* Chapter 22
* The New Deal
* 1932-1941
* Section 1-FDR Offers Relief and Recovery
* Remember Herbert Hoover? Why did he have no chance of winning reelection in 1932?
* In 1932, the relatively unknown governor of New York, Franklin Delano Roosevelt, accepted the Democratic Party’s nomination for President.
* Franklin Roosevelt was from an upper class upbringing and had been educated at the most elite schools and colleges. He was someone who had never known economic hardship. He was very self-confident and he believed in his calling as a public servant.
* His wife, Eleanor Roosevelt would also deeply involved in public affairs.
* FDR was experienced in government. He had served in the New York State Senate, he served as Woodrow Wilson’s Assistant Secretary of the Navy and in 1920 he ran on the Democratic ticket as vice president (even though the Democrats lost that election).
* FDR suffered a great personal tragedy that began in 1921. He contracted polio while visiting a group of boy scouts and he he never fully recovered the use of his legs.
* FDR pledged a “New Deal” for the American people. At the time of the election, he only had a vague idea of how he would implement this. He was, however, convinced that the federal government needed to play an active role in promoting recovery and providing relief to Americans.
* Hoover campaigned saying that depression relief should come at the state and local level.
* FDR won a landslide victory in the election of 1932—defeating Hoover by more than 7 million votes.
* To help him come up with ways to implement the New Deal and battle the depression, FDR sought the advice of a diverse group of men and women who were experts in their fields. This group gained the nickname the “Brain Trust.”
  + FDR showed his openness by nominating 2 Republicans to the cabinet and also the first female, Francis Perkins.
* FDR also depended heavily on his wife, Eleanor. She became a face to the American people, traveling widely and serving as FDR’s “eyes and ears.”
* During his first 100 days in office, FDR had Congress pass 15 new bills. These measures became known as the **First New Deal** and they had 3 goals:
  + **Relief** from the immediate hardships of the depression
  + Long-term economic **recovery**
  + **Reform** to prevent future depressions
* FDR’s New Deal will be important because it will show that a democratic country can overcome the challenges presented by a severe economic crisis (while other countries such as Germany, Japan and Italy will turn to dictators to deliver them from economic despair).
* The day after his inauguration, FDR called Congress into special session to deal with the nation’s biggest problem: bank closures. He had Congress pass the **Emergency Banking Bill**, which gave the President broad powers—including the power to declare a “bank holiday.”
  + Banks all over the country were ordered to close for the holiday. The closings gave the banks time to get their accounts in order before they reopened for business.
* Eight days after becoming president, Roosevelt delivered an informal speech to the American people. This was the first time a president had spoken this way to Americans. This created what became known as the **fireside chats**.
  + They became an important way for Roosevelt to communicate with the American people.
  + In these speeches, FDR calmly explained to Americans what new things Congress had passed and what steps he planned to take next to relieve the depression. He reassured people by communicating honestly with them.
* FDR also reformed the nation’s financial institutions. One act created the **Federal Deposit Insurance Corporation (FDIC)**, which insured bank accounts up to $5,000.
* Next, he set up the **Securities and Exchange Commission (SEC)** to regulate the stock market and make it safer for inventments.
* These financial reforms helped restore confidence in the economy. Runs on banks ended because Americans had confidence that they would not lose their money. The stock market also stabilized as regulated trading prices reassured investors.
* Roosevelt had always been very interested in farming. He created a number of New Deal programs to aid American farmers.
* For years, the number of crops had exceeded the demand and so the prices had dropped very low.
* To counter this, Congress passed the **Agricultural Adjustment Act (AAA)** which sought to end overproduction and raise crop prices. To accomplish these goals the AAA provided financial aid, paying farmers subsidies not to plant part of their land and to kill off excess livestock.
* Many people thought this was immoral, but it worked. By 1934, the price of crops began to rise.
* FDR spent a lot of time traveling through the rural South. He visited farmers and poor people. He found that many lived without electricity, running water or proper sewage systems because it had been to expensive to provide to rural areas.
* In 1933, FDR created the **Tennessee Valley Authority (TVA)** which built a series of dams in the Tennessee River Valley to control floods and to generate electric power. The agency also replanted forests, built fertilizer plants, created jobs and attracted industry with the promise of cheap power.
* Many criticized the TVA, calling it socialist. However, it was so successful in improving the lives of rural Americans that it still exists today.
* To counter the depression’s impact on young men, FDR had Congress pass the **Civilian Conservation Corps (CCC)** which provided jobs for more than 2 million young men. They replanted forests, built trails, dug irrigation ditches and fought fires.
* Other relief agencies created by FDR included:
  + The Federal Emergency Relief Act (FERA) which grated federal funds to state and local agencies to help the unemployed
  + The Civil Works Administration (CWA) which provided jobs on public works projects
  + The Home Owners Loan Corporation (HOLC) which loaned money at low interest rates to homeowners who could not meet mortgage payments
  + The Federal Housing Administration (FHA) which insured bank loans used for building and repairing homes
  + These New Deal measures marked a clear break from the policies of the Hoover administration. How?
* The centerpiece of the New Deal’s recovery program was the National Industrial Recovery Act, which established the **National Recovery Administration (NRA)**.
  + They worked with businesses and labor leaders to develop codes of fair compensation to govern whole industries.
  + These codes provided minimum wages for workers and minimum prices for goods that businesses sold.
  + The idea was to increase the wages of workers so they could buy more goods and raise the prices so companies could make a profit.
* Another New Deal achievement was the **Public Works Administration (PWA)**, which built bridges, dams, power plants, and government buildings.
  + The PWA was responsible for building many important projects still in use today (New York City’s Triborough Bridge).
  + It’s important because it improved the nation’s infrastructure and created millions of new jobs for workers.
* A minority group of Americans expressed their opposition to the New Deal. Some felt the changes it brought were too radical and some felt it wasn’t radical enough.
* The main complaint against the New Deal was that it made the government too powerful (telling businesses how to operate, spending large sums of money, and piling up large national debt).
* To many **conservatives**, the New Deal was destroying free enterprise and undermining individualism.
* While conservatives accused FDR of supporting socialism, some leading socialists charged that the New Deal did not do enough to end the depression.
* Section 2-The Second New Deal
* Remember FDR’s goals for the first New Deal were relief, recovery and reform. Progress had been made but there was still a lot to be done.
* FDR felt that the complexities of the modern world compelled the federal government to “promote the general welfare” and to intervene to protect citizens’ rights. He used the Second New Deal to accomplish these goals.
* The **Second New Deal** addresses the problems of the elderly, the poor, the unemployed, farmers and workers.
* In the spring of 1935, Congress set aside $5 billion for new jobs and created the **Works Progress Administration (WPA),** which built or improved a good part of the nation’s highways, dredged rivers and harbors, and promoted soil and water conservation. The WPA was huge and employed more than 8 million workers.
* All of these programs were expensive and the government paid for them by borrowing. The national debt grew from $61 million to $4.4 billion. Some criticized the government’s programs as wasteful.
* Others disagreed. Economist **John Maynard Keynes** argued that deficit spending was necessary to bring the country out of the depression. He argued that putting people to work on public works projects put money into the hands of the consumers who would buy more goods, stimulating the economy. Keynes called this theory **pump priming**.
* During the depression, many elderly people lost their homes and their life savings and were living in poverty. FDR created the **Social Security Act** which established a pension for the elderly, unemployment insurance for victims of work-related accidents and provided aid for poverty-stricken mothers and children, the blind and disabled.
* Despite its flaws, Social Security proved to be the most popular and significant of the New Deal programs.
* FDR continued his support of farmers in the Second New Deal:
  + He passed the **Rural Electric Administration** (REA) to provide electricity to American farms
  + He also provided price supports helping farm prices stabilize and helping agriculture remain a productive sector of the economy
* Roosevelt believed that the success of the New Deal depended on raising the standard of living for American industrial workers. He believed this would improve the entire economy.
* The National Labor Relations Act was the most important piece of New Deal legislation.
  + It was called the **Wagner Act** and it recognized the right of employees to join labor unions and it gave workers the right to **collective bargaining** (this meant that employers had to negotiate with unions about hours, wages, and other working conditions).
  + The law also created the National Labor Relations Board to look into workers’ complaints.
* The **Fair Labor Standards Act** of 1938 provided workers with additional rights:
  + It established a minimum wage
  + It established a maximum workweek of 44 hours
  + It outlawed child labor
* Other important acts of the Second New Deal include:
  + **National Youth Administration** (NYA) which trained and provided jobs and counseling for unemployed youth between the ages of 16-25.
  + **Banking Act of 1935** finalized the creation of the FDIC and made insurance for bank deposits permanent; created a board to regulate the nation’s money supply and interest rates on loans
  + **United States Housing Authority** (USHA) subsidized construction of low-cost public housing by providing federal loans
  + **Food, Drug and Cosmetic Act** prohibited the mislabeling of food, drugs, and cosmetics and ensured the safety and purity of these products
* FDR won an overwhelming victory in the presidential election of 1936. He entered his second term determined to challenge the group that he considered the main enemy of the New Deal—the Supreme Court, which had struck down many of his programs.
* The Supreme Court had overturned one of the key laws of Roosevelt’s first 100 days. In the case *Schechter Poutlry v. United States*, 1935, the Court ruled that since the President has no power to regulate interstate commerce, the National Industrial Recovery Act was unconstitutional. The Court also ruled a key part of the Agricultural Adjustment Act unconstitutional.
* FDR proposed a plan to dilute the power of the sitting Justices of the Supreme Court. He called for adding up to six new Justices to the 9-member Court. He justified his plan by saying the Constitution did not specify the number of judges on the Court. Critics called his plan **“court packing”** because he would fill these new positions with New Deal supporters. Many saw this as an overstep of Presidential power.
* Congress did not even have time to discuss FDR’s plan before the Court began to rule his way. They began to rule in favor of New Deal legislation. Slowly, Justices began to retire, allowing FDR to appoint new Justices who supported the New Deal.
* The court packing plan is important for 2 reasons:
  + From 1937 forward, the Court more willingly accepted a larger role from the federal government
  + The plan weakened FDR politically. Before the plan, FDR was so popular that his critics could not challenge him. Now, critics felt free to take him on.
* Section 3-Effects of the New Deal
* While the New Deal provided desperately needed relief from the depression, it did not *end* the depression. However, the New Deal was very important because it brought fundamental changes to the nation.
* One of these big changes was the role of women and minorities in the efforts.
  + *Women* were provided new opportunities by the New Deal to increase their political influence and to promote women’s rights.
    - First among them was Elneanor Roosevelt who changed the office of First Lady from a ceremonial role to a position of action and deep involvement in the political process.
    - The Roosevelt administration included the first female cabinet member.
  + The President invited many *African American* leaders to advise him. These unofficial advisers became known as the **Black Cabinet**.
    - Eleanor fought aggressively for the rights of Blacks in America.
  + FDR’s administration also attempted to improve the lives of *Native Americans* by passing the **Indian New Deal**, a program that gave Indians economic assistance and greater control over their own affairs.
    - The centerpiece of the Indian New Deal was the **Indian Reorganization Act of 1934**, which restored tribal control over Native American land.
    - Eleanor also regularly visited reservations.
* By the time he died in 1945, FDR had been elected to 4 presidential terms. His legendary political skills had united an unlikely group of Americans into a strong political force called the **New Deal coalition**.
* This coalition brought together southern whites, northern blue-collar workers, immigrants, poor Midwestern farmers and African Americans.
* The New Deal coalition is important because it gave the Democratic Party a sizable majority in both houses of Congress.
* The coalition would secure the White House for the Democrats in the 6 of the next 8 presidential elections.
* Effects of the New Deal
* New Deal programs greatly increased the size and scope of the federal government.
  + For example, we see the government doing things they had never done before like distributing benefits to the elderly and withdrawing taxes directly from workers’ paychecks.
* It helped restore the American economy. It helped create the foundation for sustained and stable growth. (Banks, stock market)
* It improved the lives of industrial workers, farmers and rural Americans
* It indirectly created the **welfare state**, where the government assumes responsibility for providing for the welfare of children, poor, elderly, sick, disabled and unemployed.
  + This established the principle that the federal government was reposnsible for the welfare of all Americans.
* FDR’s presidency brought huge changes to the office of the American President:
  + Increased the power of the President and the executive branch
  + Made mass media, such as radio, an essential tool in advertising, promoting politics and communicating with the public
  + Expanded the role of the President in managing the economy
  + Expanded the role of the President in making social policy
  + Won third and fourth terms, leading to the passage of the 22nd amendment, which limits the President to 2 consecutive terms