

The Philosophy of the New Deal

The New Deal was based on the **Three R's**

- **Relief** – for those out of work
- **Recovery** – working with businesses to restore the national economy
- **Reform** – to make the necessary changes to American institutions

The First New Deal was during Roosevelt's first two years as President, the main focus being on the First R – Recovery.



One of the first steps taken as to form FDR's "**Brain Trust**", a team consisting of university professors to give the President sound economic advice. A diverse representation of African Americans, Catholics, Jews, and Women were given government positions which helped include their societies in the New Deal, in fact **Frances Perkins** became the first women to ever serve in a presidential cabinet.

The First 100 Days were very important after FDR's inauguration as the Democratically controlled House and Senate passed every law the President requested. Two major issues were immediately addressed:

1. **Bank Holiday** – since 1933 some 5,000 banks had failed and closed their doors. In order for those remaining banks to reorganize, FDR ordered that they close on Monday, March 6th, 1933.
2. **Repeal Prohibition** – the **21st Amendment** was passed repealing the 18th Amendment plus the repeal also added the **Beer-Wine Revenue Act** increasing the tax on alcoholic beverages.

Major Financial Recovery Programs of the New Deal

Emergency Banking Relief Act	Open only sound banks after the Bank Holiday
Federal Deposit Insurance Corporation (FDIC)	Guarantee individual bank deposits for up to \$5,000 per account
Home-Owners Loan Corporation (HOLC)	Refinance small homes to stop foreclosures
Farm Credit Administration (FCA)	Offer low interest loans and mortgages to farmers to stop foreclosures

Major Federal Programs for Unemployment Relief

Federal Emergency Relief Administration (FERA)	Federal money to states and local governments to help soup kitchens and jobless programs
Public Works Administration (PWA)	Money for states and local governments to build and repair roads, bridges, and dams creating thousands of local jobs
Civilian Conservation Corps (CCC)	Program to pay young men and small families a small sum to work on federal lands
Tennessee Valley Authority (TVA)	A program to build dams, power plants, control flooding and erosion, and make fertilizers for farms. The end result was to sell back electric power at well below those rates charged by private power companies

Industrial Recovery Programs

National Recovery Administration (NRA)	<p>Created in 1933 to guarantee reasonable business profit and fair wages and hours for labor. A temporary suspension of anti-trust laws helping big businesses turn around after the Depression. Workers now had the right to organize and collective-bargain</p> <p>This program worked with limited success for two years until it was found unconstitutional with the case of <i>Schechter v. United States</i></p>
Agricultural Adjustment Administration (AAA)	<p>Reduce agricultural production which will boost prices (supply and demand theories). It gave a government subsidiary for every acre that was not farmed but plowed under.</p> <p>This program was also found unconstitutional in 1935</p>

Other Important Programs of the First New Deal

Civil Works Administration (CWA)	Hired laborers for temporary federal government construction projects
Securities and Exchange Commission (SEC)	Create to regulate the Stock Market by placing strict limits on speculative practices
Federal Housing Administration (FHA)	To insure bank loans for new houses and help repair old house
U.S. Gold Standard	This halved deflation (falling prices) by fixing the national rate at \$35.00 per ounce of gold. In addition it created a new law that paper money was no longer redeemable for gold.

The Second New Deal

In 1935, President Roosevelt began his second round focusing on **Relief and Reform**

Relief Programs under the Second New Deal

Works Progress Administration (WPA)	This was from 1935 to 1940 and changed over three million men and women who were once state and local relief to become government workers. They now received double the relief rate but it was still less than a regular worker's wage. Projects included the construction of roads, airports, and bridges. Artists, writers, and actors gave American murals, primary source history writings, and acting roles.
National Youth Administration (NYA)	This created part-time jobs for students so that they could stay in school or college until they could find full time jobs.
Resettlement Administration (RA)	Loans were given to sharecroppers, tenant and small farmers. Federal camps were created so that migrants could now have decent housing.



WPA mural Long Beach, New York Post Office.



WPA mural in State-Capital Rotunda, Salt Lake City, Utah

Reform Programs under the Second New Deal

Industrial workers and farmers needed more government help than business and the privileged classes

National Labor Relations (Wagner Act, 1935)	This replaced the National Industry Recovery Act that was found unconstitutional. It guaranteed workers the right to join a union and the right to collective bargain. It outlawed business practices that were unfair to labor and created the National Labor Relations Board (NLRB) to protect workers rights.
Rural Electrification Administration (REA)	Gave loans to create electrical cooperatives to supply power to rural areas
Revenue Act of 1935 Federal Taxes	It increased taxes on the wealthy as well as increased the tax on large gifts of money and other assets from parents to their children. It increased the Capital Gains Tax – sale of stocks or property
Social Security Act	It gave payments for those over 65 years of age and created an unemployment compensation system. It provided financial aid for the blind and disabled and provided payments for needy dependent children and their others.

The Election of 1936.

President Roosevelt was popular with workers and farmers but disliked by business because of the Wagner Act and others he passed through Congress that were pro-labor. FDR's opponent in the election was **Alf Landon of Kansas**, a progressive-minded Republican. His platform criticized too much federal spending but he also accepted most of the New Deal legislation. Landon was no match for FDR who won easily. For the next 30 years, the Democratic Party were to rule the nation as they had behind them both the Southern White vote and also that of the African American.

Critics of the New Deal

Liberals and Socialists believed that there was too much for business and too little for the unemployed and the poor. They claimed FDR had failed to address the problems of the ethnic minorities, women, and the elderly.

Conservatives claimed that FDR's government had too much power. They formed organizations such as the **American Liberty League** and the **Anti-New Deal Organization** to oppose laws such as the Wagner Act and the WPA as they were seen as too close to communism or socialism as they increased regulations, took a pro-union stance, and created **deficit-financing** with the use of borrowed money.

The Demagogues were radio celebrities who aired their **anti-New Deal opinions** to the masses. **Father Charles C. Coughlin** had a weekly broadcast to "stop the evil conspiracies" and founded the National Union for Social Justice and called for the government to issue inflated currency and nationalize all of the banks. He was deemed anti-Semitic and a Fascist and the Roman Catholic Church stepped in and cancelled his show.

Dr. Francis E. Townsend was the hero of senior citizens before the Social Security bill passed in Congress. He opposed FDR's plan with a better way; create a 2% Federal Sales Tax that would create a fund for those over 60 years old and give them \$200 a month.

Huey Long was known as the "kingfish" and hailed from the State of Louisiana. He created the "**Share Our Wealth**" program and wanted the federal government to give a minimum of \$5,000.00 a year to each needy family, which was to be paid for by taxing the rich. He challenged FDR for the presidency in 1935 but his bid ended when he was assassinated.

The Supreme Court during the New Deal

Rulings from the Court frustrated FDR, especially in 1935 as they had passed unconstitutional decisions on both the National Recovery Association (NRA) and the Agricultural Adjustment Administration (AAA).

In retaliation, FDR created the **Court Reorganization Plan** and no justices were appointed during his first term. It also allowed FDR to create a "**court-packing**" bill that covered the process that for every justice over 70.5 years of age, FDR was allowed to add one additional justice. In theory, he could have added six more justices to the Supreme Court.

Both Democrats and Republicans were against this court tampering issue as it interfered with the Checks and Balances built into the Constitution. The bill was defeated in Congress.

The Rise of Unions during the New Deal Era

In the 1930's union membership was less than 3 million but by 1941 it had grown to over 10 million. More than one out of four were non-farm workers. Unfortunately there was a great deal of tension and rivalry between the unions.

The American Federation of Labor (AFL) and the Congress of Industrial Organizations (CIO)

- The AFL were skilled white male workers who were organized by crafts/skills
- Many AFL members wanted to include all races, genders and unskilled workers
- In 1935 it created the Committee of Industrial Organizations with John Lewis, the head of the United Mine Workers Union in charge
- In 1936 the AFL suspended the CIO and it renamed itself the **Congress of Industrial Organizations (CIO)** which then broke away and became the chief rival of the AFL
- The CIO organized unskilled workers in the automobile, steel, and southern textile industries.



Strikes by unions were common during the New Deal but many large companies still resisted union demands. In 1937, **General Motors** in Flint, Michigan, had a sit-down strike. In response, General Motors allowed the reorganization of the United Auto Workers Union but Ford Motors did not accept the union and any union leaders were driven away from Ford factories.

U.S. Steel allowed for a reorganization of their CIO union but many of the smaller steel companies resisted any union demands. On Memorial Day 1937, union pickets set up a protest at the **Republic Steel** factory in Chicago. The demonstrators were met by the police who opened fire on the crowd and four people died.

By 1941 however, almost all steel companies were CIO shops.

In response to all of these workers protests, Congress passed the **Fair Labor Standards Act** in 1938.

- The **Minimum Wage** was now fixed at \$0.40 per hour
- The **Maximum Workweek** was fixed at 40 hours, time-and-a-half for overtime
- **Child labor restrictions** were enforced for those under 16

The Last Phase of the New Deal

The **Fair Labor Standards Act** was in fact the last act and only major reform during FDR's second term.

The New Deal came to an end partly due to the following events:

1. The **Recession of 1937-1938**. During his first four years the economy had risen but it reversed during the Winter of 1937. The new Social Security Tax had reduced consumer spending. In addition, the government had started to cut back on relief and public works plans.
2. **Keynesian Economics**. John Maynard Keynes, a British economist, criticized FDR for trying to balance the federal budget. According to Keynes, "deficit spending was acceptable during difficult time and any government had to spend above the tax revenues to restart economic growth." When FDR began to cut back on government expenditures, he was not promoting the economy and therefore working against Keynes' theory.
3. The **Election of 1938** reduced the Democratic majority in Congress. A new coalition of both Republicans and Conservative Democrats was formed and blocked many new legislation bills.
4. By 1938, the nation was deeply concerned over **Nazi Germany**. Focus now switched from domestic to international affairs.



"Construction of a Dam," a WPA poster during the New Deal