

The New Deal

I. Franklin D. Roosevelt (1882-1945)

A. Background

1. Born at his family estate in Hyde Park, New York; raised in a wealthy family
2. Undersecretary of the Navy during WWI; he worked toward increasing U.S. naval strength
3. Vice presidential nominee for Democrats in 1920 (James Cox lost the election to Warren Harding)
4. Struck by polio in 1921
 - a. Confined to a wheelchair for the rest of his life
 - b. His struggle with the disease strengthened his will, patience, tolerance and compassion.
5. Elected governor of New York in 1928 and 1930
 - a. His depression-era programs for the unemployed, public works, aid to farmers, and conservation attracted national attention.
 - b. Dubbed "traitor to his class" by the rich due to these relief programs
 - c. Spoke frequently of his concern for the plight of the "forgotten man."
6. Master politician who was willing to compromise. Today, he would be labeled a "moderate."
 - a. He was perhaps the premier orator of his generation
 - b. He had some conservative tendencies: fiscally frugal, not anti-big business

B. Eleanor Roosevelt (1884-1962) was FDR's wife

1. Niece of Theodore Roosevelt and distant cousin of FDR
2. She pushed FDR to maintain his political career after he contracted Polio and vigorously campaigned on his behalf during the 1920s
3. She was a major figure of female wing of the Democratic party in 1920s and early 30s.
4. In essence, she became the "conscience of the New Deal"
 - a. Published a syndicated newspaper column, "My Day"
 - b. Lobbied extensively for her husband
5. Championed causes for women, children, the poor, and African Americans
6. Publicly, she was the most active first lady in American History

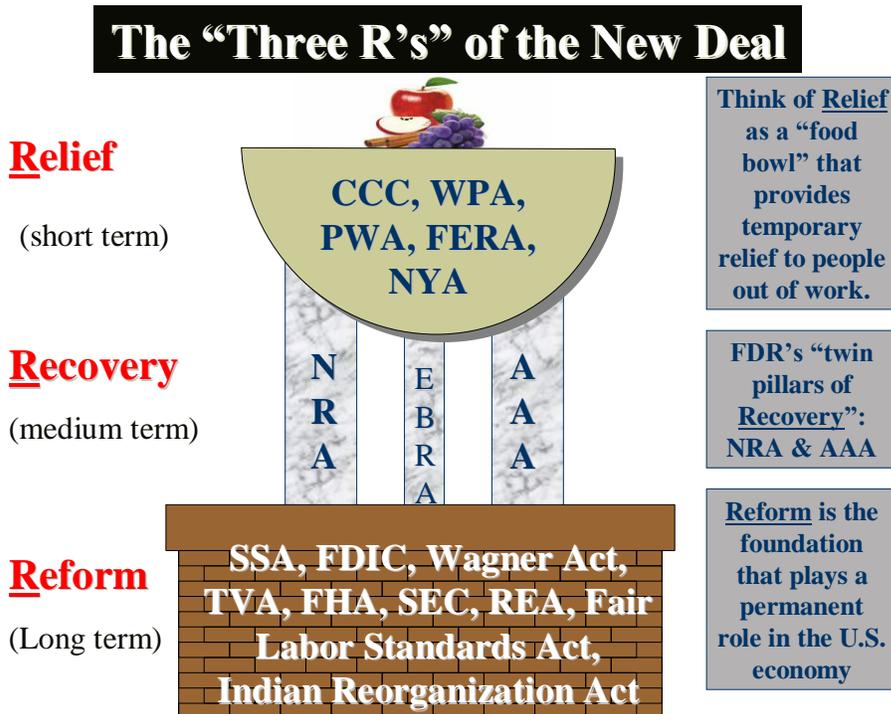
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II. Election of 1932

- A. Roosevelt -- Democratic candidate (chosen over Al Smith)
1. "I pledge you, I pledge myself to a new deal for the American people."
 2. His positions were somewhat vague and contradictory during the campaign
 - a. Promised balanced budget and 25% cuts in gov't spending
 - He criticized present budget deficits.
 - b. Promised gov't aid for the unemployed
 - c. Advocated the repeal of Prohibition
- B. Herbert Hoover was renominated as the Republican candidate
1. Platform: Higher tariffs and maintenance of the gold standard.
 - He believed a repeal of Hawley-Smoot tariff would be economically devastating.
 2. Reaffirmed his faith in American free enterprise and individual initiative
 3. His defensive tone contrasted with Roosevelt's optimism.
- C. Roosevelt defeated Hoover 472 to 59; Hoover carried only 6 states.
1. Blacks, traditionally loyal to Republican party of Lincoln, began shifting to the Democratic party
 - a. Shift was complete by the election of 1936
 - b. African Americans became a vital element in the party.
 2. Began a 20-year era of Democratic dominance at the federal level
- D. "Lame duck" period
1. Hoover tried unsuccessfully to bind Roosevelt to an anti-inflationary policy that would have jeopardized future New Deal programs.
 2. Meanwhile, the American economy came to a virtual halt.
 3. **Twenty-first Amendment** passed by Congress in February, 1933
 - a. Repeal of prohibition
 - b. In March, the new Congress legalized light beer
 - c. Amendment was ratified by the states and took effect in December, 1933
- E. Twentieth Amendment (adopted in 1933)
1. Presidential, vice presidential, and congressional terms would henceforth begin in January instead of March.
 2. It was clear that the lame-duck period was too long, especially during a crisis as serious as the depression
 3. FDR was the first president to begin a new presidential term on January 20th, 1937 (after he was reelected to a second term)

III. Effects of the Great Depression by 1932 (review from Unit 12.2)

- A. 25%-33% unemployment
- B. About 25% of banks failed
- C. 25% of farmers lost their farms
- D. Thousands of businesses failed



IV. The New Deal

Inaugural Address: "the only thing we have to fear is fear itself."

- A. The Roosevelt administration
 1. "**Brain Trust**": FDR selected experts for his "inner circle" rather than the typical politicians or businessmen.
 2. Notable cabinet members and advisors of FDR’s "inner circle"
 - a. Harry Hopkins -- head of the FERA and later, the WPA
 - b. **Frances Perkins**: first female cabinet member; Sec. of Labor
 - c. Harold L. Ickes -- Secretary of the Interior; headed the PWA
 - d. Cordell Hull -- Secretary of State
 - e. Eleanor Roosevelt
- B. First "**Hundred Days**" (March 9-June 16, 1933)
 1. FDR did not have a developed plan when he took office.
 - a. He intended to experiment and find out what worked.
 - b. As a result, many programs overlapped or contradicted others.
 - c. He sought practical solutions to problems.

- d. He often used **fireside chats** (radio addresses) to communicate effectively with the American people
2. The New Deal can be categorized into **Relief, Recovery, and Reform** ("3 Rs")
 - a. Short-range goals: relief & immediate recovery, especially first two years
 - b. Long-range goals were permanent recovery and reform of current abuses, especially those that had produced the Great Depression
 - c. Progressive ideas: unemployment insurance, old-age insurance, minimum-wage, conservation and development of natural resources, and restrictions on child labor.
3. First Hundred Days represented an unprecedented passage of legislation in U.S. history
 - a. Congress gave the president extraordinary blank-check powers -- Congress was eager to cooperate with FDR due to his strong mandate in the wake of his dominating victory in 1932
 - b. Some legislation delegated legislative authority to the chief executive (such as the NRA)
 - c. The First 100 Days legislation left a lasting mark on the nation
4. 1933-1935: sometimes referred to as the **First New Deal**
 - a. EBRA, Glass-Steagall Act, Truth-in-Securities Act, SEC, HOLC, FHA, FERA, CCC, PWA, AAA, NIRA (NRA), TVA
 - b. 1935-1938 programs referred to as Second New Deal (see below)

C. The Banking Crisis, 1933

1. Runs on banks
 - a. 5,190 banks failed in 1933 bringing the total number to 10,951
 - b. Banks in 38 states were already closed by state governments.
 - c. The remainder were open for limited operations only.
2. FDR declared a national "banking holiday" between March 6-10
 - a. Only banks that were solvent could reopen (the majority did)
 - b. Aimed to restore faith in the nation's banking industry
3. The nation was taken off the gold standard (March 6, 1933)
 - a. FDR sought to increase the money supply and stimulate growth
 - b. Private holdings of gold were to be surrendered to the Treasury in exchange for paper currency.
 - c. Congress responded by canceling the gold-payment clause in all contracts and authorizing repayment in paper money – "managed currency"
 - d. In 1934, the value of the gold content of the dollar was reduced to 50 cents
 - Value of dollar was set at \$35 per ounce of gold, 59% of its former value.
 - FDR wanted to stimulate business via controlled inflation

- Yet, purchasing power was not significantly changed
- e. Forbade the export of gold or redemption of currency in gold
- 4. **Emergency Banking Relief Act of 1933** (March 9, 1933)
 - a. Gave the Treasury Department the power to open sound banks after ten days and to merge or liquidate unsound ones.
 - b. Provided additional funds for banks from the RFC and the Federal Reserve
 - c. Forbade the hoarding of gold.
- 5. March 12, FDR gave the first of his 30 "**Fireside Chats**" while 35 million Americans listened in.
 - a. He assured Americans that it was now safer to keep money in the reopened banks than "under the mattress."
 - b. Confidence in nation's banking was restored; deposits outpaced withdrawals.
- 6. **Home Owner's Loan Corporation (HOLC)** -- June 13, 1933
 - a. Refinanced mortgages on about 1 million non-farm homes at low interest rates
 - b. Banks were saved as many foreclosures were prevented.
 - About 10% of all owner-occupied residences were saved
 - Over 15% of urban mortgages became HOLC loans.
 - The number of foreclosures decreased by 50% between 1933 and 1937.
 - c. Middle-class loyalties shifted to the Democratic party as a result
- 7. **Glass-Steagall Banking Reform Act** (Banking Act of 1933), June
 - a. Created the **Federal Deposit Insurance Corporation (FDIC)**
 - Individual deposits of up to \$5,000 were federally insured
 - b. Separated commercial banking from more speculative investment banking in order to protect savings accounts from more risky investments

D. Regulation of Banks and Big Business

1. "Truth in Securities Act" (Federal Securities Act) -- May, 1933
 - Required promoters to transmit to the investor sworn information regarding the soundness of their stocks and bonds.
2. **Securities and Exchange Commission (SEC)** -- June 6, 1934
 - Designed to protect the public against fraud, deception, and inside manipulation of the stock market; more efficient
3. Public Utility Holding Company Act, 1935 (2nd New Deal)
 - a. Reduced the possibilities of a business buying up other businesses with a minimum amount of capital.
 - b. Empowered Securities and Exchange Commission to restrict public holding companies to one natural region and to eliminate duplicate holding companies.
4. Banking Act of 1935 created a strong central Board of Governors of the Federal Reserve System with broad powers over the operations of the regional banks.

E. Relief and Unemployment programs

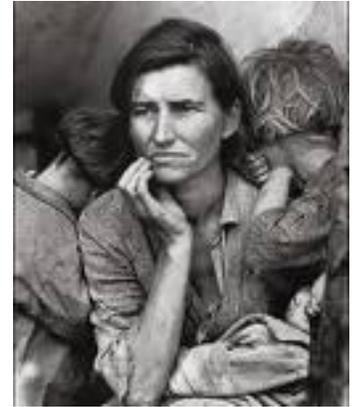
1. **Civilian Conservation Corps (CCC)** -- March 31, 1933
 - a. Most popular of the New Deal programs
 - Program was overseen by the War Department
 - b. Employed 2.75 million young men (18-24) in outdoor gov't camps to keep them out of trouble during the 1930s.
 - Workers ate together in mess halls, lived in barracks, and followed a strict schedule
 - Some immigrants feared their sons were being trained for the army.
 - African Americans worked in segregated units
 - c. Projects included reforestation, firefighting, flood control, swamp drainage, and further developing national parks.
 - d. Most of monthly earnings went to the family of each member.
 - e. Some criticized it as being too militaristic in nature
2. **Federal Emergency Relief Administration (FERA)**, May, 1933
 - a. Headed by **Harry Hopkins** (among the most influential members of Roosevelt's inner circle)
 - b. Gave \$3 billion to states for direct **dole payments** or preferably for wages on work projects.
 - Unemployed folks who received relief money from gov't were thus "on the dole."
 - c. Later, Hopkins felt that giving people money broke down their self-respect and will to work; sought relief programs to put people back to work.
 - d. **Civil Works Administration (CWA)** (branch of the FERA), Nov. 1933
 - 4 million unemployed workers received jobs in mostly make-work tasks – "boon-doggling" – raking leaves, sweeping streets and digging ditches.
 - Widely criticized and terminated in April 1934.
3. **Public Works Administration (PWA)** -- Created by NIRA in 1933
 - a. Headed by Harold L. Ickes
 - b. Granted over \$4 billion to state and local governments to provide jobs on 34,000 public projects: building schools and dams, refurbishing gov't buildings, sewage systems, improving highways, (i.e. modernizing the nation's infrastructure)
 - c. Problem: Money not spent quickly enough; millions of people remained out of work.
4. **Works Progress Administration (WPA)**, May, 1935 (2nd New Deal)
 - a. Response to unrest and criticism from such figures as Father Charles Coughlin, Huey Long, and Dr. Francis Townsend (see below)
 - b. Employed nearly 9 million people on public projects such as

- buildings, bridges, and hard-surfaced roads, airports, schools, hospitals.
- c. Total cost: \$11.4 billion; eventually employed 40% of the nation's workers.
- Workers employed for 3-hours per week at pay double the relief payment but less than private employment.
- d. **Federal Arts Project:** WPA agencies also found part-time occupations for actors, artists, musicians, and writers.
5. **National Youth Administration (NYA)** -- June, 1935
- a. Created as part of the WPA
 - b. Provided part-time jobs for high school and college students to help them to stay in school, and to help young adults not in school to find jobs.
6. Unemployment remained high during the 1930s
- a. The lowest rate of unemployment achieved during the New Deal was 14.3% in 1937.
 - b. Unemployment did not reach pre-depression levels until after the outbreak of World War II.
- F. Agricultural Programs of the Hundred Days
1. **Agricultural Adjustment Administration (AAA)**, May 12, 1933
- a. Attempted to eliminate price-depressing surpluses by paying growers to reduce their crop acreage -- subsidies.
 - Goal: establish prices equal to those of 1909-1914 period.
 - Subsidy money came from a tax on the processing of foodstuffs.
 - Processing tax was later ruled unconstitutional (see below)
 - b. Much of the cotton crop for 1933 was plowed under.
 - c. Several million pigs were purchased and slaughtered.
 - Much of the meat was either distributed to people on relief or used for fertilizer.
 - Some criticized the AAA for the destruction of food at a time when thousands were hungry (criticism was somewhat unwarranted, however)
 - d. Farm income increased but tenants and sharecroppers were hurt when owners took land out of cultivation, thus removing tenants but retaining subsidies.
 - Signaled the beginning of the end of sharecropping.
 - e. In 1935, the AAA was killed in the Supreme Court case **Butler vs. U.S.** that ruled the processing tax on food processors unconstitutional.
 - FDR resolved to continue program by creating 50 small AAA's in states through subsequent legislation.
2. Commodity Credit Corporation, Oct. 1933: made loans to corn and cotton farmers against their crops so that they could hold

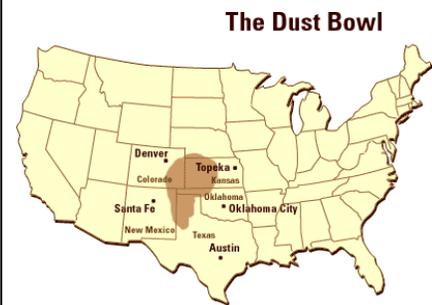
- onto them for higher prices (similar to the Populist idea of a subtreasury system)
3. Federal Farm Loan Act (1933)
 - a. Allocated millions of dollars to help farmers meet their mortgages.
 - b. Consolidated all farm credit programs into the Farm Credit Administration
 4. Addressing the **Dust Bowl** refugees
 - a. Late 1933, drought struck states in the trans-Mississippi Great Plains: especially Kansas, Oklahoma, Texas, Colorado, and New Mexico
 - Much land was rendered useless as millions of tons of top soil were blown as far as Boston; water erosion also a cause
 - Massive dust storms (“black blizzards”) plagued the region
 - b. Within five years, 350,000 Oklahomans and Arkansans – “Okies” and “Arkies” migrated to southern California.
 - c. Frasier-Lemke Farm Bankruptcy Act of 1934
 - Allowed farmers to defer foreclosure while they obtained new financing.
 - Helped farmers to recover property already lost through easy financing.
 - d. Resettlement Administration (RA) May 1935
 - Relocated destitute families to new rural homestead communities or suburbs.
 - e. CCC employed men to plant more than 200 million new trees as a wind break and to cut down on erosion
 - f. *The Grapes of Wrath* by John Steinbeck educated many on the plight of migrant workers in California.
 5. **Rural Electrification Administration (REA)** -- May 1935
 - a. Provided loans and WPA labor to electric cooperatives to build electric lines into rural areas not served by private companies.
 - b. Up until the mid-30s electricity was largely unavailable in rural areas (e.g. farms, ranches).

G. Industry and Labor

1. **National Industrial Recovery Administration (NIRA)** -- June 16, 1933
 - a. The NIRA (and NRA) constituted the New Deal’s biggest attempt to get U.S. industry back on track.
 - b. Most complex and far reaching of New Deal programs was designed to prevent extreme competition, labor-management disputes, and over-production
 - One of FDR’s “twin pillars” of recovery (the other was the AAA)
 - FDR and his advisors believed the nation’s economy had reached its growth limit and that *laissez faire* was damaging



Dorothea Lange: *Migrant Mother*, 1936



The Dust Bowl



A “black blizzard” in Goodwell, Oklahoma

- to the “mature” American economy.
- This theory would prove incorrect as the U.S. economy burgeoned in the post-WWII years.
- c. NIRA board was composed of labor leaders and industrial leaders in over 200 individual industries who were to work out codes of "fair competition":
- Set maximum work hours to spread employment out among more people.
 - Minimum wages were established.
 - Minimum prices set (to avoid cutthroat competition)
 - Production limits and quotas instituted (to keep prices higher)
- d. Antitrust laws were temporarily suspended for two years.
- Some leftist critics believed that FDR sought to merely preserve the capitalist system where the real winners were the industrialists.
- e. **Section 7(a)**
- Workers were formally guaranteed the right to organize and bargain collectively through representatives of their own choosing.
 - "Yellow dog", or antiunion contracts were forbidden.
- f. Certain restrictions were placed on the use of child labor.
2. **National Recovery Administration (NRA)**
- a. Led by Hugh Johnson; purpose was to enforce the NIRA codes and generate public enthusiasm for the NIRA.
- b. The "blue eagle" was displayed by merchants adhering to NRA codes with the slogan "we do our part."
- c. Results:
- In the short run, business did improve
 - Yet, hurt small businesses who could not afford to adopt NIRA codes
 - The NRA was later shot down by Supreme Court in *Schechter vs. U.S.*, 1935
 - The Court ruled that Congress had illegally delegated legislative authority to the code-makers in the executive branch.
 - Criticized by some as favoring large firms as they were the ones making the codes.
3. **Wagner Act (National Labor Relations Act of 1935)** -- 2nd New Deal
- a. Perhaps most important piece of labor legislation in U.S. history
- Replaced Section 7(a) of the NIRA that had been killed by the Supreme Court
- b. Reasserted the right of labor to engage in self-organization and to bargain collectively through representatives of its own choice
- c. Encouraged the creation of the CIO (Congress of Industrial Organizations) started by John L. Lewis for unskilled labor.



Source: National Archives

- 1936, the CIO organized a **sit-down strike** in a GM factory in Flint, Michigan and it became recognized as the sole negotiator for its workers.
 - Became independent of the AFL in 1938
 - Skilled-craft AFL refused new unions affiliated with CIO
4. **Fair Labor Standards Act (Wages and Hours Bill)**, 1938 (2nd New Deal)
- a. Last of the New Deal legislation passed
 - b. Set minimum-wage and 40-hour week for industries in interstate commerce.
 - c. Prohibited child labor under age 16; dangerous labor forbidden under age 18
5. Labor became a staunch ally of FDR and the Democratic party.

H. **Tennessee Valley Authority (TVA)** -- May, 1933

1. The TVA was a public corporation under a three-member board.
 - Proposed by FDR as the first major experiment in regional public planning.
2. Intended to reform the power monopoly of utility companies by building hydroelectric power plants in the Tennessee Valley, while at the same time employing thousands of workers
 - a. 20 dams built in an area of 40,000 sq. miles to stop flooding and soil erosion, improve navigation, and generate hydroelectric power.
 - b. Muscle Shoals property on the Tennessee River was the project's nucleus
 - The plan to build hydroelectric dams in the Muscle Shoals area had been vetoed in the 20s by Harding and Coolidge
3. The gov't sought to establish fair rates by discovering how much the production and distribution of electricity actually cost.
4. Huge success: provided full employment in the region, cheap electric power, low-cost housing, abundant cheap nitrates, restoration of eroded soil, reforestation, improved navigation, and flood control.
 - The TVA is still operational today
5. Criticized by conservatives as socialistic due to government control of public utilities and a planned regional economy.
 - a. The Supreme Court later upheld the TVA.
 - b. Congress refused other similar projects.

I. Housing Reform

1. **Federal Housing Administration (FHA)** -- 1934 (still in operation today)
 - a. Spurred the building industry with small loans to homeowners to improve their homes or build new ones.
 - 1934 became the first year since 1926 to see an increase in

- housing construction, a trend that continued until after WWII
- b. Became the foundation of the modern mortgage industry
 - Provided fully-amortized loans over 20-30 years with equal monthly payments while allowing the home buyer to put 10% to 20% down on the initial purchase of the home
 - Before, homebuyers had to put as much as 50% down on a home and pay it off in 8-10 years.
 - A balloon payment at the end of a loan often made it difficult for the loan to be paid off and many were forced to default in tough times.
 - Suburban development increased, especially after WWII
 - Yet, minority neighborhoods were often denied funding and many inner city areas became blighted and slum-ridden
 - **“Red-lining”** became one of the most egregious 20th-century examples of institutional discrimination against African Americans at the federal level
 2. Federal Savings and Loan Insurance Corporation (FSLIC), 1934
 - Similar to FDIC, it guaranteed loans issued by savings and loans institutions for housing construction; linked with the FHA
 3. United States Housing Authority (USHA), 1937
 - a. Lent money to states or communities for low-cost construction projects.
 - Most were new apartment complexes (later called “the projects”)
 - b. For first time in a century, slum areas stopped growing, and even shrank.
 - c. Criticized by real estate promoters, builders, and landlords (“slumlords”) as well as anti-New Dealers who considered it a waste of money.
 - d. The project did not meet its goal of 650,000 units.

J. Social Security Act of 1935 (August, 1935) -- 2nd New Deal

1. One of the most far-reaching laws ever to pass Congress.
 - a. Inspired by examples of highly industrialized European nations and pressure from the left (Coughlin, Townshend and Long).
 - b. By 1939, over 45 million Americans were eligible
 - c. First benefits, ranging from \$10 to \$85 per month, paid in 1942.
2. Provided federal-state unemployment insurance
3. Provided old-age pensions for retired workers
4. Financed by a payroll tax on both employers and employees
5. Funded **Aid to Families with Dependent Children (AFDC)**
 - Known more popularly as “welfare”
6. Provisions also made for the blind, physically handicapped, delinquent children, and other dependents.
7. Criticized by conservatives being built on a cult of leisure rather than work.

K. Revenue Act of 1935 ("soak the rich" tax)

1. Raised income taxes on the highest incomes and also included inheritance, large gift, and capital gains taxes.
 - In reality, the income tax increase was little more than token
2. Reversed many of Andrew Mellon's tax cuts in the 1920s.

L. **Indian Reorganization Act of 1934** ("Indian New Deal")

1. Bureau of Indian Affairs commissioner, John Collier, persuaded Congress to repeal the Dawes Severalty Act of 1887.
2. The new law restored tribal ownership of lands, recognized tribal constitutions and government, and provided loans to tribes for economic development.
3. Ended laws forbidding use of Amerindian ceremonies, dress, and languages.
4. Collier also helped establish the Indian Emergency Conservation Program, an Amerindian CCC for projects on the reservations.
 - Helped Amerindians secure entry into the WPA, NYA & other programs

M. Effects of the First New Deal (1933-1935)

1. Economy improved but did not recover between 1933 and 1935
2. GNP rose from \$74.2 billion to \$91.4 billion.
3. Manufacturing salaries and wages increased about 50% with average weekly earnings going from \$16.73 to \$20.13.
4. Farm income more than doubled.
5. Money supply increased as currency and demand deposits grew nearly 15%.
6. Unemployment dropped from about 25% of non-farm workers to about 20.1% (10.6 million).
 - Still far short of 3.2% pre-depression 1929 unemployment rate.

V. Critics of the New Deal

A. **The American Liberty League**

1. Group of wealthy Republicans and conservative Democrats (e.g. Al Smith and John W. Davis) formed in 1934 to fight "socialistic" New Deal schemes.
2. Sought to defend business interests and promote the open shop.
3. Unsuccessful in defeating FDR in the 1936 elections.

B. **Father Charles Coughlin**

1. Initially a New Deal supporter who eventually bitterly criticized it.
 - Proclaimed the NIRA and AAA benefited only industry and wealthy farmers.
2. He had the largest radio audience in U.S. history: 40 million listeners
3. Called Roosevelt a liar for not nationalizing the nation's banks
4. Later, anti-Semitic (anti-Jewish) and strong fascist rhetoric

resulted in his show being cancelled

C. Senator Huey P. ("Kingfish") Long

1. "**Share Our Wealth**" program promised to make "Every Man a King" by supplying each family with \$5,000 at the expense of the wealthy.
 - High inheritance taxes on large estates would be levied against wealthy Americans.
2. He was a popular governor in Louisiana who raised taxes to fund schools and hospitals to serve the poor; improved roads and bridges in neglected areas.
3. Controlled Louisiana politics from his senate seat in Washington.
4. He was planning on challenging Roosevelt for the 1936 presidential election and was allied with Father Coughlin.
5. He was assassinated in 1935
6. Gerald L. K. Smith, the new head of Share Our Wealth, lacked Long's leadership and the movement lost its momentum

D. Dr. Francis Townsend

1. Organized over 5 million supporters for his Old Age Revolving Pension Plan.
2. Advocated giving each senior citizen \$200 per month (about twice the average worker's salary) provided that the money be spent within a month.
3. Scheme would be funded by a national gross sales tax.
4. Some estimates had the scheme costing about 1/2 the national income.

VI. Second New Deal (more reform oriented)

- A. Roosevelt responded to Democratic voters influenced by Townsend, Long, and Coughlin; the imminent destruction of NRA; and the approaching election of 1936.
- B. FDR introduced new programs in the spring of 1935 and much of it was passed during summer (sometimes called the "Second Hundred Days.")
- C. Programs included: WPA, NYA, REA, Wagner Act (NLRB), Social Security Act, Banking Act of 1935, Public Utility Holding Company, and Revenue Act

VII. 1936 elections

- A. **New Democratic party coalition:** African Americans, unions, intellectuals, city machines, and the South.
 - Platform: expanded farm program, labor legislation, more rural electrification and public housing, and enforcement of antitrust laws.

B. Republicans could offer no viable alternatives

1. Alfred Landon of Kansas, a former progressive supporter of Theodore Roosevelt, was nominated.
2. Claimed some New Deal programs were unconstitutional; called for a balanced budget, higher tariffs, and lower corporate taxes.
3. Did not call for repeal of all New Deal legislation but promised better and less expensive relief, farm and labor programs.

C. Union Party

1. Organized by Townsend, Coughlin, and Gerald L.K. Smith.
2. Vicious attacks by Smith and Coughlin on FDR brought a backlash against them while American Catholic leaders denounced Coughlin.

D. Result: Roosevelt defeated Landon 523 to 8 in the Electoral College

VIII. Roosevelt and the Supreme Court

A. Court Challenges to the New Deal

1. ***Schechter vs. US*** (1935) ("sick chicken" case)
 - a. Court ruled the NRA unconstitutional
 - b. Congress could not "delegate legislative authority" to the executive branch or to code-makers in industry.
 - c. Congressional control of interstate commerce could not apply to the local Brooklyn poultry business of the Schechter brothers.
 - d. Decision may have helped Roosevelt since the NRA was already floundering and FDR could blame the Supreme Court's "horse & buggy" decisions.
2. ***Butler vs. US*** (1935)
 - a. Court ruled regulatory taxation provisions of the AAA as unconstitutional
 - b. Federal gov't could not tax businesses that bought agricultural products, and then use those taxes to benefit farmers who received federal subsidies.
3. As a result of both cases, Roosevelt in 1935 revamped his recovery and reform measures to launch the Second New Deal.
 - New Deal programs were defeated in seven of nine Supreme Court decisions.

B. **Judiciary Reorganization Bill** (Judicial Procedures Reform Act) 1937

1. Attempt by FDR to remove old conservative justices by imposing a retirement requirement for justices 70 years or older; six justices were over age 70 at the time.
 - a. If a justice refused to step down, the president could appoint an additional justice.
 - b. Had the bill passed, FDR could have immediately appointed six new justices, bringing the Court's total to fifteen
2. Critics accused FDR of being a "dictator" and trying to pack the

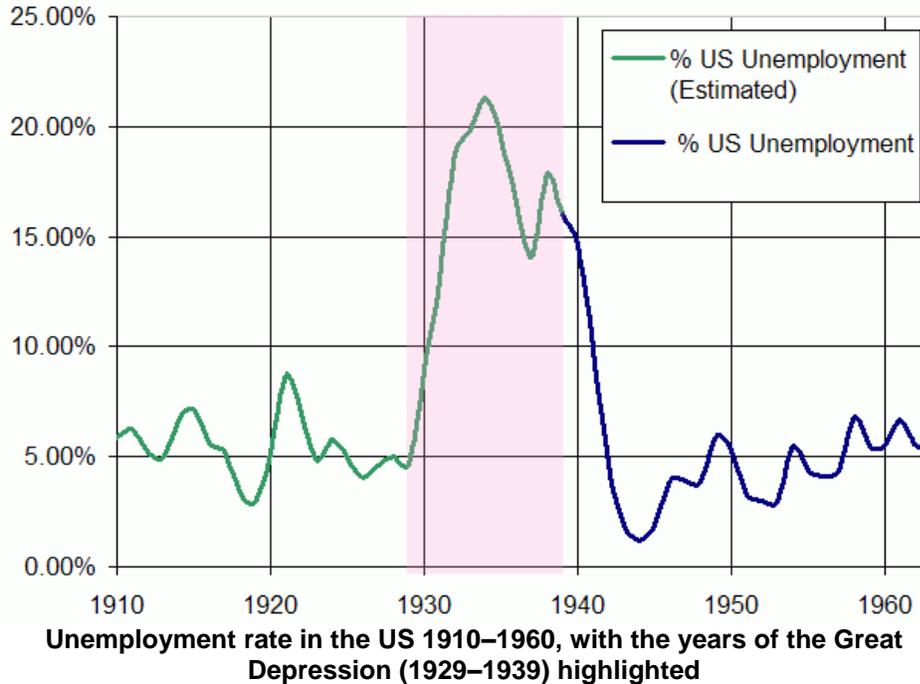
court with liberals: i.e. "court packing"

- a. FDR was accused of tampering with the delicate checks and balances in the Constitution
- b. FDR lost some support from conservatives in his own party
3. Bill was soundly rejected by Congress
4. Interestingly, the court began siding with New Deal programs on later court decisions.
 - a. Minimum wages for women, the Wagner Act, and the Social Security Act were all upheld
 - b. Chief Justice Charles Evans Hughes and Justice Owen Roberts began to vote with more liberal members of the Court.
5. Ironically, FDR would make 9 appointments to the Court due to resignations or deaths of justices.

IX. The End of the New Deal

A. **Recession of 1937-38**

1. FDR authorized a reduction in relief programs in early 1937
 - a. He had always had a goal to balance the federal budget and get away from **deficit spending**.
 - b. He believed the economy was in recovery and no longer needed as much federal government intervention
2. By 1938, the country had slipped into a deep recession, wiping out most of the gains since 1933.
3. Direct-aid relief programs, especially the WPA, were resumed and the economy began to improve in 1938.
4. FDR employed the economic theory of **John Maynard Keynes**
 - a. Government should resort to deficit spending in order to "prime the pump" of the economy.
 - b. Government would make up the money when the economy improved through increased tax revenue.
 - c. These programs sought to provide temporary relief for people in need, and were to be disbanded when the economy improved.



- B. Democrats lost 80 seats in 1938 mid-term elections
 - The emerging "**conservative coalition**" in Congress could now block FDR's legislation: Republicans + conservative Democrats (especially southerners)
- C. The approaching war in Europe diverted public attention from the domestic economy

X. Criticisms of the New Deal

- A. The New Deal failed to cure the Great Depression: unemployment rate never went below 14%
 1. In fact, modern economists contend that *total* government spending only increased during two years of the New Deal as state and local spending decreases were larger than federal increases in other years.
 2. Some criticize FDR for not employing higher levels of deficit spending to cure the depression (as was the case during WWII)
 3. Taxes from Social Security took additional money out of the economy and thus worsened the effects of the depression.
 4. The "Roosevelt recession" of 1937-38 reversed many of the gains achieved between 1933 and 1937
- B. The federal bureaucracy mushroomed: with hundreds of thousands of employees, it became the largest business in the country.
- C. States' power faded further: more central control from the federal government
- D. National debt doubled from 1932 to 1939 (20 billion to 40 billion)
- E. U.S. became a "welfare" state, undermining old virtues of thrift, initiative, and rugged individualism

- F. Business accused the New Deal of fomenting class conflict while laborers and farmers were treated favorably
- G. Critics claimed the New Deal created a "planned economy" and "creeping socialism" that overly interfered with the private sector.
- H. FDR was criticized for attempting to alter the Supreme Court
- I. FDR tried to "purge" members of Congress in the 1938 elections and create a "dummy Congress."
- J. More farm surpluses existed under Roosevelt than under Hoover.
- L. The New Deal didn't cure the depression, the Second World War did.

XI. Support of the New Deal

- A. May have saved American capitalism; no revolution occurred (as in Europe)
 - 1. Banking industry was saved virtually overnight in March 1933
 - 2. Millions of homeowners were saved from foreclosure and the housing industry was given a major boost
 - 3. FDR purged capitalism of some of its worst abuses through regulation (e.g. SEC, FDIC, labor laws)
- B. FDR's positive leadership restored America's pride and faith in the gov't while millions of citizens regained their self-respect
- C. The New Deal relieved the worst of the crisis in 1933: relief had been the primary objective
- D. FDR promoted the principle that the federal government was morally bound to prevent mass hunger by "managing" the economy
 - This became official with the passage of the Employment Act of 1946 during Truman's presidency
- E. New Deal reforms are still important today: Social Security, labor laws, TVA, FDIC, FHA, minimum wage and maximum hours.
- F. A fairer distribution of national income was achieved
- G. FDR was actually a moderate--middle-of-the-road approach -- not a radical left wing or conservative right wing politician.

THREE MAJOR ERAS OF REFORM



The New Deal points the way to Lyndon Johnson's "Great Society" in the 1960s.

Terms to Know

Franklin D. Roosevelt Eleanor Roosevelt election of 1932 21 st Amendment New Deal "Brain Trust" Francis Perkins, Secretary of Labor "First Hundred Days" fireside chats Relief, Recovery, Reform: "3 Rs" "First New Deal" "bank holiday" Emergency Banking Relief Act Home Owners Loan Corporation (HOLC) Glass-Steagall Banking Reform Act Federal Deposit Insurance Corporation (FDIC) Securities and Exchange Commission Civilian Conservation Corps (CCC) Federal Emergency Relief Administration (FERA) Harry Hopkins "dole" payments Civilian Works Administration (CWA) Public Works Administration (PWA) Works Progress Administration (WPA) Federal Arts Project National Youth Administration (NYA) Agricultural Adjustment Administration (AAA) subsidies <i>Butler v. U.S.</i> , 1935 Dust Bowl John Steinbeck, <i>The Grapes of Wrath</i>	Rural Electrification Administration (REA) National Industrial Recovery Act (NIRA) Section 7(a) National Recovery Administration (NRA) "Blue Eagle" <i>Schechter v. U.S.</i> , 1935 Wagner Act (National Labor Relations Act) Congress of Industrial Organizations (CIO) John L. Lewis sit-down strike, Flint Michigan Fair Labor Standards Act Tennessee Valley Authority (TVA) Federal Housing Authority (FHA) "red-lining" Aid to Families with Dependent Children (AFDC) Indian Reorganization Act American Liberty League Father Charles Coughlin Huey P. Long, "Share Our Wealth" Dr. Francis Townsend Social Security Act "Second New Deal" 1936 elections new Democratic coalition Judiciary Reorganization Bill, 1937 "court packing" Recession of 1937-38 John Maynard Keynes deficit spending "conservative coalition"
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Essay Questions

Note: This sub-unit is a high probability area for the AP exam. In the past 10 years, 4 questions have come wholly or in part from the material in this chapter. Below are some questions that will help you study the topics that have appeared on previous exams.

1. To what extent was the New Deal successful in achieving relief, recovery and reform?
2. To what extent was Franklin Roosevelt conservative? To what extent was he liberal?
3. Compare and contrast the New Deal's goals and actions with those of the Progressive Era.
4. Compare the New Deal's goals with those of the Populists.

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