

CHAPTER 24: THE NEW DEAL



- “Is it not to deal thy bread to the hungry, and that thou bring the poor that are cast out to thy house? when thou seest the naked, that thou cover him; and that thou hide not thyself from thine own flesh? Then shall thy light break forth as the morning, and thine health shall spring forth speedily: and thy righteousness shall go before thee; the glory of the LORD shall be thy rereward.” Isaiah 58:7-8.



OBJECTIVES:



- We will examine the New Deal and the various social and economic programs President Roosevelt launched to address the Great Depression crisis.

LAUNCHING THE NEW DEAL:

- Roosevelt's personality and his optimism was a key to his success.
- He helped alleviate the growing despair and the American people had a mixture of relief and hope in his first days in office.
- He made use of the radio and explained his plans and programs to the people and helped build public confidence in the administration.
- He was well liked to the press and accessible



LAUNCHING THE NEW DEAL:

- Roosevelt's first task upon taking office was to alleviate the panic that was threatening the financial system.
- He did so in part by force of personality and in part by constructing very rapidly an ambitious and diverse program of legislation.



LAUNCHING THE NEW DEAL:

- On March 6 1933 two days after taking office, he issued a proclamation closing all American banks for four days until Congress could meet in special session to consider banking-reform legislation.



LAUNCHING THE NEW DEAL:

- Three days later Roosevelt sent to Congress the Emergency Banking Act.
- A generally conservative bill much of it drafted by Hoover Administration holdovers designed primarily to protect the larger banks from being dragged down by the weakness of smaller ones.



LAUNCHING THE NEW DEAL:

- The bill provided for Treasury Department inspection of all banks before they would be allowed to reopen for federal assistance to some troubled institutions and for a thorough reorganization of those in the greatest difficulty.
- Three quarters of the banks in the Federal Reserve system reopened within three days and \$1 billion in hoarded currency and gold flowed back into them within a month.



LAUNCHING THE NEW DEAL:

- On the morning after passage of the Emergency Banking Act.
- Roosevelt sent to Congress another measure the Economy Act—designed to convince fiscally conservative Americans (and especially the business community) that the federal government was in safe, responsible hands.



LAUNCHING THE NEW DEAL:

- The act proposed to balance the federal budget by cutting the salaries of government employees and reducing pensions to veterans by much as 15 percent.
- Otherwise the president warned the nation faced \$1 billion budget deficit.



LAUNCHING THE NEW DEAL:

- Roosevelt also moved in his first days of office to overturn prohibition and signed a bill to legalize the manufacture and sale of beer as a stop gap measure until the Twenty-First Amendment was ratified.
- Like the banking bill this also passed Congress almost instantly.



Agricultural Adjustment:

- The Agricultural Adjust Act of 1933 sought to reduce crop production to end agricultural surpluses and halt the downward spiral of farm prices.
- Under the provision, producers of seven basic commodities would decide on production limits for their crops.



Agricultural Adjustment:

- The government through the AAA would then tell individual farmers how much they should produce and would pay them subsidies for leaving some of their land idle.
- But in January 1936, the Supreme Court struck down the crucial provisions of the Agricultural Adjustment Act, arguing that the government had no constitutional authority to require farmers to limit production.



Agricultural Adjustment:

- The Rural Electrification Administration created in 1935 which worked to make electric power available for the first time to thousands of farmers through utility cooperatives.



Industrial Recovery:

- The National Recovery Administration (NRA) under the direction of flamboyant and energetic Hugh S. Johnson.
- Johnson called on every business establishment in the nation to accept a temporary “blanket code” a minimum wage of between 30 and 40 cents an hour.
- A maximum workweek of thirty-five to forty hours, and the abolition of child labor.



Industrial Recovery:

- Adherence to the code, would raise consumer purchasing power and increase employment.
- At the same time Johnson negotiated another more specific set of codes with leaders of the nation's major industries.
- These industrial codes set floors below which no company would lower prices or wages in search for a competitive advantage.



Industrial Recovery:

- From the beginning the NRA encountered serious difficulties.
- The codes themselves were hastily and often poorly written.
- Administering was beyond the capacities of federal officials with no prior experience running such a vast program.



Industrial Recovery:

- Large producers consistently dominated the code-writing process and ensured that the new regulations would work to their advantage and the disadvantage of smaller firms.
- The Supreme Court would ultimately see that the NRA as unconstitutional and this caused FDR concern that this would threaten many other New Deal programs as well.



Regional Planning:

- AAA and NRA were largely reflected in the belief of New Dealers who favored economic planning but wanted private interests (farmers and business leaders) to dominate the planning process.
- Other reformers believed that the government itself should be the chief planning agent in the economy.



Regional Planning:

- Their most conspicuous success and one of the most celebrated accomplishments of the New Deal was an unprecedented experiment in regional planning: the Tennessee Valley Authority (TVA)



Regional Planning:

- The TVA had its roots in political controversy in the 1920s.
- Progressive reformers had agitated for years for public development of the nation's water resources as a source of cheap electric power.
- In particular, they had urged the completion of a great dam at Muscle Shoals on the Tennessee River in Alabama, a dam begun during World War I and left unfinished when the war ended.



Regional Planning:

- But opposition from the utility companies had been too powerful to overcome.
- In 1932, one of the great utility empires that of electric magnate Samuel Insull collapsed spectacularly amid widely publicized expose' of corruption.
- Hostility to the utilities soon grew so intense that the corruption were no longer able to block the public power movement.



Regional Planning:

- The result in May 1933 was the TVA.
- The TVA authorized to complete the dam at Muscle Shoals and build others in the region and to generate and sell electricity from them to the public at reasonable rates.



Regional Planning:

- It also intended to be an agent for a comprehensive redevelopment of the entire region:
- For stopping the disastrous flooding that had plagued the Tennessee Valley for centuries, for encouraging the development of local industries,
- For supervising a substantial program of reforestation and for helping farmers improve productivity.



Regional Planning:

- The TVA revitalized the region in numerous ways.
- It improved water transportation, virtually eliminated flooding in the region and provided electricity to thousands who had never before had it.



Regional Planning:

- Throughout much of the country, largely because of a yardstick provided by the TVA's cheap production of electricity, private power rates declined.
- Even so, the Tennessee Valley remained a generally impoverished region despite the TVA's efforts.
- Like many other New Deal Programs, the TVA made no serious effort to challenge the local customs and racial prejudices.



Currency, Banks, and the Stock Market:

- The early New Deal increased federal authority over previously unregulated or weakly regulated areas of the economy.
- The Glass-Steagall Act of June 1933 gave the government authority to curb irresponsible speculation by banks.



Currency, Banks, and the Stock Market:

- It also established a wall between commercial banking and investment.
- Equally important it established the Federal Deposit Insurance Corporation which guaranteed all bank deposits up to \$2500.



Currency, Banks, and the Stock Market:

- To oversee activities in the stock market, in 1934 Congress established the Security and Exchange Commission (SEC) to police the stock market.



The Growth of Federal Relief:

- Among FDR's first acts in office was the establishment of the Federal Emergency Relief Act (FERA) which provided cash grants to states to prop up bankrupt relief agencies.



The Growth of Federal Relief:

- The administration also established a second program, the Civil Works Administration (CWA).
- Between November 1933 and April 1934, it put forth more than 4 million people to work on temporary projects.
- Some of the projects were of lasting value such as the construction of roads, schools, and parks.



The Growth of Federal Relief:

- Roosevelt's favorite relief project was the Civilian Conservation Corps (CCC).
- Established in the first few weeks of the new administration, the CCC was designed to provide employment to the millions of young men who could find no jobs in the cities.
- CCC created camps in national parks and forests and in other rural and wilderness settings.



The Growth of Federal Relief:

- These young men of the CCC worked on such projects as planting trees, building reservoirs, developing parks, and improving agricultural irrigation.

