

## Franklin D. Roosevelt and the New Deal



Redefined Democracy:  
Political Rights + Economic  
Security + Social Justice

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## Causes of the Great Depression

- Agricultural overproduction
- Industrial overproduction
- Unequal distribution of wealth
- Over-extension of credit
- International economic situation



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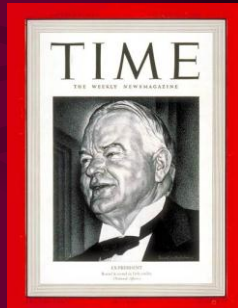
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## How Herbert Hoover Dealt with the Crisis

- He played the game of confidence economics and just kept saying: "Prosperity is right around the corner."



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## 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.




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## Limited Government Intervention

- 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.




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## Reasons for Ineffectiveness

- Hoover thought business should be self-regulating.
- He had a mania for a balanced budget.
- He lacked political finesse.




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## Franklin D. Roosevelt's Appeal

- 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.




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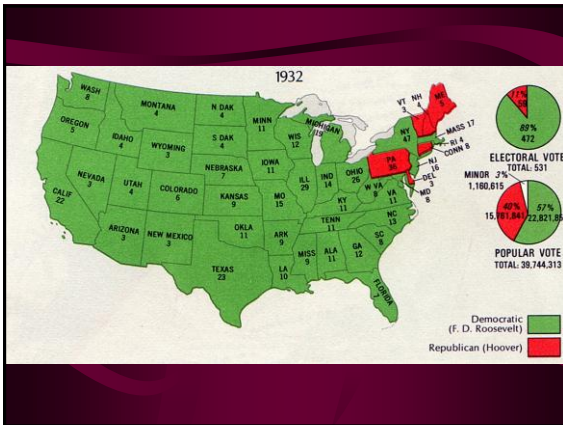
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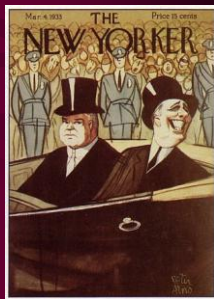
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## Situation When FDR Entered Office

- In March 1933, the country was virtually leaderless and the banking system had collapsed.




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### 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.




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### 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




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### 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




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### 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




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### 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




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### 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




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### 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



Scene in county agent's office, San Augustine, Texas. Farmer is receiving his AAA check. Photo by Russell Lee, April 1939, LOC.

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### Federal Emergency Relief Admin (FERA)

- Purpose: relief
- Gave money to states and municipalities so they could distribute money, clothing, and food to the unemployed




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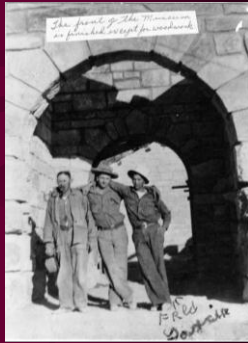
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### Civilian Conservation Corp (CCC)

- 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




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## 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



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## 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.



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## 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.



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## Second Agricultural Adjustment Act

- Purpose: recovery for agriculture
- Paid farmers for conservation practices, but only if they **restricted** production of staple crops.



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## U.S. Housing Authority

- Purpose: recovery and reform
- Used federal funds to tear down slums and construct **better** housing.



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## The New Deal on Trial

- By 1935, **political disunity** was evident. There were critics on the right and the left.



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## 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)




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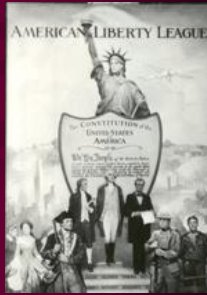
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## Anti-New Deal Organization

- 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.




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## 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.

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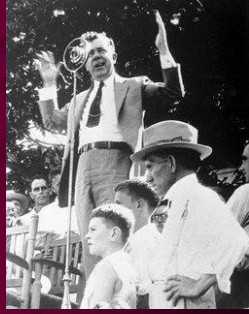
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### Senator Huey Long (LA)

- 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).




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### Father Charles E. Coughlin

- 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."




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### Dr. Francis E. Townsend

- 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.




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## Moderate Legislation

- FDR sponsored moderate legislation to silence radical opposition:
  - **Revenue Act of 1935** – Response to Huey Long. Increased taxes on large incomes and corporations.
  - **Banking Act of 1935** – Response to Coughlin. Extended federal control over private banking practices.
  - **Social Security Act of 1935** Response to Townsend. Included provisions for unemployables (dependent children, the disabled, blind), unemployment insurance, and old-age pensions.




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## The Election of 1936

- 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




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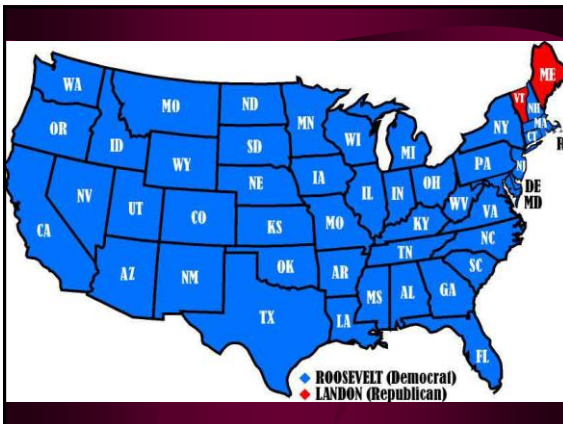
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## The Election of 1936

Candidate	Party	% Popular Vote	Electoral Votes
FDR	Democratic	60.3%	523
Alfred E. Landon	Republican	36.56%	8
William Lemke	Radical	1.93%	
Norman Thomas	Socialist	0.41% (2.21 in 1932)	
Earl Browder	Communist	0.17 (0.25 in 1932)	

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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**.




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## 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, caused in 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)




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## 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.

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## The Significance of the New Deal

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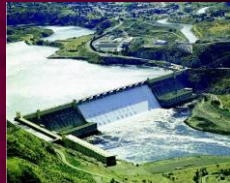
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## Physical Rehabilitation of Country

- 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




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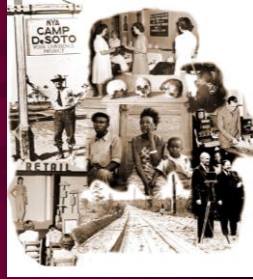
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## Human Rehabilitation

- 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**




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## 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.




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## Extension of Democracy

- Redefined the concept of **democracy** so that it included not only **political rights** but **economic security** and **social justice** as well.




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## Maintenance of a Democratic System

- 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




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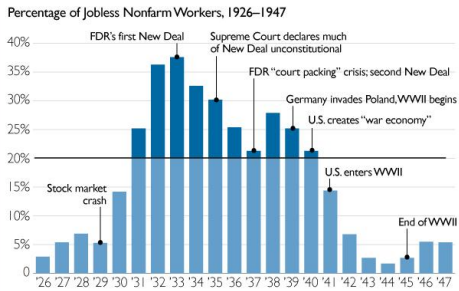
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### Unemployment Rate During the New Deal



Source: U.S. Department of Commerce, Bureau of the Census, Bicentennial Edition Historical Statistics of the United States, Colonial Times to 1970 Part 1 (1975) Washington D.C., Series D I-10 "Labor Force and its Components 1900-1947", p.126  
Chart 1 heritage.org

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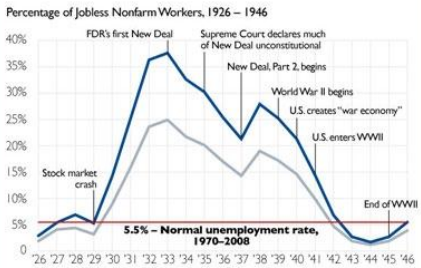
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### Unemployment Rates During the New Deal



\* From Stanley Lebergott, "Annual Estimates of Unemployment in the United States, 1900-1950."  
Sources: U.S. Census Bureau, Bureau of Labor Statistics, Global Insight.  
Chart 2 heritage.org

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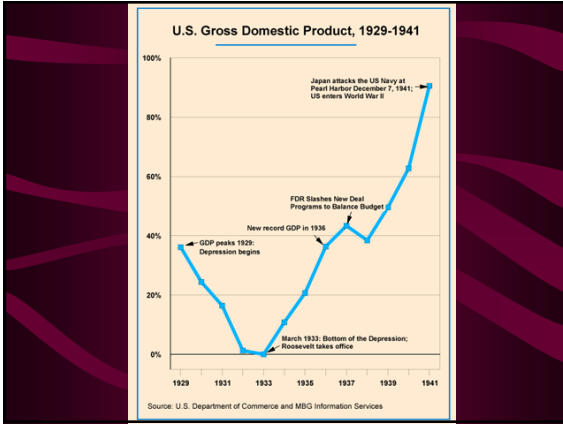
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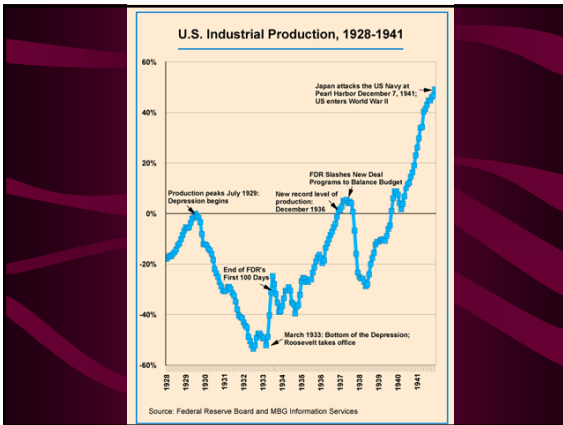
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## Government Expenditures

- 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

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