



Chapter 33

The New Deal and Its Legacy

How did the expansion of government during the New Deal affect the nation?

33.1 Introduction

Franklin D. Roosevelt came from a wealthy New York family. He grew up on a large estate overlooking the Hudson River and attended exclusive private schools, including Harvard College. During his youth, Franklin had little contact with working-class Americans, except perhaps his parents' servants.

When Franklin fell in love with Eleanor Roosevelt, a distant cousin, she broadened his awareness. Eleanor had been taught that the wealthy have a duty to help the poor. She acted on this duty by working to improve conditions in factories and sweatshops and teaching immigrants at a settlement house in New York City. One day in 1903, while Franklin was still a college student, Eleanor took him to the home of one of her young pupils. The girl lived in a tenement in a poor neighborhood, and the dark, crowded home shocked Franklin. He declared that he "could not believe human beings lived that way." That day, Franklin Roosevelt opened his eyes to the harsh reality of life for the poorest Americans.

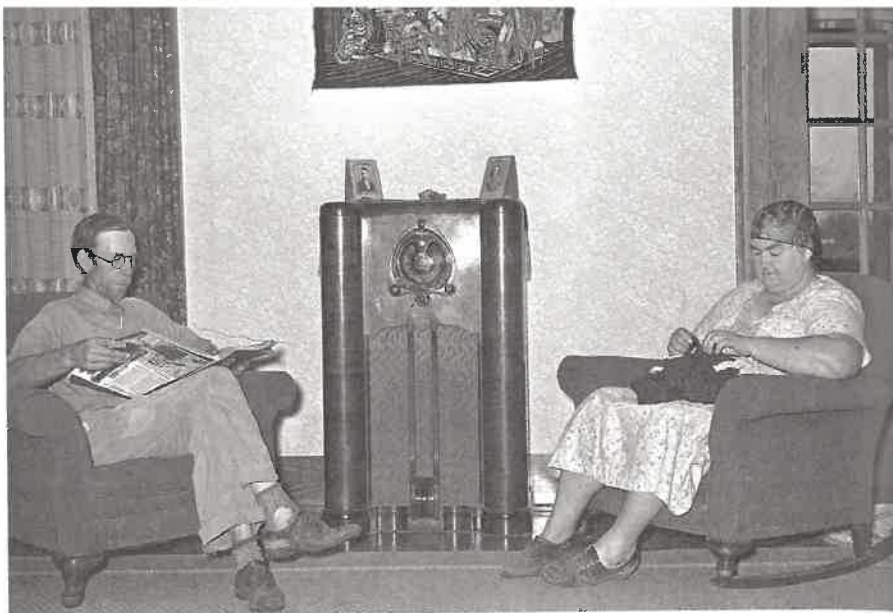
In the following years, Roosevelt became a skillful politician. Serving as assistant secretary of the navy and as governor of New York, he earned a reputation for being someone who could "get the job done." Spurred on by his memory of how the poor lived, he pushed for social and economic reforms. In the 1932 presidential election, Roosevelt stormed to victory in part because he promised to help the working men and women whose labor energized the American economy. He vowed to defeat the Great Depression by relying on plans "that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid."

FDR was elected to four terms as president. During the first two terms, his New Deal programs gave hope to millions of Americans. He worked to find jobs for the unemployed and urged Congress to do more for those in need. In the process, he changed the role of government in American life.



At 39, Roosevelt contracted polio and lost the use of his legs. "If it hadn't been for his affliction, he never would have been President," noted an aide. "In those earlier years, he was just a playboy . . . During his long illness he began to read deeply and study public questions." This statue of FDR in his wheelchair sits in the Franklin Delano Roosevelt Memorial in Washington, D.C.

In this photograph, a Texas couple listens to one of Roosevelt's fireside chats. With his radio addresses, FDR revolutionized the relationship between the president and the people. After his first fireside chat, hundreds of thousands of letters flooded into the White House. Thereafter, FDR received about 6,000 letters a day. To manage the volume of mail, the White House increased its mailroom staff from one or two clerks to dozens of mail handlers.



33.2 The First New Deal

In 1933, some 13 million Americans—nearly one fourth of the workforce—were unemployed. FDR recognized that getting people back to work was his primary task as president. But he also understood that businesses needed help. Since 1930, thousands of banks and other companies had closed their doors. The production of goods had fallen by more than half.

FDR also knew that he must calm people's fears. To do this, he gave a series of radio addresses called "fireside chats." In these brief broadcasts, the president explained his plans and asked Americans for their support. FDR's soothing voice and upbeat tone greatly appealed to people, and he quickly gained the public's trust. They in turn backed the New Deal programs of the First Hundred Days, often called the First New Deal.

Restructuring the Financial Sector President Roosevelt first attacked problems in the financial sector—the areas of money, banking, and investment. On March 6, 1933, he ordered all banks to close temporarily. This banking holiday stopped the steady withdrawal of funds from financial institutions. Over the next few days, officials put together the Emergency Banking Act, and Congress quickly passed it into law. This law reformed the banking system and gave the federal government more power to supervise bank activities.

On March 12, with many banks set to reopen the next day, FDR gave his first fireside chat. He hoped to restore confidence in the banking system. About 60 million radio listeners tuned in to the broadcast to hear the president explain the government's efforts to halt the banking crisis. He called on Americans to do their part as well. "I can assure you," he said, "that it is safer to keep your money in a reopened bank than under the mattress." The following day, deposits began to flow back into the nation's banks.

A month later, Congress passed the Banking Act of 1933. This law created the Federal Deposit Insurance Corporation (FDIC), which guaranteed individual bank deposits up to \$5,000. This guarantee helped restore public confidence in banks and stabilize the banking system. The law also limited the freedom of banks to trade in stocks and bonds. Before the stock market crash, banks had used depositors' savings for risky, speculative investments.

Speculation in stocks had helped cause the 1929 crash. Part of the problem was ignorance. Many investors lacked reliable information about investments. Together, FDR and Congress set out to reform the stock market. A key step was the creation of the Securities and Exchange Commission in 1934. The SEC required companies to publish the important facts about their business. It also regulated the activities of stockbrokers and others in the investment business.

Shoring Up the Free Enterprise System During the Great Depression, some people thought the free enterprise system had failed. They wanted to do away with it, but FDR differed—he wanted to help the system recover. As with the New Deal in general, the president did not have a master plan for economic recovery. He preferred to experiment, even though he knew that some programs would succeed and others would fail. One of his grandest experiments was the **National Industrial Recovery Act (NIRA)** of 1933.

The NIRA was the centerpiece of the New Deal's efforts to breathe life into the economy. It was designed to increase production while boosting wages and prices. Its goals were to make more goods available and to give consumers more money with which to buy them. The NIRA targeted the needs of three groups: business, labor unions, and the unemployed.

To help business, the law set up the National Recovery Administration (NRA). This government agency worked with business leaders to create codes of fair competition in various industries. Each industry followed its own code, which required companies in that industry to standardize products, set minimum prices, and announce any expected price increases. With the NRA, the New Deal increased government regulation and economic planning and moved away from the laissez-faire policies of the past.

To help labor unions, the NIRA guaranteed workers the right to organize and bargain collectively. It also authorized the NRA to propose codes for establishing minimum wages and maximum hours in various industries. These measures represented a new level of government support for organized labor.

To help the unemployed, the NIRA allotted \$3.3 billion for various public works. It established the Public Works Administration (PWA) to oversee these construction projects. FDR hoped not only to create jobs but also to restart the economy with a large infusion of government cash. Unfortunately, the PWA spent its money so slowly that it had little effect on jobs or the economy.

Paying Farmers Not to Plant Another piece of recovery legislation created the **Agricultural Adjustment Administration (AAA)**. This agency tried to aid farmers by reducing crop production and raising prices. Farmers had long suffered from low market prices for their products, which eroded their purchasing power—their ability to buy farm machinery and other goods. Many farmers also lost their farms because they were unable to pay their mortgages.

The aim of the AAA was to raise crop prices to reach **parity**. This is the price that gives farmers the same purchasing power they had during an earlier, more prosperous time. To raise prices, the AAA paid farmers to plant fewer crops. In theory, this would reduce crop supplies and increase market demand, thereby boosting prices. The AAA also provided loans to farmers so they could pay their mortgages and stay on their land rather than join the jobless in cities.



Support for the NRA was widespread. Here, female film industry workers march with an American flag during the National Recovery Administration Parade.



The AAA sought to reduce crop production and raise prices to help farmers. Here, an AAA worker is examining the surface of the land to find ways that can improve farming.



The New Deal funded public works projects to stimulate the economy and put people back to work. Among the largest projects were dams like those built for the Tennessee Valley Authority. Workers also built bridges and roads, planted trees, and cut trails through national forests. This Depression-era mural by artist William Gropper is titled *Construction of the Dam*.

Promoting Economic Development and Homeownership Another New Deal program worked to promote economic development in one of the poorest regions of the country, the Tennessee River valley. In 1933, at the urging of the Roosevelt administration, Congress passed a bill creating the Tennessee Valley Authority. The TVA, an independent government agency, built a series of dams on the Tennessee River and its tributaries. These dams provided flood control and hydroelectric power to seven southern states. The TVA also battled erosion and deforestation, both processes that posed serious problems in the Tennessee Valley. In addition, this far-reaching program brought badly needed jobs to the region and encouraged businesses to invest there.

The New Deal also created two new federal agencies that would deal with housing issues. Like farmers, many homeowners had lost their homes because they could not pay their debts. One agency, the Home Owners' Loan Corporation, provided loans to help people meet their mortgage payments. The other agency, the Federal Housing Administration (FHA), gave a boost to the banking and construction industries by insuring mortgage loans up to 80 percent of a home's value.

Remembering the "Forgotten Man" After FDR's inauguration, more than 450,000 Americans wrote letters to the new president. Many of them pleaded for help. During his campaign, FDR had promised to remember the "forgotten man." Now, under the First New Deal, he carried out that promise by providing relief programs designed to help ordinary Americans as they struggled to survive the Depression.

One important work-relief program was the **Civilian Conservation Corps (CCC)**, which gave young men jobs planting trees and working on other conservation projects. A much larger program, the Federal Emergency Relief Administration (FERA), took an approach different from providing people with work. Instead, it sent funds to state governments, which then distributed the cash to the needy. For the first time in American history, a federal agency provided direct relief to the unemployed. State and local agencies also pitched in with supplies of food and clothing to help the poor.

33.3 Protests and Political Challenges

The flurry of activity during the First Hundred Days caught most Americans by surprise. Few would have predicted that so much could be done so quickly. However, while Roosevelt managed to instill hope in desperate Americans, he had not yet beaten the Depression. Unemployment remained high, and the economy remained flat. Gradually, discontent with FDR's policies surfaced.

Critics Attack the New Deal When the early New Deal failed to restore economic prosperity, critics began to question FDR's approach. Many of these critics had ideological differences with FDR. Some came from the **right wing**, those on the conservative side of the political spectrum. Others came from the **left wing**, those on the liberal side. At the two extremes existed the people with the most radical views. In the center stood the political moderates. When asked whether he was "left or right politically," FDR claimed to be part of the mainstream near the center of the spectrum. "I am going down the whole line a little left of center," he said.

Right-wing critics generally thought the New Deal had gone too far in expanding the role of the federal government. These critics included a mix of conservative politicians, wealthy industrialists, bankers, and religious leaders. Some of these critics joined forces in 1934 to form the American Liberty League. This organization attacked FDR as a leftist radical and called New Deal legislation socialist and unconstitutional. One of the league's founders was Al Smith, a former New York governor and the Democratic candidate for president in 1928. In 1936, Smith bitterly attacked the New Deal as a betrayal of Progressive ideas about good government and threw his support to the Republican candidate for president.



Although the First New Deal was popular with most Americans, it sparked criticism from both the left and the right. Critics on the right complained that much of the tax money being pumped into the economy by New Deal programs was being wasted. Critics on the left argued that the New Deal was not doing enough to help those in need.



Huey Long was a powerful speaker with an emotional delivery that could cast a spell over his audience. The Louisiana senator and former governor attacked the New Deal for not doing enough to help poor Americans. He held much in common with the Populists of the 19th century.

Left-wing critics of the New Deal generally thought the New Deal should give greater aid to the needy. Robert La Follette, a progressive Republican senator, favored larger public works programs. Dr. Francis Townsend devised a plan calling for a monthly payment of \$200 to everyone over the age of 60. Recipients would promise to retire and spend the money in the same month it was issued. Townsend claimed his plan would free up jobs for younger workers and boost the economy.

Socialists offered more critical views from the left. Norman Thomas, leader of the Socialist Party, found little to praise in the New Deal, except for the TVA. He likened this program to "a beautiful flower in a garden of weeds." Another socialist, the muckraker Upton Sinclair, called for a more radical New Deal. He urged California's state government to buy, rent, or seize unused land and factories and give them to jobless workers to use to produce their own food and goods. He called his program End Poverty in California (EPIC). Sinclair ran for governor of California in 1934 on the EPIC platform but was soundly defeated.

Demagogues Turn Up the Heat At the extremes of the political spectrum, **demagogues** also denounced the New Deal. A demagogue is a political leader who appeals to people's emotions and prejudices. Charles Coughlin, a Roman Catholic priest, attracted millions of listeners to his radio broadcasts. With his dynamic voice, the "radio priest" stirred up hatred against Wall Street bankers and greedy capitalists. He grew increasingly critical of Roosevelt for not doing enough to help the poor, saying that FDR had "out-Hoovered Hoover."

Huey Long, regarded by his supporters as a champion of the poor, seemed to his opponents a wild-eyed demagogue. A Louisiana senator with Populist appeal, Long colorfully portrayed himself as the hero of the common man in the fight against big business. In 1934 he launched his Share Our Wealth program with the slogan "Every Man a King." Long wanted to take money from the rich and give every American family a grant of \$5,000, a guaranteed job, and an income of at least \$2,500 per year. He explained the idea behind his program this way:

It is our estimate that 4 percent of the American people own 85 percent of the wealth of America . . . Any man with a thimble-full of sense ought to know that if you take 85 percent off of that table and give it to one man that you are bound to have two thirds of the people starving because they haven't got enough to eat. How many men ever went to a barbecue and would let one man take off the table what's intended for nine tenths of the people to eat? The only way to be able to feed the balance of the people is to make that man come back and bring back some of that grub that he ain't got no business with!

—Huey Long, "Share our wealth" speech, 1934



The WPA's Federal Art project provided jobs for more than 5,000 artists who created over 200,000 works of art. Many of the work that the WPA commissioned were murals that depict scenes from American life, like the one shown here. This mural was painted on a courthouse in Trenton, New Jersey. Many of the WPA artists were inspired by famed Mexican muralist Diego Rivera.

33.4 The Second New Deal

To meet challenges from the right and the left, Franklin Roosevelt took to the airwaves once again. In a June 1934 fireside chat, he asked Americans to judge the New Deal's progress by "the plain facts of your individual situation. Are you better off than you were last year?" The response of most Americans was loud and clear. In the November 1934 congressional elections, Democrats gained a large number of seats in both the House and the Senate.

The huge Democratic victory encouraged FDR. In 1935, he began introducing another flurry of legislation. In part to counter the demagogues, FDR shifted his focus away from recovery and toward social and economic reforms. He aimed to provide Americans with relief, stability, and security. Many historians call this round of programs the Second New Deal.

Energizing the Country with Electricity and Jobs In the spring of 1935, Congress passed FDR's Emergency Relief Appropriation Bill. FDR called it the Big Bill because it created several new agencies and called for nearly \$5 billion in new spending, an unprecedented increase.

One of the new agencies was the Rural Electrification Administration (REA). In 1935, fewer than 20 percent of American farms had electricity. The REA established hundreds of publicly owned electrical cooperatives, built generating plants, and strung power lines. When it completed its work, about 90 percent of the country's farms had access to cheap power.

The Big Bill also spawned a huge agency called the **Works Progress Administration (WPA)**. The WPA, a work-relief organization, put more than 3 million Americans to work in its first year. They built hundreds of thousands of bridges, public buildings, and parks. At the urging of Eleanor Roosevelt, the WPA also established arts projects. It hired unemployed artists to paint murals in public buildings. Musicians combed the American backcountry to find and record folk music. Writers created guidebooks to the states.

The WPA generated a lot of controversy. Many conservatives denounced the program's cost, while labor unions attacked it for depressing wage rates. Despite the criticisms, the program continually expanded. By 1936, the WPA employed 7 percent of the American workforce.

The Supreme Court Attacks the New Deal Meanwhile, the Supreme Court had begun weighing in on key New Deal programs. In 1935, in the case *Schechter Poultry Corp. v. United States*, it struck down the National Industrial Recovery Act. The court ruled that the act violated the constitutional separation of powers by giving the president, rather than Congress, the power to issue “codes of fair competition” to businesses.

The next year, the Court killed the Agricultural Adjustment Act on the grounds that a law “to regulate and control agricultural production [was] a matter beyond the powers delegated to the federal government.” It also struck down a New York law setting a minimum wage for workers. Roosevelt fumed that the Court had created a “no-man’s land” where no government, state or federal, could act effectively.

A Bill of Rights for Workers Despite the Court’s rulings, FDR continued to push for reform legislation. A month after the Supreme Court declared the NIRA unconstitutional, Congress passed a new bill to protect workers. The National Labor Relations Act, also called the **Wagner Act** for the senator who sponsored it, came to be seen as a bill of rights for organized labor.

The Wagner Act guaranteed workers “the right to self-organization, to form, join, or assist labor organizations, [and] to bargain collectively through representatives of their own choosing.” To protect these rights, the act created the National Labor Relations Board (NLRB). This board had the power to supervise union elections to ensure that they were free and democratic. It could also penalize employers for “unfair labor practices,” such as attempting to discourage workers from joining or forming a union.

Congress passed a related bill in 1938. The Fair Labor Standards Act regulated conditions in the workplace. It also set a minimum wage of 25 cents an hour and a maximum 44-hour workweek for most workers. In addition, the act banned “oppressive child labor.” Together, the Wagner Act and the Fair Labor Standards Act met many of the longstanding demands of American workers and promised to make their lives more secure.

The National Labor Relations Board (NLRB) had the power to supervise union elections and regulate some union laws. Here, the chairman of the NLRB calls for fewer restrictions on the Wagner Act.



Economic Security for Americans FDR also addressed the long-term problems of the aged and unemployed. “Among our objectives,” he told Congress in January 1935, “I place the security of the men, women, and children of the nation first.” Later that month, FDR revealed his landmark **Social Security Act**. Congress passed the bill in June, and in August the president signed it into law. At the signing ceremony, FDR said,

We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes [unexpected changes] of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age.

—Franklin Roosevelt, August 14, 1935

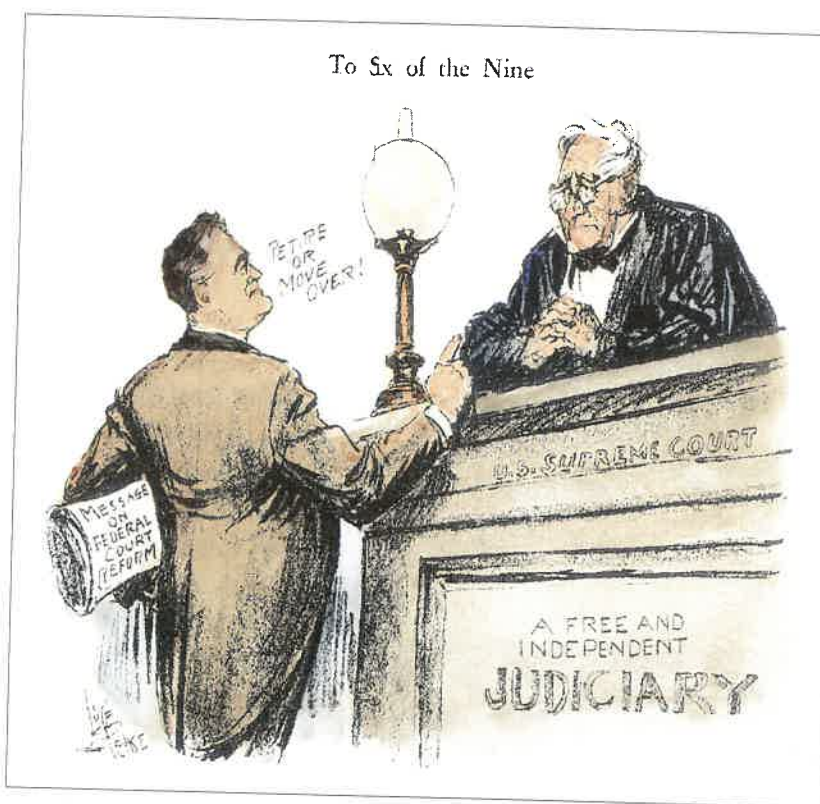
The Social Security Act created a social insurance program that provides two main types of benefits: retirement and disability. Retirement benefits are cash payments made to retired workers sometime after they reach the age of 62. This is the program most often associated with Social Security today. The government finances these payments by taxing current workers and their employers. Disability benefits are payments made to workers who have become too disabled to continue working, regardless of their age. Severely disabled children are eligible for Social Security disability benefits as well.

The Social Security Act also set up an unemployment insurance program for workers. This program makes payments to people who have lost their jobs and are seeking new work. Its funding comes from taxes on employers. Usually, unemployment benefits last for up to six months. However, Congress has sometimes extended benefits for longer periods during economic recessions.

Battling the Supreme Court In 1936, FDR won a second term as president with a landslide victory. He viewed this victory as a **mandate**—a grant of authority—to extend the New Deal further. But FDR feared that the Supreme Court would continue to block his efforts. By then, several Court decisions had threatened his attempts to give government a greater role in stabilizing the economy and society. FDR's frustration led him to take a controversial step.

In 1937, FDR presented Congress with legislation to redesign the Supreme Court. The bill called for adding a new justice for every sitting justice over age 70. FDR claimed that the Court was behind in its work, partly because aging justices could not keep up. But his real intention was clear. He wanted to pack the Supreme Court with liberal justices who would favor New Deal programs. Republicans and Democrats alike expressed outrage at FDR's court-packing plan. So did the American people. Congress rejected the bill.

Around this time, the Supreme Court shifted course, becoming more accepting of government regulation of the economy. In 1937, the Court upheld both the Social Security Act and the Wagner Act. In these decisions, the Court redefined its understanding of liberty. Conservatives, backed by the Court, had long equated liberty with the freedom of private enterprise to act without government interference. Chief Justice Charles Evans Hughes observed that there was no constitutional basis for this narrow definition. In fact, he said, the Constitution supported a broader definition of liberty that included "the protection of law against the evils which menace the health, safety, morals, and welfare of the people." That is, government could promote liberty by using its powers to ensure fair treatment of all Americans.



Roosevelt's scheme to put more liberal justices on the Supreme Court backfired. Opponents accused him of threatening the independence of the judiciary and undermining the system of checks and balances. Congress rejected the court-packing plan and dealt FDR a harsh political blow.

New Deal legislation supporting workers' right to organize spurred the growth of labor unions. In 1937, a sit-down strike was organized by the United Auto Workers union at the General Motors plant in Flint, Michigan. A sit-down strike occurs when workers take over their workplace by "sitting down" on the job, preventing employers from replacing strikers with scabs. Here, a striker sits down with his supportive fiancée.



33.5 Social and Political Impacts

The New Deal was a bold attempt to resolve the worst economic crisis in American history. President Roosevelt wanted to use the vast power of the federal government to end the Depression. But he also wanted to create a more just society. The United States, he said, should become "a country in which no one is left out." The New Deal's sweeping reforms aimed, in part, to meet this social objective. Workers, women, and members of minorities all felt the impact of the New Deal, though some got a better deal than others.

A Good Deal for Workers The New Deal helped many workers by strengthening the labor movement. First the NIRA and then the Wagner Act guaranteed the right of workers to form unions and to bargain collectively. This change in government policy boosted the power of labor unions. They now stood on a more equal footing with employers.

As unions became stronger, they also began to grow. This growth presented a challenge to the American Federation of Labor (AFL), a large and powerful alliance of unions. From its birth in the late 1800s, the AFL had organized skilled workers according to their craft, such as welding or printing. It had left less-skilled workers to fend for themselves. During the 1930s, activists within the AFL began demanding that it organize workers not by craft but by industry. That way, all workers in an industry would belong to the same union.

John L. Lewis, head of the United Mine Workers union, became one of the strongest supporters of this idea. In 1935, Lewis helped form a group within the AFL to organize workers in mass-production industries. This group later took the name **Congress of Industrial Organizations (CIO)**. The AFL suspended Lewis's group in response to its industry-wide organizing. In 1938, the CIO formed an independent federation.

The CIO grew quickly, accepting African American workers and other laborers shunned by the AFL. It organized unions in the automobile, rubber, and steel industries. The CIO's success, aided by New Deal laws supporting labor, helped swell union membership. Less than 14 percent of workers belonged to unions in 1935. By 1940, union membership would climb to almost 28 percent of the total labor force.

A Mixed Deal for Women Women also made some advances during the New Deal. Much of this progress stemmed from the influence of Eleanor Roosevelt. The first lady played a key role in the FDR administration. Her experience working with the poor gave her insight into the needs of factory workers, tenant farmers, and others hit hard by the Depression. She traveled the country, meeting people, assessing their needs, and reporting back to the president. She pushed him to be more daring in advancing his social agenda. She especially encouraged him to place more women in government positions.

Under FDR, the government hired an unprecedented number of women—more than in any previous administration. Talented women, such as Frances Perkins, reached high positions in government for the first time. Perkins, FDR's secretary of labor, proved to be an outstanding adviser to the president. The first female member of the cabinet, she worked tirelessly to shape and administer such programs as Social Security and the Fair Labor Standards Act. Another prominent figure, Mary McLeod Bethune, served as a special adviser to the president on minority affairs. She also worked in the National Youth Administration (NYA), where she fought to increase opportunities for young African Americans.

Not all women fared as well, however. As the Depression deepened, women were pressured to leave the workforce to free up jobs for men with families to support. The Economy Act of 1932 prohibited a husband and wife from both working for the federal government. State and local governments banned the hiring of a woman whose husband earned "a living wage." Other employers simply refused to hire married women at all. Labor unions often supported the exclusion of women from the workforce. "The working wife whose husband is employed," argued one union leader, "should be barred from industry."

A Disappointing Deal for African Americans The New Deal offered some hope for black Americans, a group hit especially hard by the Depression. Competition for jobs, along with discrimination in hiring, pushed the unemployment rate for blacks well above that for white Americans. Direct government relief as well as work-relief programs such as the CCC and the WPA helped many poor African Americans survive. At the same time, more educated African Americans got jobs in government. A lawyer named William Hastie rose from a position as an adviser to the president on race relations to become the first African American to serve as a federal judge.

Still, African Americans continued to suffer from oppression. Even New Deal agencies practiced racial segregation, especially in the South. FDR himself failed to confront the evil of lynching, which claimed the lives of some 60 blacks between 1930 and 1934. In 1935, a federal antilynching bill came before Congress, but FDR declined supporting it for fear of offending powerful southerners in Congress.

Eleanor Roosevelt took a more courageous stand on civil rights. In 1939, the Daughters of the American Revolution refused to allow a renowned black singer, Marian Anderson, to perform at Constitution Hall in Washington, D.C. Roosevelt arranged for her to sing outdoors, on the steps of the Lincoln Memorial. A crowd of 75,000 people, including many members of Congress, attended Anderson's performance.







Eleanor Roosevelt played a key role in the New Deal. She traveled the country, acting as her husband's eyes and ears. She pushed hard for better treatment of women and minorities. One journalist called her "the most influential woman of our times."



In 1939, Marian Anderson sang to a crowd of 75,000 people at the Lincoln Memorial. Here, Secretary of the Interior Harold Ickes congratulates Anderson at her concert. Eleanor Roosevelt arranged this opportunity after the Daughters of the American Revolution did not allow Anderson to perform at Constitution Hall.

Who Benefited from the New Deal?

	Providing Relief	Stimulating Recovery	Promoting Reform
The Hungry and Homeless	Provided funds to state and local relief agencies: 1933 Federal Emergency Relief Administration		
The Unemployed	Created jobs: 1933 Civilian Conservation Corps (CCC) 1933 Public Works Administration (PWA) 1933 Civil Works Administration 1933 Tennessee Valley Authority (TVA) 1935 Works Progress Administration (WPA) 1935 National Youth Administration (NYA)	Built hospitals, schools, dams, power plants, and highways that stimulated economic growth: 1933 Public Works Administration (PWA) 1933 Tennessee Valley Authority (TVA) 1935 Works Progress Administration (WPA)	Created a publicly owned electric utility to compete with private utilities: 1933 Tennessee Valley Authority (TVA)
Homeowners	Helped homeowners make mortgage payments: 1934 Home Owners Loan Corporation	Guaranteed loans for home building and repairs: 1934 Federal Housing Administration (FHA)	Cleared slums and built low-cost housing: 1937 United States Housing Authority
Farmers	Provided cash and loans: 1933 Agricultural Adjustment Act 1934 Farm Mortgage Foreclosure Act	Raised crop prices by regulating crop production: 1933 Agricultural Adjustment Act	Improved rural life with electric power and better farming practices: 1936 Rural Electrification Administration (REA) 1937 Farm Security Administration (FSA)
The Elderly, Disabled, and Dependent	Aided the blind, the disabled, and dependent children: 1935 Social Security Administration	Encouraged older workers to retire to open up jobs: 1935 Social Security Administration	Provided pensions to retired workers: 1935 Social Security Administration
Workers		Recognized the right of collective bargaining: 1933 National Recovery Administration (NRA)	Protected workers' rights and set a minimum wage: 1935 National Labor Relations Board (NLRB) 1938 Fair Labor Standards Act
Businesses and Consumers		Established codes of fair competition: 1933 National Recovery Administration (NRA)	Required companies to list ingredients on products: 1938 Food, Drug, and Cosmetic Act
Banks and Depositors		Restored confidence in banks by insuring deposits: 1933 Federal Deposit Insurance Corporation (FDIC)	Regulated bank practices: 1933 Emergency Banking Act 1933 Federal Deposit Insurance Corporation (FDIC)
Investors		Increased confidence in the stock market: 1933 Securities Act	Regulated trading in the stock market: 1934 Securities and Exchange Commission (SEC)

A Better Deal for American Indians For American Indians, the New Deal had some positive results. Even before the Depression, many Indians lived in grinding poverty. Federal efforts to assimilate them into mainstream America had trampled on their cultures and traditions. FDR's commissioner of Indian affairs, John Collier, hoped to repair some of the damage with an Indian New Deal.

Collier ended the policy of forced assimilation, replacing government-run boarding schools with public schools on reservations. He also encouraged greater cultural awareness about American Indians and improved health care for them. As well, he tried to give Indian tribes more control over policies that affected their lives. Under the terms of the Indian Reorganization Act of 1934, Indian communities received the right to set up their own tribal governments.

The Indian New Deal did not lift Indians out of poverty or bring back traditional Indian ways. But it did reverse some harmful federal policies and restore some pride and hope to Indian communities.

A Tough Deal for Mexican Americans Like other ethnic minorities, Mexican Americans faced poverty and unemployment during the Depression. As the economy shrank, jobs dried up in the Southwest, where most Mexican Americans lived. Failing farms and businesses could not afford to hire laborers. The AAA, which paid farmers to cut back on planting, led to even more unemployment among farmworkers. Some jobless Mexican Americans resettled in cities. Others relied on work-relief programs for their survival.

Mexican laborers who were not American citizens could not enroll in work relief. More than a third returned to Mexico, many with their American-born children. Most went willingly, but the government deported others.

The Emergence of a New Deal Coalition in

Politics Although the New Deal failed to bring concrete gains for many women and minorities, for most Americans its benefits outweighed its shortcomings. The belief that government could make a difference in voters' lives inspired many people to become more involved in politics. When they did, they often supported Democratic candidates. For example, in the 1936 election, over 70 percent of African American voters cast their ballots for Roosevelt. This marked a major shift for the black population, which had traditionally supported Republicans as the party of Lincoln and Emancipation.

The 1936 election signaled the emergence of a new political partnership known as the **New Deal Coalition**. Besides women and minority groups, the coalition included industrial workers, farmers, immigrants, reformers, southern whites, and city dwellers. What held these unlikely partners together was their loyalty to the Democratic Party and its leader, Franklin Roosevelt. For all their differences, they trusted FDR when he said, "The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."



Even though unemployment remained high, FDR easily won a second term in 1936. Among his supporters were farmers. Here, Roosevelt visits farmers in North Dakota during his campaign. Later, Roosevelt would run for an unprecedented third and fourth term as president.



Social Security is one of the most popular and enduring legacies of the New Deal. Millions of Americans rely on Social Security benefits. Several plans have been put forward to cut back on welfare. Here, protesters resist cuts to Social Security.



If you live and work in the United States, you should have a Social Security card and Social Security number. This is the number that the federal government uses to keep track of you, your earnings, and your future benefits. You will have the same Social Security number throughout your life.

33.6 Legacy of the New Deal

New Deal policies did not end the Depression. The economy continued to struggle into the 1940s. But the New Deal did help millions of Americans cope with hard times. It also had a lasting impact on American government and society, leaving a legacy that affects all Americans today.

Unalienable Rights: Life, Liberty, and Economic Security One major legacy of the New Deal is the idea that Americans have a right to economic security. Franklin Roosevelt, who began an unprecedented fourth term as president in 1944, explained this idea in his State of the Union address that year:

This Republic had its beginning, and grew to its present strength, under the protection of certain inalienable political rights—among them the right of free speech, free press, free worship, trial by jury, freedom from unreasonable searches and seizures . . . As our Nation has grown in size and stature, however—as our industrial economy expanded—these political rights proved inadequate to assure us equality in the pursuit of happiness. We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence.

—Franklin Roosevelt, January 11, 1944

FDR went on to list a number of rights that emerged from the New Deal, including the right to a job, adequate wages, a decent home, medical care, and a good education. Today we take many of these rights for granted. We also accept that the government is responsible for guaranteeing these rights.

Before the New Deal, private charities bore the burden of caring for the needy. But the severity of the Depression changed popular notions of charity. The crisis was so severe that it could be tackled only by using the enormous resources of the federal government. Americans began to accept the idea that many people could not survive without public assistance.

Most New Deal programs offered short-term relief to cope with the immediate effects of the Depression. The Social Security Act did something different, however. This milestone legislation established long-term assistance for those in need. By doing so, it laid the foundation for the modern **welfare state**. A welfare state is a social system in which the government takes responsibility for the economic well-being of its citizens.

Critics at the time grumbled that government assistance undermined the American principles of self-reliance and individualism. Nevertheless, government assistance continues today in various forms. It now includes a wide array of programs, from health insurance for older Americans to food stamps for the poor and parity price supports for farmers. These are known as entitlement programs, as people who meet eligibility requirements are entitled to receive certain benefits from them. All these programs owe their existence to the New Deal.

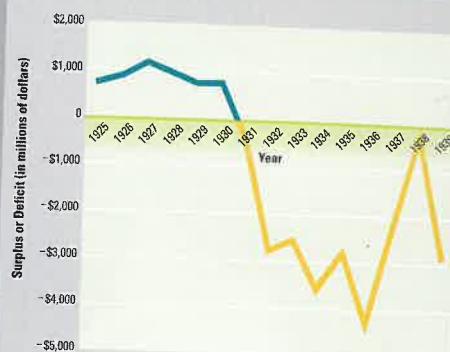
A Larger Role for Uncle Sam in People's Everyday Lives Another notable legacy of the New Deal is the expanded role of government. Traditionally, Americans have distrusted government power. A limited government, the founders said, protects against tyranny. However, to battle the Depression,

FDR actively involved the federal government in the economy. He also used it to advance his agenda of social justice. As a result, the government grew. Each federal program required a new agency to administer it, which enlarged the government bureaucracy. The cost was enormous. To meet the expense, FDR reluctantly resorted to **deficit spending**, or spending more than the government receives in revenues. He financed the deficit by borrowing money.

Conservatives reacted strongly to this growth in the size and power of government. In 1936, one critic wrote that FDR had transformed government "into a highly complex, bungling agency for throttling [strangling] business and bedeviling the private lives of free people. It is no exaggeration to say that he took the government when it was a small racket and made a large racket out of it." Today, that "large racket" is known as "big government." Conservatives complain that big government leads to burdensome regulations, higher taxes, and less local control. Liberals, however, defend the expanded role of the federal government as essential to creating a good and just society.

Government today is not just bigger as a result of the New Deal. It also continues to play a more direct role in people's lives. Americans buy power from government-built dams. They deposit money in bank accounts insured by the FDIC. They are protected from fraud by government agencies such as the SEC. They receive Social Security payments when they retire. These and many more benefits of big government are all legacies of the New Deal.

Federal Budget, 1925-1939



Source: *Historical Tables: Budget of the U.S. Government, Fiscal Year 1997*, U.S. Government Printing Office, 1996.

Federal revenues grew faster than spending during the 1920s, creating budget surpluses. During the Depression, however, spending outpaced revenues. Between 1930 and 1940, the nation's debt rose by about 250 percent.

Summary

Franklin D. Roosevelt promoted his New Deal policies to end the Great Depression and help needy Americans. The early programs of the First New Deal emphasized economic recovery and financial reform. The Second New Deal focused more on economic relief and social reform. These programs greatly expanded the role of the federal government in American life.

National Industrial Recovery Act The NIRA was aimed at shoring up the free enterprise system by helping businesses, workers, and the needy.

Agricultural Adjustment Administration The AAA sought to boost agricultural prices by paying farmers to plant fewer crops, thus reducing supply and increasing demand.

Wagner Act This law strengthened the labor movement by supporting the right of workers to organize and join unions.

Works Progress Administration The WPA organized and funded public works projects that provided jobs and wages to unemployed workers.

Social Security Act Social Security was designed to provide economic security to unemployed and retired Americans. It is a key legacy of the New Deal.

New Deal Coalition A diverse group of Americans came together to support FDR and the New Deal. This coalition helped insure FDR's reelection and the continuation of his programs.