

New Deal & Society

Relief Crisis

- Private charity at all time high in 1932
- Public spending for relief doubled
- Spending = \$1.67/US resident

Costigan-LaFollette Bill

- Introduced Dec. 1931
- Federal grants to states for unemployment relief
- Opposed by Hoover admin.

Federal Emergency Relief Administration

- March 1933: FDR requested federal relief administrator
- Congress authorized FERA
 - \$500 million
 - Grants to states
- Harry Hopkins in charge
- Spend as much & as fast as possible

Harry Hopkins

- Born 1890 in Iowa
- Grinnell College
- NYC Settlement House
- Social worker & social work administrator
- NY relief efforts



Hopkins vs Ickes

- Hopkins
 - Relief is first priority
- Ickes
 - Infrastructure
 - Careful financial management

FERA

- Public program
- Administered by states
- Unemployment relief
- No discrimination
- Cash payments
- Preference for work relief

Civil Works Administration

- Winter 1933-34
- Hopkins initiative
- 2.6 million hired within a month
- January 1934: 4 million employed
- Criticism from conservatives
- FDR ordered halt

CWA

- Government employees
- No means test
- Pay rates
 - Living wage
 - Lower than private sector
 - Regional differences
 - \$.30/hour after Jan. 1934
- Hours cut to conserve funds

FDR on Relief

- Relief:
 - A narcotic, a subtle destroyer of the human spirit”

FERA 1934-35

- Work relief
- Planned projects
- 240,000 projects; \$1.3 billion
- 2 million average monthly employment
- White collar projects
- “Production for use”

Relief & Recovery Issues

- Public works or job creation
- Financing
- Workers : jobless or relief
- Private contractors or govt.
- Wages
- Long term or emergency
- Ickes & PWA or Hopkins & FERA
- Enough money?

Emergency Relief Appropriation of 1935

- \$5 billion
- Broad executive discretion
- FDR's decisions:
 - National Youth Administration
 - Public Works Administration
 - Civilian Conservation Corps
 - Works Progress Administration

National Youth Administration

- Part-time work for 2 million high school & college students
- Assistance to 2 million youth not in school

Works Progress Administration

- Created by executive order
- Work better than relief
- 90% of workers must be from relief rolls
- Not compete with private sector for
 - Workers
 - Services provided

WPA: Achievements

- Average payroll: 1 million workers
- Constructed or improved >20,000
 - Playgrounds
 - Schools
 - Hospitals
 - Airfields

Federal One

- Federal Arts Project
 - Murals in public places
- Federal Music Project
 - Local orchestras
 - Alan Lomax & folk music
- Federal Theatre Project
 - Macbeth with African-American cast
- Federal Writers Project
 - State guides
- Historical Records Survey
 - Survey of local govt records









WPA: Controversies

- Unfair competition with private sector
- Undermined prevailing wages
- Inappropriate role for govt
- “Make work” projects
- Empire building by Hopkins & others
- FDR’s political machine
- Arts programs: subversive

WPA Wages Issues

- Policy: “security wages”
 - Above relief; below private sector
- Guaranteed income?
- Criteria
 - Skill levels; location; region
- 130 hours/month



"It's his first day. He's certainly making an ass of himself."



Relief Act of 1939

- Congress cut proposal by \$150 million
- WPA workers: no more than 18 months
- 775,000 workers dismissed
- 100,000 found jobs within 90 days
- Ended Federal Theatre Project

Hatch Act

- Allegations: Relief recipients pressured to vote
- Senate investigation
- 1939
- Act barred Federal employees from political activity

WPA: Shortcomings

- Employed less than 30% of unemployed
- Low wages
 - Average: \$55/month
 - Half minimum subsistence
- Little or no training
- No match between skills & jobs
- “Make work” projects

Social Insurance

- Wisconsin unemployment insurance (1932)
- 1934 Congressional proposals
 - Unemployment relief
 - Unemployment insurance
 - Old age pensions
- Perkins Committee
 - (Committee on Economic Security)

Wisconsin Roots

- John Commons
 - Economist
 - Labor historian
 - American Association for Labor Legislation
- Arthur Altemeyer - Asst Sec of Labor
- Edwin Witte
 - Chair, Economics Dept UW
 - Exec. Director, Perkins Committee



FDR's Ideas

- Single program
 - Pensions
 - Unemployment insurance
 - Help for those unable to help themselves
 - Health insurance
- Universal coverage
- Self-supporting
 - Worker & employer contributions
- Work related
- Alternative to relief
- Encourage workers to retire

Unemployment Insurance Issues

- Federal or State/Federal
- National Standards
- Contributions
 - Employer -- Employee -- Govt.
- Differential rates

Unemployment Insurance

- Federal/state system
- Loose national standards
- Employer contributions
- Low benefits
- Contributions offset against taxes
- Excluded
 - Domestic & farm workers
 - Workers in small businesses
 - Others

State Policies

- Waiting period
- Benefit amounts
 - Circa 50% of prior pay
- Benefit duration
 - 16 or fewer weeks

Pensions

- Federal system
- Employee & employer contributions
- Self-supporting
 - Payments start 1937
 - Benefits start 1942
- Benefits below subsistence level
- Death benefit

Old Age Pensions

- Eligibility
 - 65 years
 - Worked 5 years
 - Lifetime earnings of \$2000 or more
- Payments: \$10 - \$85 /month

Insurance Industry Criticisms

- Private insurers & GOP
- Reserve will be “too big”
- Govt tempted to expand program

1939 SS Amendments

- Start of payments moved up to 1939
- Additional payments to wives & children
- Survivor benefits

Other SS Act Programs

- Old Age Assistance
 - Federal/State match
- Aid to Families with Dependent Children
 - Single mothers with children
- Public Health grants
- Aid for blind
- No work relief

Social Security Impact

- Little or no impact on recovery
- Some short term impact on relief
- Important long term impact

Social Security Defects

- Excluded neediest
 - Domestic & farm workers
- Payroll tax: regressive
- Deflationary in short term
 - Receipts deposited in fund
 - No payments until 1942
- State responsibility for unemployment compensation
 - Regressive sales taxes

New Deal & Housing

Home Owners Loan Corporation

- Authorized June 1933
- Refinance home loans at low rates
- 20% of home mortgages
- Guaranteed repayment of loans
- Viewed as bailout of mortgage industry
- Tight management
 - 100,000 foreclosures

National Housing Act of 1934

- Established Federal Housing Administration
- Insured home mortgages

Federal Housing Administration

- Longer amortization
 - 20 years
- Insured 6% of home loans in 1935
- Limited impact on home construction

Wagner-Steagall Housing Act

- 1937
- Wagner's proposal
- FDR's reluctant support
- Established US Housing Authority
- Construction loans for low-cost housing
- Limited authority