Fouging a New Deal

READING FOCUS

- How did Franklin and Eleanor Roosevelt work to restore the nation's hope?
- What major New Deal programs were created in the first hundred days, and who were some of FDR's key players in these programs?
- What caused the New Deal to falter?
- What were the key goals and accomplishments of the Second New Deal?
- What did the outcome of the 1936 election indicate?

MAIN IDEA

President Roosevelt sought to end the Great Depression through the federal programs of the New Deal.

KEY TERMS

Wagner Act

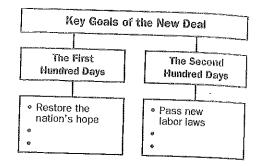
closed shop

Social Security system

New Deal
hundred days
public works program
Civilian Conservation
Corps (CCC)
Agricultural Adjustment
Administration (AAA)
Tennessee Valley Authority
(TVA)
Second New Deal

Taking notes

As you read, fill in the chart below with key goals of the first and second phases of the New Deal.



Setting the Scene A desperate nation anticipating Franklin Delano Roosevelt's "new deal" for America had to wait an agonizingly long time for it

to begin. Presidential elections took place in November, but the inauguration of the victor did not occur until the following March 4—a full four-month wait. The lengthy time interval had made sense in earlier days, when vote counting took longer and the President-elect often needed more time to travel to the capital.

By 1933, however, improvements in communication and transportation had eliminated the need for such a long wait, and the disadvantages of the delay were abundantly clear. Hoover remained in office as a "lame duck"—a leader whose authority is weakened because he or she is about to leave office. Meanwhile, the Depression deepened.

The situation prompted Congress to pass the Twentieth Amendment—nicknamed the "lame-duck amendment"—which changed the date of the inaugural to January 20. Ratified in early 1933, the amendment did not take effect until the next election. Roosevelt, therefore, became the last President to be inaugurated in March. While the nation waited, FDR prepared for what would be the biggest change in the federal government since its inception.

EMPIOYAENY AGENCY MANTO SHOPE SHOPE

VIEWING HISTORY Whenever a presidential administration changes hands from one political party to another, many members of the old administration lose their government jobs. Drawing Inferences (a) Who are the elephants in this cartoon, and what are they doing? (b) What point is the cartoonist trying to make?

Restoring the Nation's Hope

As he prepared plans for rescuing the economy, FDR, along with the new First Lady, Eleanor, went about restoring Americans' sense of hope. Building public confidence in the future was essential to calming panic and creating support for the President's plans.

A test of the new administration's approach to crises came shortly after he took office. World War I veterans staged a second Bonus March on Washington. This time, the White House provided campsites for the veterans. Even more astounding, Eleanor Roosevelt paid them a visit.

When she walked up to a group of marchers, "They looked at me curiously and one of them asked my name and what I wanted," she recalled later. By the time she left, the veterans were waving and calling out, "Good-bye and good luck to you!" The First Lady told reporters afterward how polite the marchers had been. By this act, she demonstrated compassion and soothed popular fears about renewed radical agitation.

FDR, in his First Inaugural Address, March 4, 1933, told Americans, "The only thing we have to fear is fear itself." The first Sunday after taking office, Roosevelt spoke to the nation over the radio in the first of what became regular "fireside chats." His easy manner and confidence helped renew people's hopes for the future.

In campaigning for the White House, FDR had promised "bold, persistent experimentation." No one knew exactly what that meant—only that someone was going to do something. As reporter Arthur Krock noted, Washington "welcomes the 'New Deal,' even though it is not sure what the New Deal is going to be."

Even Roosevelt himself had no sure plan for government under his leader-ship. Nevertheless, the new President's optimism and willingness to experiment won him the support of the American people. He had promised "a new deal for the American people," and he kept his word. The term **New Deal** came to refer to the relief, recovery, and reform programs of FDR's administration that were aimed at combating the Great Depression.



Sounds of an Era

Listen to excerpts from FDR's First Inaugural Address, one of his fireside chats, and other sounds from the New Deal era.

The First Hundred Days

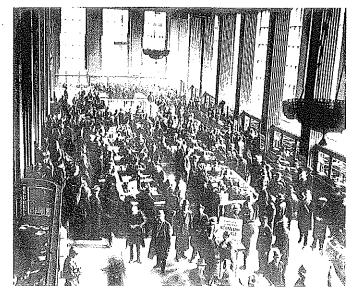
From his inauguration in March through June 1933, a period known as the **hundred days**, Roosevelt pushed program after program through Congress to provide relief, create jobs, and stimulate economic recovery. He based some of these programs on the work of federal agencies that had controlled the economy during World War I and on agencies set up by states to ease the Depression. Former Progressives figured prominently, inspiring New Deal legislation or administering programs.

Stabilizing Financial Institutions FDR's first step was to restore public confidence in the nation's banks. On March 5, 1933, he ordered all banks to close for the next four days. He then pushed Congress to pass the Emergency Banking Act, which was approved on March 9. The act

authorized the government to inspect the financial health of all banks.

Many Americans had been terrified by the prospect of losing all their savings in a bank failure. By his actions, FDR hoped to assure the American people that their banks would not fail. Indeed, government inspectors found that most banks were healthy, and two thirds had reopened by March 15.

After the brief "bank holiday," Americans regained confidence in the banking system. They began to put more money back into their accounts than they took out. These deposits allowed banks to make loans that would help stimulate the economy. Congress increased public confidence further by passing the Glass-Steagall Banking Act of 1933. It established a Federal Deposit Insurance Corporation (FDIC) to insure bank deposits.



VIEWING HISTORY A Detroit, Michigan, bank opens under a new charter following the "bank holiday" ordered by FDR. Drawing Inferences (a) Why do you think the bank is so crowded? (b) How would you react to the bank closings if you were a bank customer in March 1933?

Congress also moved to correct problems that had led to the stock market crash. The Federal Securities Act, passed in May 1933, required companies to provide information about their finances if they offered stock for sale. The next year Congress set up the Securities and Exchange Commission (SEC) to regulate the stock market. Congress also gave the Federal Reserve Board power to regulate the purchase of stock on margin.

In July 1933, Roosevelt took a further step to stimulate the economy. He decreased the value of U.S. currency by taking it off the gold standard. He hoped that this action would raise the prices of farm products and other goods. He also hoped that a devalued American currency would stimulate export trade. FDR's move pleased many in Congress, who thought it would make paying off New Deal debts easier. Others, including his budget director, Lewis Douglas, thought it was "the end of Western civilization."

Providing Relief and Creating Jobs FDR's next step was to help overburdened local relief agencies. He persuaded Congress in May to establish a Federal Emergency Relief Administration (FERA), which sent funds to these agencies. Harry Hopkins, a former settlement worker and a longtime Roosevelt friend and advisor, directed this agency. Hopkins professed a strong belief in helping people find work:

66 Give a man a dole [handout], and you save his body and destroy his spirit. Give him a job and pay him an assured wage and you save both the body and the spirit. 99

-FERA administrator Harry Hopkins

To help people who were out of work, the FERA also put federal money into **public works programs**, government-funded projects to build public facilities. One of these programs, set up in November 1933, was the Civil Works Administration (CWA). The CWA put the unemployed to work building or improving roads, parks, airports, and other facilities. The agency was a tremendous morale booster to its 4 million employees. As a former insurance salesman

WIEWING HISTORY This worker for the Civilian Conservation Corps (right) is planting seedlings in Montana. The poster below proclaims the benefits of CCC labor. Drawing Conclusions If you had been a young person during the Depression, what effect might these images have had on you? Why?



NOTABLE PRESIDENTS

Franklin Delano Roosevelt

"The only thing we have to fear is fear itself." -First Inaugural Address, 1933

Courage in times of crisis was perhaps Franklin Delano Roosevelt's greatest strength. His first crisis was personal rather than political. In 1921, Roosevelt was stricken with polio, which paralyzed his legs and threatened to destroy what had been a promising political career. (Roosevelt had been the Democratic vice-presidential candidate the year before.)

Roosevelt returned to politics in 1928, running for governor of New York. Despite having to be helped or carried onto podiums to speak, Roosevelt campaigned energetically and won the election. Four years later he ran for President. In a campaign dominated by the gloom of the Great Depression, FDR's confidence helped bring him victory.

As President, Roosevelt fought the Depression through what he called "bold, persistent experimentation." "It is common sense to take a method and try it," he explained. "If it fails, admit it frankly and try another. But above all, try something." This commitment to action gave Americans much-needed hope.

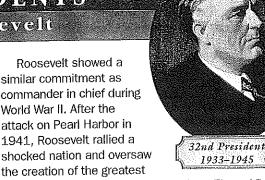
Roosevelt showed a similar commitment as commander in chief during World War II. After the attack on Pearl Harbor in 1941, Roosevelt rallied a shocked nation and oversaw

military force ever seen up to that time. Elected President for a record fourth time in 1944, Roosevelt died in April 1945, just months before the victorious end of the war.

Connecting to Today

Should government programs to help the elderly and the poor be temporary responses to crises such as the Great Depression, or should such programs be permanent? Defend your position.

Take It to the NET Biography To read more about Franklin Delano Roosevelt, visit the links provided in the America: Pathways to the Present area at the following Web site. www.phschool.com



from Alabama remarked, "When I got that [CWA identification] card, it was the biggest day in my whole life. At last I could say, 'I've got a job.'"

The Civilian Conservation Corps (CCC) became FDR's favorite program. Established in March 1933, the CCC put more than 2.5 million young, unmarried men to work maintaining forests, beaches, and parks. CCC workers earned only \$30 a month, but they lived in camps free of charge and received food, medical care, and job training. Eleanor Roosevelt persuaded the CCC to fund similar programs for young women.

Public works programs also helped Native Americans. John Collier, FDR's commissioner of Indian Affairs, used New Deal funds and Native American workers to build schools, hospitals, and irrigation systems. The Indian Reorganization Act of 1934 ended the sale of tribal lands begun under the Dawes Act (1887) and restored some lands to Indian owners.

Regulating the Economy The sharp decline of industrial prices in the early 1930s had caused many business failures and much unemployment. The National Industrial Recovery Act (NIRA) of June 1933 sought to bolster those prices. The NIRA established the National Recovery Administration (NRA), which set out to balance the unstable economy through extensive planning.

This planning took the form of industry-wide codes to spell out fair business practices. The federal codes regulated wages, restraining wage competition. They controlled working conditions, production, and prices, and set a minimum wage. They gave organized labor collective bargaining rights, which allowed workers to negotiate as a group with employers. NRA officials wrote some of the codes, and they negotiated the details of some codes with the affected businesses. Many codes, however, were drawn up by the largest companies in an



The National Recovery Administration (NRA) attempted to stabilize the economy by regulating business practices.

Focus on:

Florida's Overseas Highway: A New Deal Project Like a string of pearls, the Florida Keys dangle from the tip of Florida out into the Gulf of Mexico. In the early 1900s, the Florida East Coast Railroad connected the mainland to the popular island of Key West. But in 1935, the strongest hurricane ever recorded in the Western Hemisphere smacked into the Keys with winds of up to 250 miles an hour, destroying the railroad. The Public Works Administration stepped in with a \$3.6 million loan that largely financed the construction of a highway over the old railroad bed. Officially opened on July 4, 1938, the 110-mile-long Overseas Highway is the longest overwater road in the world. Part of U.S. Highway 1, it links the Keys with 42 bridges. FDR celebrated this engineering feat by driving the route

from Miami to Key West in 1939.



industry. This practice pleased businesses but drew criticism from people concerned that industry influence would bias the codes against workers.

For a brief time, the codes stopped the tailspin of industrial prices. But by the fall of 1933, when higher wages went into effect, prices rose, too. Consumers stopped buying. The cycle of rising production and falling consumption returned, and many more businesses failed, causing more unemployment. Businesses complained that the codes were too complicated and the NRA's control was too rigid.

To this day, one of the most visible parts of the NIRA's efforts is the work carried out by its Public Works Administration (PWA). Directed by Secretary of the Interior Harold Ickes, the PWA launched projects ranging from the Grand Coulee Dam on the Columbia River in Washington State, to New York City's Triborough Bridge, to the causeway that connects Key West to the Florida mainland.

Assisting Homeowners and Farmers The Depression caused many middle-income homeowners to fall behind in paying their mortgages. The Home Owners' Loan Corporation (HOLC) refinanced mortgages—that is, changed the terms of the mortgages—to make the payments more manageable. Between June 1933 and June 1936, the HOLC made about 1 million low-interest loans. Even with these low-interest-rate loans, however, many owners lost their homes because they could not pay their mortgages.

The National Housing Act of 1934 established the Federal Housing Administration (FHA), a government-owned corporation. The FHA, which exists today, was created to improve housing standards and conditions, to insure mortgages, and to stabilize the mortgage market.

Many farmers were losing their homes and their land because of the low prices they received for their products. The Agricultural Adjustment Administration (AAA), set up in May 1933, tried to raise farm prices through subsidies, or gov-

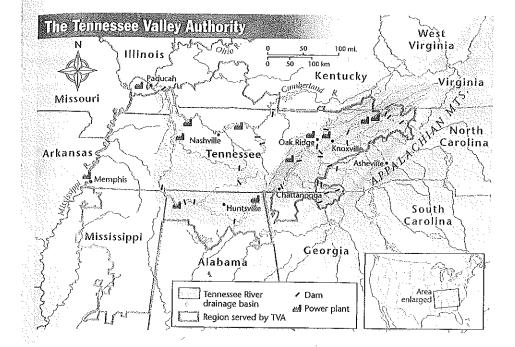
ernment financial assistance. The AAA used proceeds from a new tax to pay farmers not to raise certain crops and livestock. Lower production, it was hoped, would cause prices to rise.

Under this program, some farmers plowed under crops that were already growing. Many Americans could not understand how the federal government could encourage the destruction of food while so many people were hungry.

The TVA One public works project proved especially popular. The Tennessee Valley Authority (TVA), created in May 1933, helped farmers and created jobs in one of the country's least developed regions. By reactivating a hydroelectric power facility started during World War I, the TVA provided cheap electric power (in cooperation with the Rural Electrification Administration), flood control, and recreational opportunities to the entire Tennessee River valley, as shown on the map on the next page.

Key Players in the New Deal

Roosevelt surrounded himself with eager and hard-working advisors. Some became members of the Cabinet or, like Harry Hopkins, headed one of the new agencies. Columbia University Professors Raymond Moley, Adolf A. Berle, and Rexford G. Tugwell became the three key members of FDR's so-called "brain trust," an informal group of intellectuals who helped draft policies.



Groundbreaking Appointments Roosevelt was the first President ever to appoint a woman to a Cabinet post. Frances Perkins, a former Progressive who had headed the New York State Industrial Commission, became Secretary of Labor. She held this job until 1945. Perkins successfully pressed for laws that would help both wage earners and the unemployed. Perkins was one of more than two dozen women who held key New Deal positions.

FDR's administration also broke new ground by hiring African Americans in more than a hundred policymaking posts. One of Roosevelt's key appointees, Mary McLeod Bethune, held the highest position of any African American woman in the New Deal. Bethune was a former elementary school teacher, a college president, and the founder of the National Council of Negro Women. She entered government service with a reputation as one of the country's most influential spokespersons for African American concerns.

Appointed director of the Division of Negro Affairs of the National Youth Administration (NYA) in 1936, Bethune advised FDR on programs that aided African Americans. In the process, she increased her level of influence. She forged a united stand among black officeholders by organizing a Federal Council on Negro Affairs. This unofficial group, known as the "black Cabinet," met weekly to hammer out priorities and increase African American support for the New Deal.

Eleanor Roosevelt Among FDR's most important colleagues was his wife, Eleanor. She threw herself into supporting the New Deal and traveled widely for her husband, whose disability made traveling difficult. She reported to him on conditions in the country and on the effects of his programs. At times, the First Lady took stands that posed problems for her husband. For example, in 1938, she attended a Birmingham, Alabama, meeting of the Southern Conference for Human Welfare, an interracial group. She knew she was expected to obey local Jim Crow laws that required blacks and whites to sit on opposite sides of the auditorium. In protest, she sat in the center of the aisle, between the divided races. Her act received wide publicity, and no one missed its symbolism.

MAP SKILLS The massive TVA project combined the activities of many government agencies to control flooding of the Tennessee River, provide hydroelectric power and irrigation for farms, improve navigation, and provide recreation. The photograph below shows the interior of a dam in Norris, Tennessee. Regions (a) Which states benefited from the TVA? (b) What formed the boundary of TVA activity in the East?



READING CHECKWhat historic appointments did FDR make to his administration?

BIOCRAPHY

Anna Eleanor Roosevelt, a niece of Theodore Roosevelt, was born in New York City on October 11, 1884. A member of a wealthy family, Eleanor attended private schools. In 1905, she married her distant cousin Franklin, and they had six children.

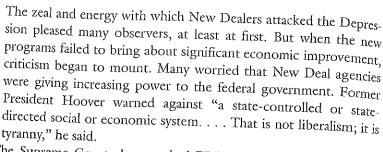
During World War I,
Eleanor Roosevelt joined the
war effort as a volunteer for the Red
Cross. After the war, she became
involved in social and political reforms.
In 1922, she joined the Women's Trade
Union League and became a leader in
the New York State Democratic Party.

Eleanor Roosevelt reshaped the role of First Lady. Besides traveling widely to observe the effects of the New Deal on Americans, she held her own press conferences at the White House, which were for women correspondents only. She lectured widely, and in 1935, she started a newspaper column called "My Day." She used the column to drum up support for the New Deal.

Within a year after Franklin's death in 1945, Eleanor gained further admiration as a delegate to the United Nations. In that role, she led the campaign to approve a Declaration of Human Rights. She worked vigorously for human rights causes until her death in 1962.

Eleanor Roosevelt's activities troubled some Americans. In their view, a First Lady should act only as a gracious hostess at state dinners. Gradually, however, the public got used to her unconventional style, and many came to admire her for her political skills, her humanity, and her idealism.

The New Deal Falters



The Supreme Court also attacked FDR's programs. In 1935, the Court declared the NIRA unconstitutional because it gave the President lawmaking powers and regulated local, rather than interstate, commerce. The following year, the Court also struck down the tax that funded AAA subsidies to farmers. Two of the most important elements of the New Deal had crumbled. It was time to reassess.

A Second New Deal

Most of the public remained behind Roosevelt. The midterm elections of 1934 showed overwhelming nationwide support for FDR's administration. In 1935, the President launched a new, even bolder burst of activity. Many historians call this period and the legislation it produced the **Second New Deal**, or the Second Hundred Days. In part, it was FDR's response to critics who said he was not doing enough for ordinary Americans. The Second New Deal included more social welfare benefits, stricter controls over business, stronger support for unions, and higher taxes on the rich.

New and Expanded Agencies New agencies attacked joblessness even more aggressively than before. The Works Progress Administration (WPA), an agency set up in 1935 and lasting eight years, provided work for more than 8 million citizens. The WPA built or improved tens of thousands of playgrounds, schools, hospitals, and airfields, and it supported the creative work of many artists and writers. The National Youth Administration, established in June 1935 within the WPA, provided

education, jobs, recreation, and counseling for young men and women ages 16 through 25.

The Second New Deal responded to the worsening plight of agricultural workers. The original AAA had ignored many of the farm workers who did not own land. In the Southwest, for example, Mexican American farm workers struggled to survive. Many of these migrant workers were forced to return to Mexico. Others tried to form unions, causing fierce resistance from farming associations. In the South, when landlords accepted the AAA subsidies and took land out of production, many tenants and sharecroppers were left without land to farm.

In May 1935, Rexford Tugwell, an economist in FDR's Department of Agriculture, set up the Resettlement Administration. The agency loaned money to owners of small farms and helped resettle tenants and sharecroppers on productive land. In 1937, the Farm Security Administration (FSA) replaced

Tugwell's agency. It loaned more than \$1 billion to farmers and set up camps for migrant workers.

Rural Electrification The New Deal also brought electricity to the American countryside. By the 1930s, nearly 90 percent of Americans in urban areas had electricity, compared to only about 10 percent in rural areas. The free market did not encourage private companies to provide power because of the high cost of running power lines to remote areas.

Roosevelt believed that the government had an obligation to provide this essential service where private enterprise would not. In 1935, Congress created the Rural Electrification Administration (REA), which offered loans to electric companies and farm cooperatives for building power plants and extending power lines, as well as to farmers and other rural residents to wire their homes and barns.

Within four years, about 25 percent of rural households had electricity. In time, the REA brought power to 98 percent of U.S. farms. Demand for electric appliances grew, benefiting manufacturing companies and local merchants.

New Labor Legislation Labor unions had liked the NIRA provision known as 7a, which granted them the right to organize and bargain collectively. When the NIRA was declared unconstitutional, workers began to demand new legislation to protect their rights.

In July 1935, Congress responded. It passed the National Labor Relations Act, called the **Wagner Act** after its leading advocate, New York Senator Robert Wagner. The Wagner Act legalized such union practices as collective bargaining and **closed shops**, which are workplaces open only to union members. It also outlawed spying on union activities and blacklisting, a practice in which employers agreed not to hire union leaders. The act set up the National Labor Relations Board (NLRB) to enforce its provisions. The

READING CHECK

Why did Roosevelt see a need to launch a second New Deal?

INTERPRETING CHARTS

The New Deal created an alphabet soup of new federal agencies, greatly expanding the bureaucracy and authority of the government.

Synthesizing Information Write a statement explaining the major goals of these agencies.

Major New Deal Agencies

Адепсу

Federal Emergency Relief Act (FERA), 1933 Civil Works Administration (CWA), 1933

Tennessee Valley Authority (TVA), 1933

Home Owners Loan Corporation (HOLC), 1933 Civilian Conservation Corps (CCC), 1933

Public Works Administration (PWA), 1933
National Recovery Administration (NRA), 1933
Federal Deposit Insurance Corporation (FDIC), 1933
Agricultural Adjustment Administration (AAA), 1933
Federal Housing Administration (FHA), 1934
Securities and Exchange Commission (SEC), 1934
Works Progress Administration (WPA), 1935

National Youth Administration (NYA), 1935 Rural Electrification Administration (REA), 1935 Social Security Administration (SSA), 1935

National Labor Relations Board (NLRB), 1935

Purpose

Provided funds to state relief agencies.

Provided federal jobs in building and improving roads and public facilities.

Provided hydroelectric power, flood control, and recreational opportunities to the Tennessee River Valley and surrounding areas.

Provided low-cost mortgage refinancing to homeowners facing foreclosure.

Provided jobs to young, unmarried men (and, later, women) to work on conservation and resource development projects.

Sponsored massive public works projects such as dams and hydroelectric plants.

Worked with industries to establish codes outlining fair business and labor practices.

Insured bank deposits up to \$5,000.

Attempted to raise farm prices by paying farmers to lower farm output.

Improved housing standards and conditions and provided home financing.

Regulated the stock market and protected investors from dishonest trading practices.

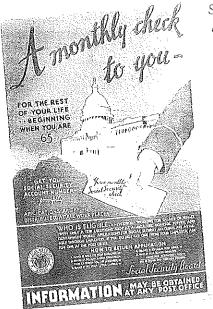
Gave the unemployed work in building construction and arts programs.

Enforced provisions of the Wagner Act, which included the right to collective bargaining and other union rights.

Provided education, jobs, recreation, and counseling for youth ages 16 to 25.

Provided loans for building power plants, extending power lines to rural areas, and wiring homes.

Provided old-age pensions, disability payments, and unemployment benefits.



The Social Security system marked a major expansion of the federal government's role as a caretaker of its citizens. Supreme Court upheld the constitutionality of the Wagner Act in *NLRB* v. *Jones and Laughlin* (1937). The landmark case established the federal government's ability to regulate labor disputes linked to interstate commerce. In 1938, the Fair Labor Standards Act banned child labor and established a minimum wage for all workers covered under the act.

Social Security In 1935, Congress also passed the Social Security Act. The act established a Social Security system to provide financial security, in the form of regular payments, to people who could not support themselves. This system offered three types of insurance:

Old-age pensions and survivors' benefits Workers and their employers paid equally into a national insurance fund. Retired workers or their surviving spouses were eligible to start receiving Social Security payments at age 65. The act did not cover farm and domestic workers until it was amended in 1954.

Unemployment insurance Employers with more than eight employees funded this provision by paying a tax. The government distributed the money to workers who lost their jobs. States administered their own programs, with federal guidance and financial support.

Aid for dependent children, the blind, and the disabled The federal government gave grants to states to help support needy individuals in these categories.

The 1936 Election

No one expected the Republican presidential candidate of 1936, Kansas governor Alfred M. Landon, to beat the popular incumbent President. But few could have predicted the extent of FDR's landslide. Roosevelt carried every state except Maine and Vermont, winning 523–8 in the electoral college.

FDR's landslide victory showed that most Americans supported the New Deal. Yet the New Deal still had many critics with their own sizable followings.

Section

Assessment

READING COMPREHENSION

- 1. What steps did FDR take to restore the nation's hope and boost public confidence in economic institutions?
- What role did public works programs play in Roosevelt's plans for economic recovery?
- 3. What benefits did the Tennessee Valley Authority bring about?
- **4.** How was the **Wagner Act** a triumph for organized labor?

CRITICAL THINKING AND WRITING

- 5. Making Comparisons Compare the success of the early New Deal programs with those of the Second New Deal. Explain why the early programs faltered, and how the Second New Deal gave FDR a boost in the 1936 election.
- 6. Writing a Conclusion Write a statement that analyzes the types of programs created under the New Deal and then draws conclusions about FDR's view of the role of government. Give evidence to support your conclusions.



Take It to the NET

Activity: Yesterday and Today A New Deal program that survives today is the Tennessee Valley Authority (TVA). Research the TVA's beginnings and find out how it has changed to meet present-day needs. Summarize your findings in a brief report. Use the links provided in the America: Pathways to the Present area of the following Web site for help in completing this activity.

www.phschool.com