depression by using government power to provide relief to the poor, stimulate recovery, and reform the American economy.
      5. Roosevelt’s inner circle of unofficial advisers was known as his “Brain Trust.” This group was more influential than the Cabinet.
   2. First Hundred Days
      1. In early 1933, banks were failing at a frightening rate as depositors flocked to withdraw funds. Roosevelt immediately sought to restore public confidence in the banking system. Roosevelt ordered the banks closed for a bank holiday on March 6, 1933. Banks would be reopened after allowing enough time for the government to reorganize them on a sound basis. He did not propose legislation that would nationalize banks.
      2. The 21st Amendment to repeal prohibition helped raise tax money for the government.
      3. President Roosevelt utilized radio messages to assure the American people that the banks which reopened after the bank holiday were safe. The public responded as hoped, with the money deposited in the reopened banks exceeding the money withdrawn. Throughout his presidency, Roosevelt continued to make periodic fireside chats to speak to people about the depression, his New Deal initiatives, and later, World War II.
   3. Relief for the Unemployed
      1. The Federal Emergency Relief Administration appropriated $500 million for direct aid to the poor. The funds were to be administered through federal grants to state and local governments that were operating soup kitchens and other forms of relief for the jobless and homeless.
      2. Roosevelt sought to create new jobs in the public sector to reduce unemployment. The Public Works Administration distributed money to state and local governments for building projects such as schools, highways, and hospitals. The object of the PWA was to “prime the pump” of the economy by creating construction jobs.
      3. The Civilian Conservation Corps established a jobs program for unemployed youth.
      4. The Tennessee Valley Authority was created as a model to provide cheap electricity, to prevent floods, and serve as an experiment in regional planning. As a government corporation, it hired thousands of people in one of the nation’s poorest regions to build dams, operate electric power plants, control flooding and erosion, and manufacture fertilizer. The TVA sold electricity to residents of the region at rates that were well below those previously charged by private power companies.
      5. The Civil Works Administration was added to the PWA and other programs for creating jobs. The agency hired laborers for temporary construction projects sponsored by the federal government.
   4. Financial Recovery and Reform Programs
      1. The banking crisis was the most immediate problem facing Roosevelt when he took office. The Emergency Banking Relief Act provided additional funds for banks from the RFC and the Federal Reserve. It allowed the Treasury to open sound banks after 10 days and to merge or liquidate unsound ones.
      2. The Glass-Steagall Act increased regulation of the banks and limited how banks could invest customers’ money. It created the Federal Deposit Insurance Corporation (FDIC) guaranteed individual bank deposits.
      3. Roosevelt sought to provide mortgage support for homeowners. The Home Owners Loan Corporation provided refinancing of small homes to prevent foreclosures.
      4. The Farm Credit Administration provided low-interest farm loans and mortgages to prevent foreclosures on the property of indebted farmers.
      5. The purpose of the Agricultural Adjustment Act was to raise farm prices by limiting agricultural production. The AAA established a national system of crop controls and offered subsidies to farmers who agreed to limit the production of specific crops. Although the AAA was based on sound economic principles, it seemed to defy common sense. Hungry Americans were outraged when farmers plowed crops under and destroyed millions of piglets.
      6. The Securities and Exchange Commission was created in 1934 to supervise stock exchanges and to punish fraud in securities trading.
      7. The Federal Housing Administration gave both the construction industry and homeowners a boost by insuring bank loans for building new houses and repairing old ones.
3. Radical, union, and populist movements pushed Roosevelt toward more extensive efforts to change the American economic system, while conservatives in Congress and the Supreme Court sought to limit the New Deal’s scope.
   1. Liberal Critics
      1. Father Charles E. Coughlin was a Catholic priest attracted a popular following through weekly radio broadcasts. He called for issuing an inflated currency and nationalizing all banks.
      2. Retired physician Francis Townshend advocated for a federal pension program whereby every retired person over 60 years old would receive $200 per month. By spending their money promptly, Townsend argued, recipients would stimulate the economy and soon bring the depression to an end. Townsend’s idea ultimately became adopted and known as Social Security.
      3. Populist Senator Huey “Kingfish” Long proposed a program known as the “Share Our Wealth” plan, which called for redistributing wealth. Long advocated for confiscation of all fortunes over $5 million and a 100% tax on all income over $1 million. He wanted the government to provide every family with a house, car, and furnishings worth $5,000, plus a minimum annual income of $2,000. In 1935, Long challenged FDR for the presidency, but was assassinated during his campaign.
   2. Conservative Critics
      1. Conservatives in Congress and the Supreme Court sought to limit the New Deal’s scope, as they believed that it did too much. They accused the New Deal of being socialist and having too much deficit spending.
      2. Much to Roosevelt’s chagrin, the Supreme Court declared key parts of the New Deal unconstitutional. Roosevelt responded by attempting to “pack,” or add more justices to the Supreme Court. His goal was to make sure that New Deal laws would be found constitutional. He wanted to be able to appoint a new federal judge for each one who did not retire by age 70½. The maximum he could appoint to the Supreme Court would be 6. Roosevelt faced opposition from both parties and the court-packing bill was not passed. Ultimately, two members of the Supreme Court began to vote with Roosevelt’s programs, so he no longer needed additional support.
      3. Democratic victories in the 1934 congressional elections gave the president the popular mandate he needed to seek another round of laws and programs. The first two years of FDR’s term were focused on achieving recovery of the economic system. In the summer of 1935, he launched the second New Deal, concentrating on relief and reform.
   3. Second New Deal
      1. The Works Progress Administration was the largest New Deal agency. It sponsored public buildings, projects, and roads. It also included large arts, drama, media, and literacy projects.
      2. The Resettlement Administration relocated struggling urban and rural families to communities planned by the federal government. It was later replaced by the Farm Security Administration.
      3. The National Labor Relations Act, also known as the Wagner Act, is often called the Magna Carta of labor because it ensured workers the right to organize and bargain collectively. It replaced the NRA, which had been struck down by the Supreme Court. It created the National Labor Relations Board to help settle disputes between management and unions. It led to a dramatic increase in labor union membership.
      4. Many power companies were unwilling to serve farmsteads and other rural areas. The Rural Electrification Act made loans available to local electrification cooperatives, leading to a 30% increase in electrification by 1940.
      5. The Social Security Act created a federal pension system funded by taxes on a worker’s wages and by an equivalent contribution by employers. Social Security provided an economic “safety net,” and also provided unemployment and disability insurance in addition to an old-age pension. The SSA established the framework for the welfare system.
      6. The Fair Labor Standards Act created a national minimum wage (originally just $0.25/hour). It required that employees be paid time and a half for overtime and prohibited child labor.
4. Although the New Deal did not end the Depression, it left a legacy of reforms and regulatory agencies and fostered a long-term political realignment in which many ethnic groups, African Americans, and working-class communities identified with the Democratic Party.
   1. Impact on the Great Depression
      1. New Deal programs were partially successful in reducing unemployment and reviving the economy.
      2. It is important to remember that the United States did not fully emerge from the Great Depression until the massive military expenditures prompted by World War II.
   2. Impact on Unions
      1. As unions grew in size, tensions and conflicts between rival unions grew in intensity. The many different unions that made up the American Federation of Labor (AFL) were dominated by skilled white male workers.
      2. A group of unions within the AFL wanted union membership to be extended to all workers in an industry regardless of their race and sex, including those who were unskilled.
      3. In 1935, the industrial unions, as they were called, joined together as the Congress of Industrial Organizations (CIO), led by John L. Lewis, president of the United Mine Workers union.
      4. Workers at a General Motors plant in Flint, Michigan insisted on their right to join a union in 1937 by participating in a sit-down strike. The company yielded to striker demands by recognizing the United Auto Workers (UAW) union. The giant U.S. Steel Corporation (formally Carnegie Steel) recognized one of the CIO unions, but many smaller companies resisted. A demonstration in 1937 led to four deaths but eventually led to all steel companies to deal with the CIO by 1941.
   3. Impact on Politics
      1. Historians generally regard the New Deal as a program of reform rather than of revolution because the New Deal sought to restructure American capitalism rather than replace it.
      2. The New Deal marked a new direction for the federal government. For example, New Deal programs all demonstrated a willingness to use the government to enhance social welfare. The legacy of the New Deal influenced the public’s belief in the responsibility of the government to deliver public services, to intervene in the economy, and to act in ways that promote the general welfare.
      3. The New Deal, with its close linking of government and industry, would help ease American mobilization during World War II.
      4. Many ethnic groups, African Americans, and working class communities identified with the Democratic Party. The New Deal helped Blacks survive the Great Depression, though it did not directly confront racial justice.
      5. The “New Deal Coalition” led to the emergence of the Democratic Party as the majority party for decades to come.