

# Roosevelt and the New Deal

From Outline of U.S. History (see <http://www.america.gov/publications/books/history-outline.html>).

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In 1933 the new president, Franklin D. Roosevelt, brought an air of confidence and optimism that quickly rallied the people to the banner of his program, known as the New Deal. “The only thing we have to fear is fear itself,” the president declared in his inaugural address to the nation.

**Laissez-faire** is a French phrase meaning “let do” or “let it be.” It usually refers to the belief that government should stay out of the economy and let businesses operate as they see fit.

In one sense, the New Deal merely introduced social and economic reforms familiar to many Europeans for more than a generation. Moreover, the New Deal represented the culmination of a long-range trend toward abandonment of “laissez-faire” capitalism, going back to the regulation of the railroads in the 1880s, and the flood of state and national reform legislation introduced in the Progressive era of Theodore Roosevelt and Woodrow Wilson.

What was truly novel about the New Deal, however, was the speed with which it accomplished what previously had taken generations. Many of its reforms were hastily drawn and weakly administered; some actually contradicted others. Moreover, it never succeeded in restoring prosperity. Yet its actions provided tangible help for millions of Americans, laid the basis for a powerful new political coalition, and brought to the individual citizen a sharp revival of interest in government.

# The First New Deal



Figure 1. Franklin Delano Roosevelt.

## BANKING AND FINANCE

When Roosevelt took the presidential oath, the banking and credit system of the nation was in a state of paralysis. With astonishing rapidity the nation's banks were first closed – and then reopened only if they were solvent. The administration adopted a policy of moderate currency inflation to start an upward movement in commodity prices and to afford some relief to debtors. New governmental agencies brought generous credit facilities to industry and agriculture. The Federal Deposit Insurance Corporation (FDIC) insured savings - bank deposits up to \$5,000. Federal regulations were imposed upon the sale of securities on the stock exchange.

## UNEMPLOYMENT

Roosevelt faced unprecedented mass unemployment. By the time he took office, as many as 13 million Americans – more than a quarter of the labor force – were out of work. Bread lines were a common sight in most cities. Hundreds of thousands roamed the country in search of food, work, and shelter. “Brother, can you spare a dime?” was the refrain of a popular song.

An early step for the unemployed came in the form of the Civilian Conservation Corps (CCC), a program that brought relief to young men between 18 and 25 years of age. CCC enrollees worked in camps administered by the army. About two million took part during the decade. They participated in a variety of conservation projects: planting trees to combat soil erosion and maintain national forests; eliminating stream pollution; creating fish, game, and bird sanctuaries; and conserving coal, petroleum, shale, gas, sodium, and helium deposits.

A Public Works Administration (PWA) provided employment for skilled construction workers on a wide variety of mostly medium- to large-sized projects. Among the most memorable of its many accomplishments were the Bonneville and Grand Coulee Dams in the Pacific Northwest, a new Chicago sewer system, the Triborough Bridge in New York City, and two aircraft carriers (Yorktown and Enterprise) for the U.S. Navy.

The Tennessee Valley Authority (TVA), both a work relief program and an exercise in public planning, developed the impoverished Tennessee River valley area through a series of dams built for flood control and hydroelectric power generation. Its provision of cheap electricity for the area stimulated some economic progress, but won it the enmity of private electric companies. New Dealers hailed it as an example of “grass roots democracy.”

The Federal Emergency Relief Administration (FERA), in operation from 1933 to 1935, distributed direct relief to hundreds of thousands of people, usually in the form of direct payments. Sometimes, it assumed the salaries of schoolteachers and other local public service workers. It also developed numerous small-scale public works projects, as did the Civil Works Administration (CWA) from late 1933 into the spring of 1934. Criticized as “make work,” the jobs funded ranged from ditch digging to highway repairs to teaching. Roosevelt and his key officials worried about costs but continued to favor unemployment programs based on work relief rather than welfare.



Figure 2. Members of the Civilian Conservation Corps work to control a wildfire near Angeles National Forest, California, in 1935.

## AGRICULTURE

In the spring of 1933, the agricultural sector of the economy was in a state of collapse. It thereby provided a laboratory for the New Dealers' belief that greater regulation would solve many of the country's problems. In 1933, Congress passed the Agricultural Adjustment Act (AAA) to provide economic relief to farmers. The AAA proposed to raise crop prices by paying farmers a subsidy to compensate for voluntary cutbacks in production. Funds for the payments would be generated by a tax levied on industries that processed crops. By the time the act had become law, however, the growing season was well under way, and the AAA paid farmers to plow under their abundant crops. Crop reduction and further subsidies through the Commodity Credit Corporation, which purchased commodities to be kept in storage, drove output down and farm prices up.

Between 1932 and 1935, farm income increased by more than 50 percent, but only partly because of federal programs. During the same years that farmers were being encouraged to take land out of production – displacing tenants and sharecroppers – a severe drought hit the Plains states. Violent wind and dust storms during the 1930s created what became known as the “Dust Bowl.” Crops were destroyed and farms ruined.

By 1940, 2.5 million people had moved out of the Plains states, the largest migration in American history. Of those, 200,000 moved to California. The migrants were not only farmers, but also professionals, retailers, and others whose livelihoods were connected to the health of the farm communities. Many ended up competing for seasonal jobs picking crops at extremely low wages.

The government provided aid in the form of the Soil Conservation Service, established in 1935. Farm practices that damaged the soil had intensified the impact of the drought. The service taught farmers measures to reduce erosion. In addition, almost 30,000 kilometers of trees were planted to break the force of winds.

Although the AAA had been mostly successful, it was abandoned in 1936, when its tax on food processors was ruled unconstitutional by the Supreme Court. Congress quickly passed a farm-relief act, which authorized the government to make payments to farmers who took land out of production for the purpose of soil conservation. In 1938, with a pro-New Deal majority on the Supreme Court, Congress reinstated the AAA.

By 1940 nearly six million farmers were receiving federal subsidies. New Deal programs also provided loans on surplus crops, insurance for wheat, and a system of planned storage to ensure a stable food supply. Economic stability for the farmer was substantially achieved, albeit at great expense and with extraordinary government oversight.

## INDUSTRY AND LABOR

The National Recovery Administration (NRA), established in 1933 with the National Industrial Recovery Act (NIRA), attempted to end cut-throat competition by setting codes of fair competitive practice to generate more jobs and thus more buying. Although welcomed initially, the NRA was soon criticized for over-regulation and was unable to achieve industrial recovery. It was declared unconstitutional in 1935.

The NIRA had guaranteed to labor the right of collective bargaining through labor unions representing individual workers, but the NRA had failed to overcome strong business opposition to independent unionism. After its demise in 1935, Congress passed



Figure 3. A farmer and his two sons walk in the face of a dust storm in Cimarron County, Oklahoma in 1936.

the National Labor Relations Act, which restated that guarantee and prohibited employers from unfairly interfering with union activities. It also created the National Labor Relations Board to supervise collective bargaining, administer elections, and ensure workers the right to choose the organization that should represent them in dealing with employers.

The great progress made in labor organization brought working people a growing sense of common interests, and labor's power increased not only in industry but also in politics. Roosevelt's Democratic Party benefited enormously from these developments.

## The Second New Deal



Figure 4. Huey Long, who served as Louisiana's governor and later as a U.S. senator, advanced populist ideas.

In its early years, the New Deal sponsored a remarkable series of legislative initiatives and achieved significant increases in production and prices – but it did not bring an end to the Depression. As the sense of immediate crisis eased, new demands emerged. Businessmen mourned the end of “laissez-faire” and chafed under the regulations of the NIRA. Vocal attacks also mounted from the political left and right as dreamers, schemers, and politicians alike emerged with economic panaceas that drew wide audiences. Dr. Francis E. Townsend advocated generous old-age pensions. Father Charles Coughlin, the “radio priest,” called for inflationary policies and blamed international bankers in speeches increasingly peppered with anti-Semitic imagery. Most formidably, Senator Huey P. Long of Louisiana, an eloquent and ruthless spokesman for the displaced, advocated a radical redistribution of wealth. (If he had not been assassinated in September 1935, Long very likely would have launched a presidential challenge to Franklin Roosevelt in 1936.)

In the face of these pressures, President Roosevelt backed a new set of economic and social measures. Prominent among them were measures to fight poverty, create more work for the unemployed, and provide a social safety net.

The Works Progress Administration (WPA), the principal relief agency of the so-called second New Deal, was the biggest public works agency yet. It pursued small-scale projects throughout the country, constructing buildings, roads, airports, and schools. Actors, painters, musicians, and writers were employed through the Federal Theater Project, the Federal Art Project, and the Federal Writers Project. The National Youth Administration gave part-time employment to students, established training programs, and provided aid to unemployed youth. The WPA only included about three million jobless at a time; when it was abandoned in 1943, it had helped a total of nine million people.



Figure 5. In addition to providing benefits to people in need, the Social Security Administration also provided employment for many people — like these card punch operators.

The New Deal's cornerstone, according to Roosevelt, was the Social Security Act of 1935. Social Security created a system of state-administered welfare payments for the poor, unemployed, and disabled based on matching state and federal contributions. It also established a national system of retirement benefits drawing on a "trust fund" created by employer and employee contributions. Many other industrialized nations had already enacted such programs, but calls for such an initiative in the United States had gone unheeded. Social Security today is the largest domestic program administered by the U.S. government.

To these, Roosevelt added the National Labor Relations Act, the "Wealth Tax Act" that increased taxes on the wealthy, the Public Utility Holding Company Act to break up large electrical utility conglomerates, and a Banking Act that greatly expanded the power of the Federal Reserve Board over the large private banks. Also notable was the establishment of the Rural Electrification Administration, which extended electricity into farming areas throughout the country.

## A new coalition

In the 1936 election, Roosevelt won a decisive victory over his Republican opponent, Alf Landon of Kansas. He was personally popular, and the economy seemed near recovery. He took 60 percent of the vote and carried all but two states. A broad new coalition aligned with the Democratic Party emerged, consisting of labor, most farmers, most urban ethnic groups, African Americans, and the traditionally Democratic South. The Republican Party received the support of business as well as middle-class members of small towns and suburbs. This political alliance, with some variation and shifting, remained intact for several decades.

Roosevelt's second term was a time of consolidation. The president made two serious political missteps: an ill-advised, unsuccessful attempt to enlarge the Supreme Court and a failed effort to "purge" increasingly recalcitrant Southern conservatives from the Democratic Party. When he cut high government spending, moreover, the economy collapsed. These events led to the rise of a conservative coalition in Congress that was unreceptive to new initiatives.

From 1932 to 1938 there was widespread public debate on the meaning of New Deal policies to the nation's political and economic life. Americans clearly wanted the government to take greater responsibility for the welfare of ordinary people, however uneasy they might be about big government in general. The New Deal established the foundations of the modern welfare state in the United States. Roosevelt, perhaps the most imposing of the 20th-century presidents, had established a new standard of mass leadership.

No American leader, then or since, used the radio so effectively. In a radio address in 1938, Roosevelt declared: "Democracy has disappeared in several other great nations, not because the people of those nations disliked democracy, but because they had grown tired of unemployment and insecurity, of seeing their children hungry while they sat helpless in the face of government confusion and government weakness through lack of leadership." Americans, he concluded, wanted to defend their liberties at any cost and understood that "the first line of the defense lies in the protection of economic security."

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## On the web

### Works Projects in North Carolina, 1933–1941

<http://www.archives.ncdcr.gov/exhibits/wpa/index.htm>

The North Carolina State Archives presents this look at New Deal agencies and how they helped North Carolina.

### F.D.R. and the New Deal

<http://www.sog.unc.edu/programs/civiced/resources/docs/NewDeal8.pdf>

America was a troubled land in the 1930s. With a plunging stock market, soaring unemployment rates, and many Americans struggling for basic necessities, Americans gathered in front of the Capitol to watch the inauguration of a new president, Franklin D. Roosevelt. Setting forth a tone of optimism and resolve, F.D.R. strove to raise the spirits of Americans in the inaugural address, and began numerous legislative attempts at improving American life and economics his first day in office. In this lesson from the North Carolina Civic Education Consortium, students will explore F.D.R.'s New Deal programs through reading, discussion, and artistic presentations to classmates.

### New Deal agencies

[http://faculty.washington.edu/qtaylor/Courses/101\\_USH/new\\_deal.htm](http://faculty.washington.edu/qtaylor/Courses/101_USH/new_deal.htm)

A summary of the "alphabet soup" of New Deal agencies, provided by Dr. Quintard Taylor, Jr., of the University of Washington

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