

A New Deal Fights the Depression

MAIN IDEA

After becoming president, Franklin Delano Roosevelt used government programs to combat the Depression.

WHY IT MATTERS NOW

Americans still benefit from programs begun in the New Deal, such as bank and stock market regulations and the Tennessee Valley Authority.

Terms & Names

- Franklin Delano Roosevelt
- New Deal
- Glass-Steagall Act
- Federal Securities Act
- Agricultural Adjustment Act (AAA)
- Civilian Conservation Corps (CCC)
- National Industrial Recovery Act (NIRA)
- deficit spending
- Huey Long

CALIFORNIA STANDARDS

11.6.2 Understand the explanations of the principal causes of the Great Depression and the steps taken by the Federal Reserve, Congress, and Presidents Herbert Hoover and Franklin Delano Roosevelt to combat the economic crisis.

11.6.4 Analyze the effects of and the controversies arising from New Deal economic policies and the expanded role of the federal government in society and the economy since the 1930s (e.g., Works Progress Administration, Social Security, National Labor Relations Board, farm programs, regional development policies, and energy development projects such as the Tennessee Valley Authority, California Central Valley Project, and Bonneville Dam).

REP 1 Students distinguish valid arguments from fallacious arguments in historical interpretations.

HI 4 Students understand the meaning, implication, and impact of historical events and recognize that events could have taken other directions.

HI 6 Students conduct cost-benefit analyses and apply basic economic indicators to analyze the aggregate economic behavior of the U.S. economy.

One American's Story

Hank Oettinger was working as a printing press operator in a small town in Wisconsin when the Great Depression began. He lost his job in 1931 and was unemployed for the next two years. In 1933, however, President Roosevelt began creating work programs. Through one of these programs, the Civil Works Administration (CWA), Oettinger went back to work in 1933. As he later recalled, the CWA was cause for great celebration in his town.

A PERSONAL VOICE HANK OETTINGER

“I can remember the first week of the CWA checks. It was on a Friday. That night everybody had gotten his check. The first check a lot of them had in three years. . . . I never saw such a change of attitude. Instead of walking around feeling dreary and looking sorrowful, everybody was joyous. Like a feast day. They were toasting each other. They had money in their pockets for the first time.”

—quoted in *Hard Times*



▲ **Civil Works Administration workers prepare for a parade for workers in San Francisco in 1934.**

Programs like the CWA raised the hopes of the American people and sparked great enthusiasm for the new president. To many Americans, it appeared as if the country had turned a corner and was beginning to emerge from the nightmare of the Great Depression.

Americans Get a New Deal

The 1932 presidential election showed that Americans were clearly ready for a change. Because of the depression, people were suffering from a lack of work, food, and hope.

ELECTING FRANKLIN DELANO ROOSEVELT Although the Republicans renominated President Hoover as their candidate, they recognized he had little chance of winning. Too many Americans blamed Hoover for doing too little about the depression and wanted a new president. The Democrats pinned their hopes on **Franklin Delano Roosevelt**, known popularly as FDR, the two-term governor of New York and a distant cousin of former president Theodore Roosevelt.

As governor, FDR had proved to be an effective, reform-minded leader, working to combat the problems of unemployment and poverty. Unlike Hoover, Roosevelt possessed a “can-do” attitude and projected an air of friendliness and confidence that attracted voters.

Indeed, Roosevelt won an overwhelming victory, capturing nearly 23 million votes to Hoover’s nearly 16 million. In the Senate, Democrats claimed a nearly two-thirds majority. In the House, they won almost three-fourths of the seats, their greatest victory since before the Civil War.

WAITING FOR ROOSEVELT TO TAKE OVER Four months would elapse between Roosevelt’s victory in the November election and his inauguration as president in March 1933. The 20th Amendment, which moved presidential inaugurations to January, was not ratified until February 1933 and did not apply to the 1932 election.

FDR was not idle during this waiting period, however. He worked with his team of carefully picked advisers—a select group of professors, lawyers, and journalists that came to be known as the “Brain Trust.” Roosevelt began to formulate a set of policies for his new administration. This program, designed to alleviate the problems of the Great Depression, became known as the **New Deal**, a phrase taken from a campaign speech in which Roosevelt had promised “a new deal for the American people.” New Deal policies focused on three general goals: relief for the needy, economic recovery, and financial reform. **A**

THE HUNDRED DAYS On taking office, the Roosevelt administration launched a period of intense activity known as the Hundred Days, lasting from March 9 to June 16, 1933. During this period, Congress passed more than 15 major pieces of New Deal legislation. These laws, and others that followed, significantly expanded the federal government’s role in the nation’s economy.

MAIN IDEA

Summarizing

A What plans did Roosevelt make in the four months while he waited to take office?

KEY PLAYERS



FRANKLIN D. ROOSEVELT
1882–1945

Born into an old, wealthy New York family, Franklin Delano Roosevelt entered politics as a state senator in 1910 and later became assistant secretary of the navy. In 1921, he was stricken with polio and became partially paralyzed from the waist down. He struggled to regain the use of his legs, and he eventually learned to stand with the help of leg braces.

Roosevelt became governor of New York in 1928, and because he “would not allow bodily disability to defeat his will,” he went on to the White House in 1933. Always interested in people, Roosevelt gained greater compassion for others as a result of his own physical disability.



ELEANOR ROOSEVELT
1884–1962

A niece of Theodore Roosevelt and a distant cousin of her husband, Franklin, Eleanor Roosevelt lost her parents at an early age. She was raised by a strict grandmother.

As first lady, she often urged the president to take stands on controversial issues. A popular public speaker, Eleanor was particularly interested in child welfare, housing reform, and equal rights for women and minorities. In presenting a booklet on human rights to the United Nations in 1958, she said, “Where, after all, do human rights begin? . . . [In] the world of the individual person: the neighborhood . . . the school . . . the factory, farm or office where he works.”

Roosevelt's first step as president was to carry out reforms in banking and finance. By 1933, widespread bank failures had caused most Americans to lose faith in the banking system. On March 5, one day after taking office, Roosevelt declared a bank holiday and closed all banks to prevent further withdrawals. He persuaded Congress to pass the Emergency Banking Relief Act, which authorized the Treasury Department to inspect the country's banks. Those that were sound could reopen at once; those that were insolvent—unable to pay their debts—would remain closed. Those that needed help could receive loans. This measure revived public confidence in banks, since customers now had greater faith that the open banks were in good financial shape.

“The only thing we have to fear is fear itself.”

FRANKLIN DELANO ROOSEVELT

AN IMPORTANT FIRESIDE CHAT On March 12, the day before the first banks were to reopen, President Roosevelt gave the first of his many fireside chats—radio talks about issues of public concern, explaining in clear, simple language his New Deal measures. These informal talks made Americans feel as if the president were talking directly to them. In his first chat, President Roosevelt explained why the nation's welfare depended on public support of the government and the banking system. “We have provided the machinery to restore our financial system,” he said, “and it is up to you to support and make it work.” He explained the banking system to listeners.

A PERSONAL VOICE FRANKLIN DELANO ROOSEVELT

“When you deposit money in a bank the bank does not put the money into a safe deposit vault. It invests your money. . . . A comparatively small part of the money that you put into the bank is kept in currency—an amount which in normal times is wholly sufficient to cover the cash needs of the average citizen.”

The president then explained that when too many people demanded their savings in cash, banks would fail. This was not because banks were weak but because even strong banks could not meet such heavy demands. Over the next few weeks, many Americans returned their savings to banks. **B**

REGULATING BANKING AND FINANCE Congress took another step to reorganize the banking system by passing the **Glass-Steagall Act** of 1933, which established the Federal Deposit Insurance Corporation (FDIC). The FDIC provided federal insurance for individual bank accounts of up to \$5,000, reassuring millions of bank customers that their money was safe. It also required banks to act cautiously with their customers' money.

Congress and the president also worked to regulate the stock market, in which people had lost faith because of the crash of 1929. The **Federal Securities Act**, passed in May 1933, required corporations to provide complete information on all stock offerings and made them liable for any misrepresentations. In June of 1934, Congress created the Securities and Exchange Commission (SEC) to regulate the stock market. One goal of this commission was to prevent people with inside information about companies from “rigging” the stock market for their own profit.

In addition, Roosevelt persuaded Congress to approve a bill allowing the manufacture and sale of some alcoholic beverages. The bill's main purpose was to raise government revenues by taxing alcohol. By the end of 1933, the passage of the 21st Amendment had repealed prohibition altogether.

Franklin D. Roosevelt holds his dog Fala and talks to a young family friend.



MAIN IDEA

Evaluating Leadership

B How successful was FDR's fireside chat?


Helping the American People

While working on banking and financial matters, the Roosevelt administration also implemented programs to provide relief to farmers, perhaps the hardest hit by the depression. It also aided other workers and attempted to stimulate economic recovery.

RURAL ASSISTANCE The **Agricultural Adjustment Act (AAA)** sought to raise crop prices by lowering production, which the government achieved by paying farmers to leave a certain amount of every acre of land unseeded. The theory was that reduced supply would boost prices. In some cases, crops were too far advanced for the acreage reduction to take effect. As a result, the government paid cotton growers \$200 million to plow under 10 million acres of their crop. It also paid hog farmers to slaughter 6 million pigs. This policy upset many Americans, who protested the destruction of food when many people were going hungry. It did, however, help raise farm prices and put more money in farmers' pockets.

An especially ambitious program of regional development was the Tennessee Valley Authority (TVA), established on May 18, 1933. (See Geography Spotlight on page 520.) Focusing on the badly depressed Tennessee River Valley, the TVA renovated five existing dams and constructed 20 new ones, created thousands of jobs, and provided flood control, hydroelectric power, and other benefits to an impoverished region.

PROVIDING WORK PROJECTS The administration also established programs to provide relief through work projects and cash payments. One important program, the **Civilian Conservation Corps (CCC)**, put young men aged 18 to 25 to work building roads, developing parks, planting trees, and helping in soil-erosion and flood-control projects. By the time the program ended in 1942, almost 3 million young men had passed through the CCC. The CCC paid a small wage, \$30 a month, of which \$25 was automatically sent home to the worker's family. It also supplied free food and uniforms and lodging in work camps. Many of the camps were located on the Great Plains, where, within a period of eight years, the men of the CCC planted more than 200 million trees. This tremendous reforestation program was aimed at preventing another Dust Bowl.

The Public Works Administration (PWA), created in June 1933 as part of the **National Industrial Recovery Act (NIRA)**, provided money to states to create jobs chiefly in the construction of schools and other community buildings. When these programs failed to make a sufficient dent in unemployment, President Roosevelt established the Civil Works Administration in November 1933. It provided 4 million immediate jobs during the winter of 1933–1934. Although some critics of the CWA claimed that the programs were “make-work” projects and a waste of money, the CWA built 40,000 schools and paid the salaries of more than 50,000 schoolteachers in America's rural areas. It also built more than half a million miles of roads. 

Civilian Conservation Corps

- The CCC provided almost 3 million men aged 18–25 with work and wages between 1933 and 1942.
- The men lived in work camps under a strict regime. The majority of the camps were racially segregated.
- By 1938, the CCC had an 11 percent African-American enrollment.
- Accomplishments of the CCC include planting over 3 billion trees, developing over 800 state parks, and building more than 46,000 bridges.




Background

See *supply and demand* on page R46 in the Economics Handbook.

MAIN IDEA

Analyzing Effects

 How did New Deal programs affect various regions of the United States?

PROMOTING FAIR PRACTICES The NIRA also sought to promote industrial growth by establishing codes of fair practice for individual industries. It created the National Recovery Administration (NRA), which set prices of many products and established standards. The aim of the NRA was to promote recovery by interrupting the trend of wage cuts, falling prices, and layoffs. The economist Gardiner C. Means attempted to justify the NRA by stating the goal of industrial planning.

A PERSONAL VOICE GARDINER C. MEANS

“The National Recovery Administration [was] created in response to an overwhelming demand from many quarters that certain elements in the making of industrial policy . . . should no longer be left to the market place and the price mechanism but should be placed in the hands of administrative bodies.”

—*The Making of Industrial Policy*

The codes of fair practice had been drafted in joint meetings of businesses and representatives of workers and consumers. These codes both limited production and established prices. Because businesses were given new concessions, workers made demands. Congress met their demands by passing a section of the NIRA guaranteeing workers’ right to unionize and to bargain collectively. **D**

Many businesses and politicians were critical of the NRA. Charges arose that the codes served large business interests. There were also charges of increasing code violations.

MAIN IDEA

Evaluating

D How did the New Deal support labor organizations?

FOOD, CLOTHING, AND SHELTER A number of New Deal programs concerned housing and home mortgage problems. The Home Owners Loan Corporation (HOLC) provided government loans to homeowners who faced foreclosure because they couldn’t meet their loan payments. In addition, the 1934 National Housing Act created the Federal Housing Administration (FHA). This agency continues to furnish loans for home mortgages and repairs today.

Another program, the Federal Emergency Relief Administration (FERA), was funded with \$500 million to provide direct relief for the needy. Half of the money was given to the states as direct grants-in-aid to help furnish food and clothing to the unemployed, the aged, and the ill. The rest was distributed to states to support work relief programs—for every \$3 within the state program, FERA donated \$1. Harry Hopkins, who headed this program, believed that, whereas money helped people buy food, it was meaningful work that enabled them to gain confidence and self-respect.

The New Deal Comes Under Attack

By the end of the Hundred Days, millions of Americans had benefited from the New Deal programs. As well, the public’s confidence in the nation’s future had rebounded. Although President Roosevelt agreed to a policy of **deficit spending**—spending more money than the government receives in revenue—he did so with great reluctance. He regarded deficit spending as a necessary evil to be used only at a time of great economic crisis. Nevertheless, the New Deal did not end the depression, and opposition grew among some parts of the population.

ECONOMIC BACKGROUND



DEFICIT SPENDING

John Maynard Keynes, an influential British economist, promoted the idea of deficit spending to stimulate economic recovery. In his view, a country should spend its way out of a depression by putting money into the hands of consumers. This would make it possible for them to buy goods and services and thus fuel economic growth. Therefore, even if a government has to go deeply into debt, it should spend great amounts of money to help get the economy growing again. (See *deficit spending* on page R39 and *Keynesian economics* on page R42 in the Economics Handbook.)

CHANGING COURSE

With hopes of lessening opposition to his programs, Roosevelt proposed a court reform bill that would essentially have allowed him to “pack” the Court with judges supportive of the New Deal. This cartoon shows Roosevelt as a sea captain ordering a shocked Congress to change course.

SKILLBUILDER Analyzing Political Cartoons

1. What “compass” did Roosevelt want to change? Explain.
2. How does the cartoonist portray FDR’s attitude regarding his power as president?

 **SEE SKILLBUILDER HANDBOOK, PAGE R24.**

**MAIN IDEA****Contrasting**

E How did liberal and conservative critics differ in their opposition to the New Deal?

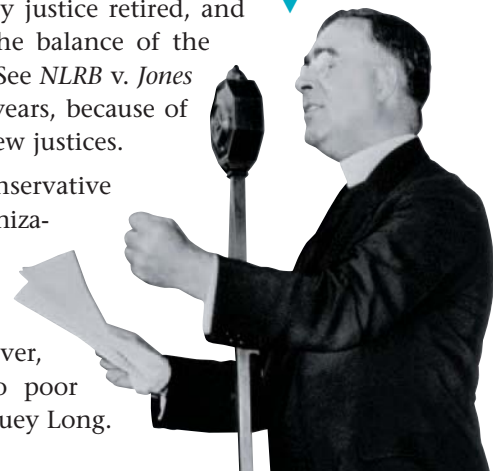
Liberal critics argued that the New Deal did not go far enough to help the poor and to reform the nation’s economic system. Conservative critics argued that Roosevelt spent too much on direct relief and used New Deal policies to control business and socialize the economy. Conservatives were particularly angered by laws such as the Agricultural Adjustment Act and the National Industrial Recovery Act, which they believed gave the federal government too much control over agriculture and industry. Many critics believed the New Deal interfered with the workings of a free-market economy. **E**

THE SUPREME COURT REACTS By the mid-1930s, conservative opposition to the New Deal had received a boost from two Supreme Court decisions. In 1935, the Court struck down the NIRA as unconstitutional. It declared that the law gave legislative powers to the executive branch and that the enforcement of industry codes within states went beyond the federal government’s constitutional powers to regulate interstate commerce. The next year, the Supreme Court struck down the AAA on the grounds that agriculture is a local matter and should be regulated by the states rather than by the federal government.

Fearing that further Court decisions might dismantle the New Deal, President Roosevelt proposed in February 1937 that Congress enact a court-reform bill to reorganize the federal judiciary and allow him to appoint six new Supreme Court justices. This “Court-packing bill” aroused a storm of protest in Congress and the press. Many people believed that the president was violating principles of judicial independence and the separation of powers. As it turned out, the president got his way without reorganizing the judiciary. In 1937, an elderly justice retired, and Roosevelt appointed the liberal Hugo S. Black, shifting the balance of the Court. Rulings of the Court began to favor the New Deal. (See *NLRB v. Jones and Laughlin Steel Corp.* on page 502.) Over the next four years, because of further resignations, Roosevelt was able to appoint seven new justices.

THREE FIERY CRITICS In 1934, some of the strongest conservative opponents of the New Deal banded together to form an organization called the American Liberty League. The American Liberty League opposed New Deal measures that it believed violated respect for the rights of individuals and property. Three of the toughest critics the president faced, however, were three men who expressed views that appealed to poor Americans: Charles Coughlin, Dr. Francis Townsend, and Huey Long.

Father Charles Coughlin speaks to a radio audience in 1935.



Every Sunday, Father Charles Coughlin, a Roman Catholic priest from a suburb of Detroit, broadcast radio sermons that combined economic, political, and religious ideas. Initially a supporter of the New Deal, Coughlin soon turned against Roosevelt. He favored a guaranteed annual income and the nationalization of banks. At the height of his popularity, Father Coughlin claimed a radio audience of as many as 40–45 million people, but his increasingly anti-Semitic (anti-Jewish) views eventually cost him support.

Another critic of New Deal policies was Dr. Francis Townsend, a physician and health officer in Long Beach, California. He believed that Roosevelt wasn't doing enough to help the poor and elderly, so he devised a pension plan that would provide monthly benefits to the aged. The plan found strong backing among the elderly, thus undermining their support for Roosevelt.

Perhaps the most serious challenge to the New Deal came from Senator **Huey Long** of Louisiana. Like Coughlin, Long was an early supporter of the New Deal, but he, too, turned against Roosevelt. Eager to win the presidency for himself, Long proposed a nationwide social program called Share-Our-Wealth. Under the banner "Every Man a King," he promised something for everyone.

Vocabulary
nationalization:
 conversion from private to governmental ownership



Huey Long

A PERSONAL VOICE HUEY LONG

"We owe debts in America today, public and private, amounting to \$252 billion. That means that every child is born with a \$2,000 debt tied around his neck. . . . We propose that children shall be born in a land of opportunity, guaranteed a home, food, clothes, and the other things that make for living, including the right to education."

—Record, 74 Congress, Session 1

Long's program was so popular that by 1935 he boasted of having perhaps as many as 27,000 Share-Our-Wealth clubs and 7.5 million members. That same year, however, at the height of his popularity, Long was assassinated by a lone gunman.

As the initial impetus of the New Deal began to wane, President Roosevelt started to look ahead. He knew that much more needed to be done to help the people and to solve the nation's economic problems.



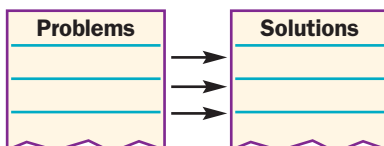
ASSESSMENT

1. TERMS & NAMES For each of the terms and names below, write a sentence explaining its significance.

- Franklin Delano Roosevelt
- Federal Securities Act
- Civilian Conservation Corps (CCC)
- deficit spending
- New Deal
- Agricultural Adjustment Act (AAA)
- National Industrial Recovery Act (NIRA)
- Huey Long
- Glass-Steagall Act

MAIN IDEA

2. TAKING NOTES (11.6.2)
 In a two-column chart, list problems that President Roosevelt confronted and how he tried to solve them.



Write a paragraph telling which solution had the greatest impact, and why.

CRITICAL THINKING

3. EVALUATING (11.6.4)
 Of the New Deal programs discussed in this section, which do you consider the most important? Explain your choice. **Think About:**

- the type of assistance offered by each program
- the scope of each program
- the impact of each program

4. EVALUATING LEADERSHIP (REP 1)
 Do you think Roosevelt was wrong to try to "pack" the Supreme Court with those in favor of the New Deal? Explain your answer.

5. DEVELOPING HISTORICAL PERSPECTIVE (HI 6)
 The New Deal has often been referred to as a turning point in American history. Cite examples to explain why.