



SECTION 5

The Impact of the New Deal

MAIN IDEA

The New Deal affected American society not only in the 1930s but also in the decades that followed.

WHY IT MATTERS NOW

Americans still debate over how large a role government should play in American life.

Terms & Names

- Federal Deposit Insurance Corporation (FDIC)
- Securities and Exchange Commission (SEC)
- National Labor Relations Board (NLRB)
- parity
- Tennessee Valley Authority (TVA)

One American's Story

George Dobbin, a 67-year-old cotton-mill worker, staunchly supported Franklin Delano Roosevelt and his New Deal policies. In an interview for a book entitled *These Are Our Lives*, compiled by the Federal Writers' Project, Dobbin explained his feelings about the president.

A PERSONAL VOICE GEORGE DOBBIN

"I do think that Roosevelt is the biggest-hearted man we ever had in the White House. . . . It's the first time in my recollection that a President ever got up and said, 'I'm interested in and aim to do somethin' for the workin' man.' Just knowin' that for once . . . [there] was a man to stand up and speak for him, a man that could make what he felt so plain nobody could doubt he meant it, has made a lot of us feel a sight [lot] better even when [there] wasn't much to eat in our homes."

—quoted in *These Are Our Lives*



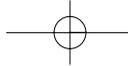
▲ A coal miner, Zeno Santinello, shakes hands with Franklin D. Roosevelt as he campaigns in Elm Grove, West Virginia, in 1932.

FDR was extremely popular among working-class Americans. Far more important than his personal popularity, however, was the impact of the policies he initiated. Even today, reforms begun under the New Deal continue to influence American politics and society.

New Deal Reforms Endure

During his second term in office, President Roosevelt hinted at plans to launch a Third New Deal. In his inaugural address, the president exclaimed, "I see millions of families trying to live on incomes so meager that the pall of family disaster hangs over them day by day. . . . I see one third of a nation ill-housed, ill-clad, ill-nourished."

However, FDR did not favor deficit spending. More importantly, by 1937 the economy had improved enough to convince many Americans that the Depression was finally ending. Although economic troubles still plagued the nation, President



Roosevelt faced rising pressure from Congress to scale back New Deal programs, which he did. As a result, industrial production dropped again, and the number of unemployed increased from 7.7 million in 1937 to 10.4 million in 1938. By 1939, the New Deal was effectively over, and Roosevelt was increasingly concerned with events in Europe, particularly Hitler's rise to power in Germany. **A**

MAIN IDEA

Analyzing Issues

A Why did industrial production drop and unemployment go up again in 1938?

SUPPORTERS AND CRITICS OF THE NEW DEAL Over time, opinions about the New Deal have ranged from harsh criticism to high praise. Most conservatives think President Roosevelt's policies made the federal government too large and too powerful. They believe that the government stifled free enterprise and individual initiative. Liberal critics, in contrast, argue that President Roosevelt didn't do enough to socialize the economy and to eliminate social and economic inequalities. Supporters of the New Deal contend, however, that the president struck a reasonable balance between two extremes—unregulated capitalism and overregulated socialism—and helped the country recover from its economic difficulties. One of Roosevelt's top advisers made this assessment of the president's goals.

A PERSONAL VOICE REXFORD TUGWELL

“He had in mind a comprehensive welfare concept, infused with a stiff tincture of morality. . . . He wanted all Americans to grow up healthy and vigorous and to be practically educated. He wanted business men to work within a set of understood rules. Beyond this he wanted people free to vote, to worship, to behave as they wished so long as a moral code was respected; and he wanted officials to behave as though office were a public trust.”

—quoted in *Redeeming the Time*

P O I N T

“The New Deal transformed the way American government works.”

Supporters of the New Deal believe that it was successful. Many historians and journalists make this judgment by using the economic criterion of creating jobs. *The New Republic*, for example, argued that the shortcomings of the WPA “are insignificant beside the gigantic fact that it has given jobs and sustenance to a minimum of 1,400,000 and a maximum of 3,300,000 persons for five years.”

Some historians stress that the New Deal was more than a temporary solution to a crisis. Professor A. A. Berle stated that, “human beings cannot indefinitely be sacrificed by millions to the operation of economic forces.”

According to the historian William E. Luechtenburg, “It is hard to think of another period in the whole history of the republic that was so fruitful or of a crisis that was met with as much imagination.”

To Pulitzer Prize-winning historian Allan Nevins, the New Deal was a turning point in which the U.S. government assumed a greater responsibility for the economic welfare of its citizens.

C O U N T E R P O I N T

“Many more problems have been created than solved by the New Deal.”

Critics of the New Deal believe that it failed to reach its goals. The historian Barton J. Bernstein accepted the goals of the New Deal but declared that they were never met. To him, the New Deal “failed to raise the impoverished, it failed to redistribute income, [and] it failed to extend equality.”

In Senator Robert A. Taft's opinion, “many more problems have been created than solved” by the New Deal. He maintained, “Whatever else has resulted from the great increase in government activity . . . it has certainly had the effect of checking private enterprise completely. This country was built up by the constant establishment of new business and the expansion of old businesses. . . . In the last six years this process has come

to an end because of government regulation and the development of a tax system which penalizes hard work and success.” Senator Taft claimed that “The government should gradually withdraw from the business of lending money and leave that function to private capital under proper regulation.”

THINKING CRITICALLY

CONNECT TO HISTORY

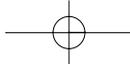
1. Comparing and Contrasting How did the New Deal succeed? How did it fail? Write a paragraph that summarizes the main points.



SEE SKILLBUILDER HANDBOOK, PAGE R8.

CONNECT TO TODAY

2. Draft a Proposal Research the programs of the WPA and draft a proposal for a WPA-type program that would benefit your community.



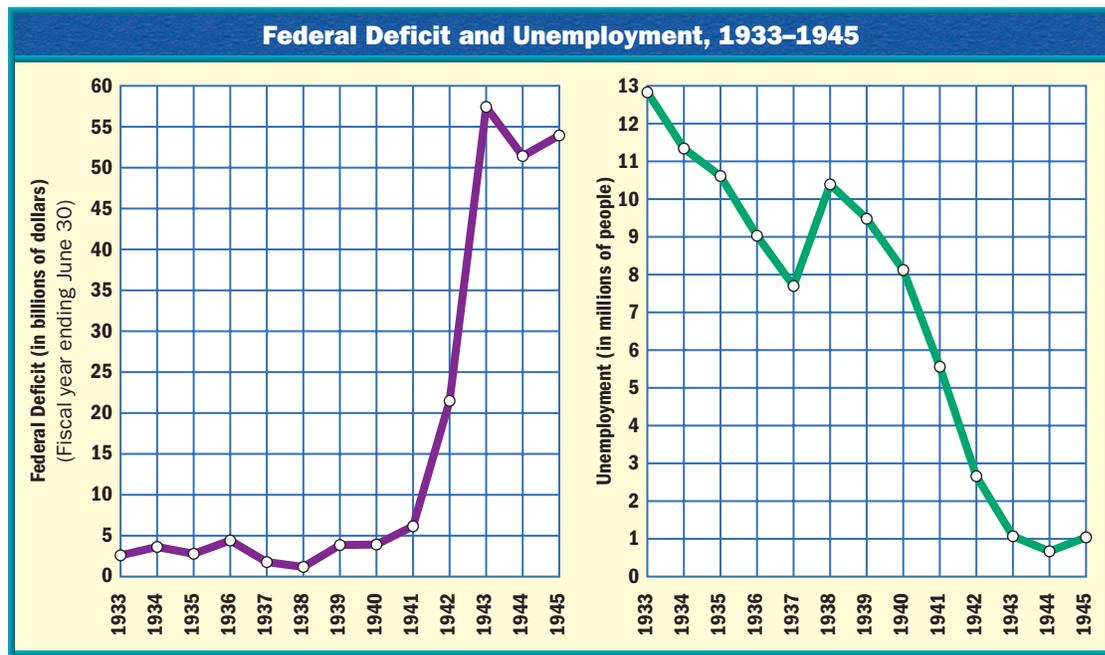
EXPANDING GOVERNMENT'S ROLE IN THE ECONOMY

The Roosevelt administration expanded the power of the federal government, giving it—and particularly the president—a more active role in shaping the economy. It did this by infusing the nation's economy with millions of dollars, by creating federal jobs, by attempting to regulate supply and demand, and by increasing the government's active participation in settling labor and management disputes. The federal government also established agencies, such as the **Federal Deposit Insurance Corporation (FDIC)** and the **Securities and Exchange Commission (SEC)**, to regulate banking and investment activities. Although the New Deal did not end the Great Depression, it did help reduce the suffering of thousands of men, women, and children by providing them with jobs, food, and money. It also gave people hope and helped them to regain a sense of dignity.



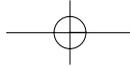
▲ Unemployed workers sit on a street in a 1936 photograph by Dorothea Lange.

The federal government had to go deeply into debt to provide jobs and aid to the American people. The federal deficit increased to \$2.9 billion in fiscal year 1934. As a result of the cutbacks in federal spending made in 1937–1938, the deficit dropped to \$100 million. But the next year it rose again, to \$2.9 billion. What really ended the Depression, however, was the massive amount of spending by the federal government for guns, tanks, ships, airplanes, and all the other equipment and supplies the country needed for the World War II effort. During the war, the deficit reached a high of about \$54.5 billion in 1944.



SKILLBUILDER Interpreting Graphs

1. What was the peak year of the deficit?
2. What relationship does there seem to be between deficit spending and unemployment? Why do you think this is so?



PROTECTING WORKERS' RIGHTS One of the areas in which New Deal policies have had a lasting effect is the protection of workers' rights. New Deal legislation, such as the Wagner Act and the Fair Labor Standards Act, set standards for wages and hours, banned child labor, and ensured the right of workers to organize and to bargain collectively with employers. Today, the **National Labor Relations Board (NLRB)**, created under the Wagner Act, continues to act as a mediator in labor disputes between unions and employers.

BANKING AND FINANCE New Deal programs established new policies in the area of banking and finance. The Securities and Exchange Commission (SEC), created in 1934, continues to monitor the stock market and enforce laws regarding the sale of stocks and bonds. The Federal Deposit Insurance Corporation (FDIC), created by the Glass-Steagall Act of 1933, has shored up the banking system by reassuring individual depositors that their savings are protected against loss in the event of a bank failure. Today, individual accounts in United States federal banks are insured by the Federal Deposit Insurance Corporation for up to \$100,000.

Today the Social Security system continues to rely on mandatory contributions paid by workers—through payroll deductions—and by employers. The money is invested in a trust fund, from which retirement benefits are later paid. However, several problems have surfaced. For example, benefits have expanded, and Americans live longer than they did in 1935. Also, the ratio of workers to retirees is shrinking: fewer people are contributing to the system relative to the number who are eligible to receive benefits.

The long-range payment of benefits may be in jeopardy because of the large number of recipients. Continuing disagreement about how to address the costs has prevented legislative action.

The Social Security Act provides an old-age insurance program, an unemployment compensation system, and aid to the disabled and families with dependent children. It has had a major impact on the lives of millions of Americans since its founding in 1935.

Social and Environmental Effects

New Deal economic and financial reforms, including the creation of the FDIC, the SEC, and Social Security, have helped to stabilize the nation's finances and economy. Although the nation still experiences economic downturns, known as recessions, people's savings are insured, and they can receive unemployment compensation if they lose their jobs.

SOCIAL SECURITY One of the most important legacies of the New Deal has been that the federal government has assumed some responsibility for the social welfare of its citizens. Under President Roosevelt, the government undertook the creation of a Social Security system that would help a large number of needy Americans receive some assistance.

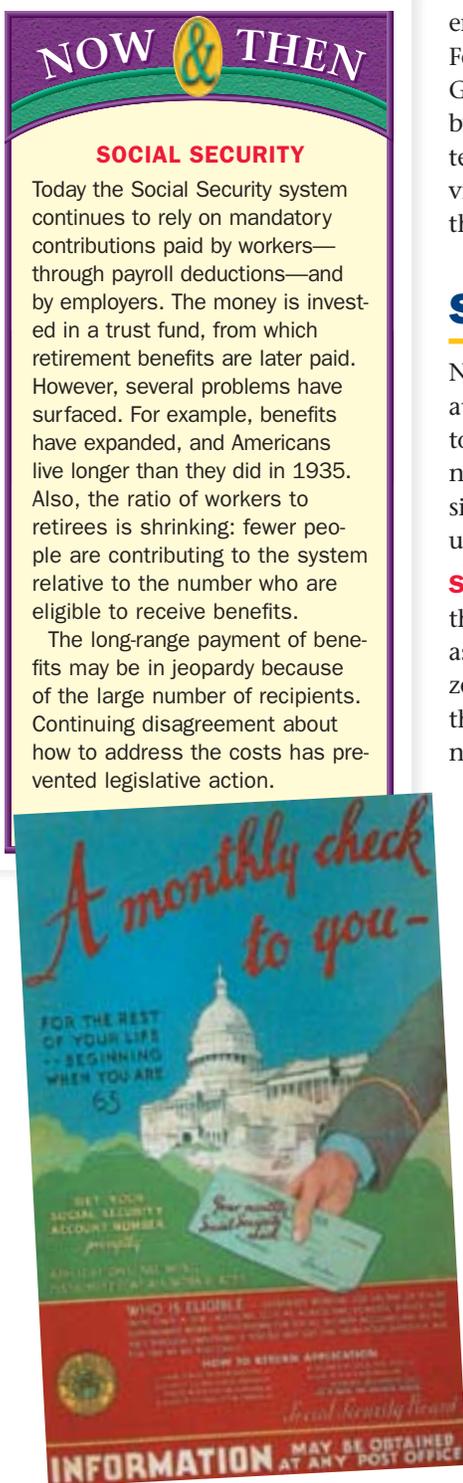
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THE RURAL SCENE New Deal policies also had a significant impact on the nation's agriculture. New Deal farm legislation set quotas on the production of crops such as wheat to control surpluses. Under the second Agricultural Adjustment Act, passed in 1938, loans were made to farmers by the Commodity Credit Corporation. The value of a loan was determined by the amount of a farmer's surplus crops and the **parity** price, a price intended to keep farmers' income steady. Establishing agricultural price supports set a precedent of federal aid to farmers that continued into the 2000s. Other government programs, such as rural electrification, helped to improve conditions in rural America.

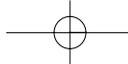
MAIN IDEA

Developing Historical Perspective

B Why was the establishment of the Social Security system such an important part of the New Deal?



◀ A Social Security poster proclaims the benefits of the system for those who are 65 or older.



THE ENVIRONMENT Americans also continue to benefit from New Deal efforts to protect the environment. President Roosevelt was highly committed to conservation and promoted policies designed to protect the nation's natural resources. The Civilian Conservation Corps planted trees, created hiking trails, and built fire lookout towers. The Soil Conservation Service taught farmers how to conserve the soil through contour plowing, terracing, and crop rotation. Congress also passed the Taylor Grazing Act in 1934 to help reduce grazing on public lands. Such grazing had contributed to the erosion that brought about the dust storms of the 1930s.

The **Tennessee Valley Authority (TVA)** harnessed water power to generate electricity and to help prevent disastrous floods in the Tennessee Valley. The government also added to the national park system in the 1930s, established new wildlife refuges and set aside large wilderness areas. On the other hand, government-sponsored stripmining and coal burning caused air, land, and water pollution.

The New Deal legacy has many dimensions. It brought hope and gratitude from some people for the benefits and protections they received. It also brought anger and criticism from those who believed that it took more of their money in taxes and curtailed their freedom through increased government regulations. The deficit spending necessary to fund New Deal programs grew immensely as the nation entered World War II.



▲ This 1933 cartoon depicts Roosevelt exhausting Congress with his many reform policies.

MAIN IDEA

Analyzing Effects

C How did New Deal programs benefit and harm the environment?



ASSESSMENT

1. TERMS & NAMES For each term or name, write a sentence explaining its significance.

- Federal Deposit Insurance Corporation (FDIC)**
- Securities and Exchange Commission (SEC)**
- National Labor Relations Board (NLRB)**
- parity**
- Tennessee Valley Authority (TVA)**

MAIN IDEA

2. TAKING NOTES

In a cluster diagram like the one below, show long-term effects of the New Deal.



Which long-term benefit do you think has had the most impact? Why?

CRITICAL THINKING

3. MAKING GENERALIZATIONS

Some critics have charged that the New Deal was antibusiness and anti-free enterprise. Explain why you agree or disagree with this charge.

Think About:

- the expanded power of the federal government
- the New Deal's effect on the economy
- the New Deal's effect on the American people

4. EVALUATING LEADERSHIP

How successful do you think Franklin Roosevelt was as a president? Support your answer with details from the text.

5. INTERPRETING VISUAL SOURCES

Look at the political cartoon above. What does it suggest about Roosevelt's leadership and the role of Congress? Explain.