

New Deal

Assessment

FDR: End of New Deal

- 1939 Annual Message
- “period of internal conflict” re reforms is over
- Aim is to preserve reforms
- Give everyone who wants one a job at living wage

FDR: End of New Deal

“sick and tired of having a lot of long-haired people around here who want a billion dollars for schools, a billion dollars for public health”

FDR: End of New Deal

- Exhausted stock of socio-economic ideas
 - Brandeis' regulation
 - Hoover's cooperation with business
 - Social paternalism
 - Public works
- Not interested in new ideas
 - Keynes
 - Socialism

End of New Deal

- FDR & New Deal Democrats
 - Did not create disciplined, ideological party
 - Reluctant to change political process
 - Uneasy with growing labor influence
 - Interest in more change?
 - Concern about international issues

End of Congressional Support

- Dominance of state political parties
- Resentment of executive branch
- Sense that emergency was over
- FDR no longer invincible
- Sectional conflict: South/West v East/Mid West
- Urban v rural

End of New Deal

- Demise of progressive GOP
- Southern Dems' anxieties
 - Diminished influence
 - 2/3 rule at Dem Convention
 - Inclusion of new Northern constituencies
 - Inclusion of African-Americans
 - Hardened attitudes

End of New Deal

- Business, GOP & Anti-New Deal Democrats
 - Opposed to
 - Larger Federal government
 - Relief
 - Redistribution of wealth or income
 - Improved pay & hours
 - Labor unions
 - National standards
 - Government regulation



First New Deal

- Omnibus legislation
 - AAA
 - NIRA
- Philosophical incoherence
- Executive discretion
- Counter-productive appointments
 - Kennedy (SEC)
 - Johnson (NRA)
 - George Peek (AAA)
 - Ickes (PWA)

First New Deal

- Structural change?
 - Strengthened banking system (FDIC)
 - Protected profits (NRA)
 - Preserved mortgage industry (HOLC)
 - Aided large landowners (AAA)
 - Undercut discontent (Federal relief)
- TVA
 - Wide scale planning
 - Community development
 - Government ownership

First New Deal: Impact

- Upturn in economic activity in 1933-34
 - Industrial production doubled
 - Unemployment fell from 30% to 22%
- 1934-35
 - Industrial production steady
 - Unemployment: 20-25%

Second New Deal: Impact

- Mid-1935 - mid-1937
 - Industrial production increased by 1/3
 - Unemployment fell by 1/4
- Other factors:
 - Veterans Bonus
 - \$1.7 billion in 1936
 - Increased consumption
 - Model A was six years old

Second Depression

- Spring-Summer 1937
- Dow Jones: 190 to 115 in 2 months
- Production & sales dropped
- Unemployment
 - August 1937: 9 million (14%)
 - March 1938: 13 million (20%)

1937-1938 Depression: Causes

- Sense that emergency was over
- Fear of inflation by Fed
- Reduced Federal spending
 - Cutbacks in WPA & PWA
- Start of Social Security tax, but not benefits
 - \$2 billion removed from economy
- Absence of capital investment
 - Higher wages

1937-1938 Depression: FDR's Reaction

- Attacks on big business
 - “Strike of capital”
 - Temporary National Economic Committee
 - O’Mahoney Committee
 - 3-year survey of economy
 - Expanded anti-trust suits (Thurman Arnold)

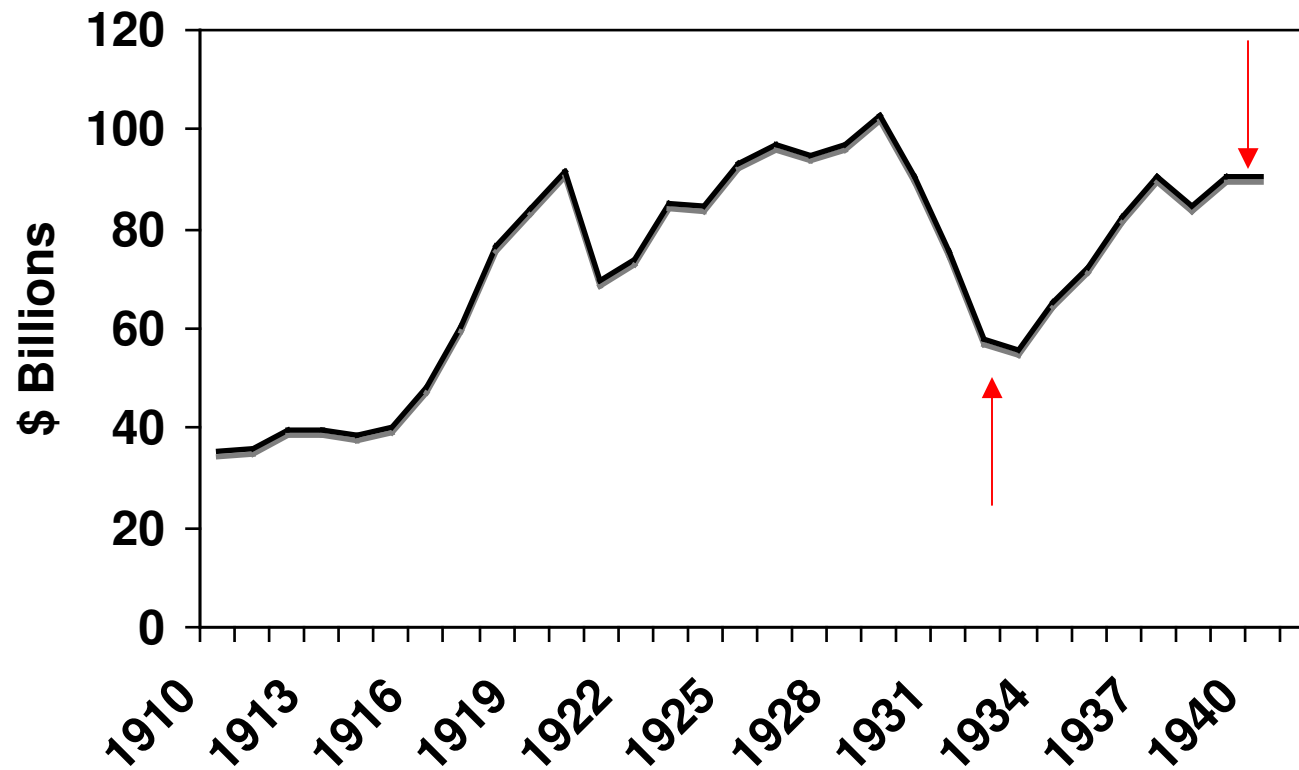
1937-1938 Depression: FDR's Reaction II

- April 1938
- \$3.75 billion appropriation for relief
 - Expand WPA
 - Restart PWA
- Hopkins
- Marriner Eccles (Chairman of Fed)

New Deal & Depression

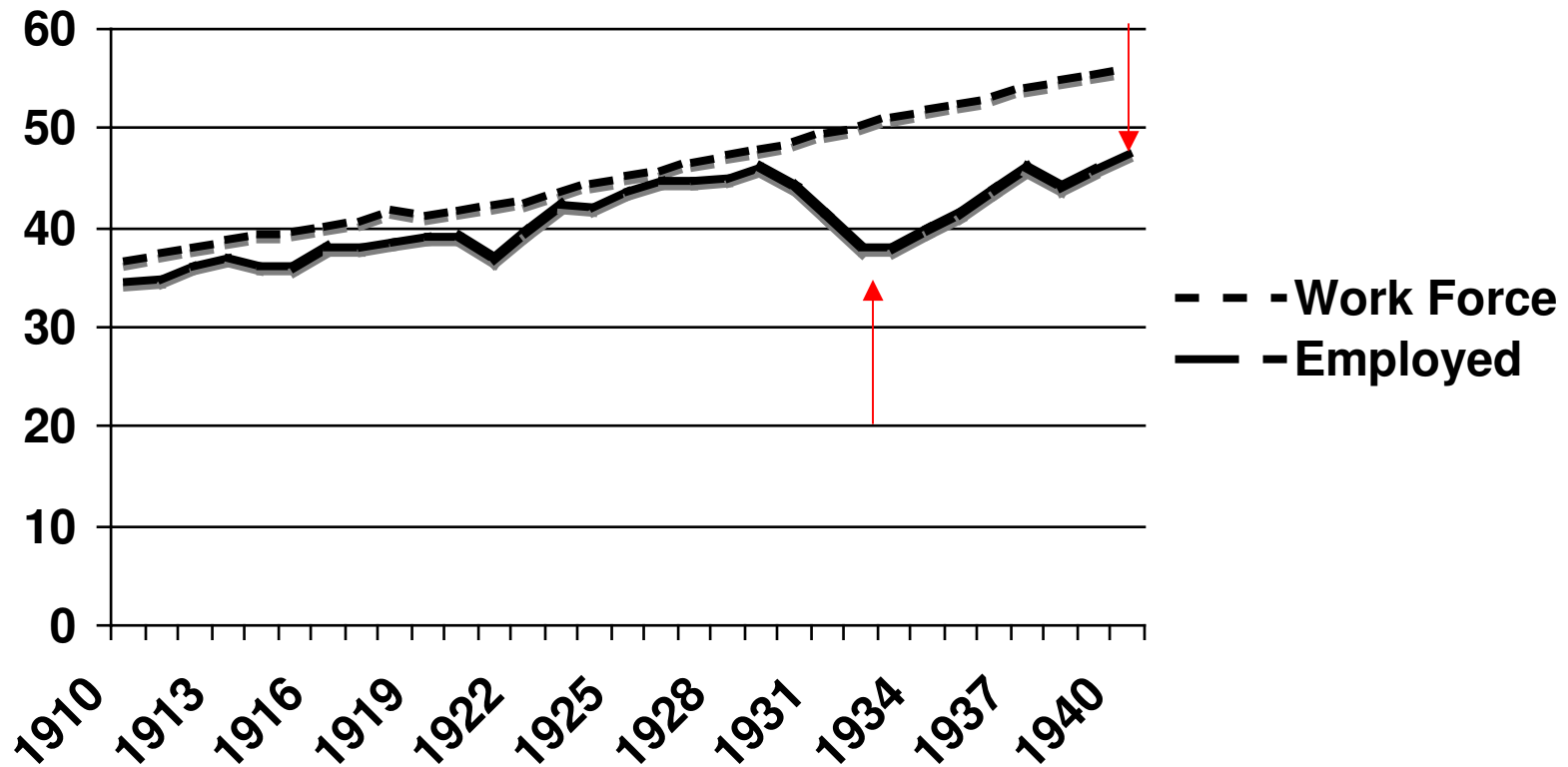
- New Deal did not end Depression
- Improved economic conditions
- Softened negative impact
 - Relief
 - Public Works

Gross National Product 1910-1940



Employment: 1910-1940

(millions of workers)



Unemployment

- 1939
- 9.4 million unemployed
- 17.2% of workforce
- Did not fall to 1929 level until 1943

New Deal “Mistakes”

- Policy incoherence
- Misguided programs
 - NIRA
 - Buying gold
- Not enough public works & housing
- Balanced budget fixation
- Money supply (?)

Raymond Moley on New Deal

“To look upon these policies as the result of a unified plan was to believe that the accumulation of stuffed snakes, baseball pictures, school flags, old tennis shoes, carpenter’s tools, geometry books and chemistry sets in a boy’s bedroom could have been put there by an interior decorator.”

New Deal & Business

- FDR ambivalent
 - Critical, but no alternative
- “Talk is cheap”
- “Bark worse than bite”
- Impact on business confidence?

Business & New Deal

- Some bitter opposition, but...
- Divisions
 - Big vs small
 - New vs old
 - South vs rest
- “Capital strike” ?
 - Interested in or capable of expansion ?

Other Causes for Failure

- Economy in ruins by 1933
- Making policy in an emergency
- Fed & state govts -- not capable
- Regional & local issues

Constitutional Impediments to Change

- Separation of legislature & executive
- Constitutional review by courts
- Two legislative houses
- Senate based on land area
 - Rural bias
- Six year terms for Senators

Electoral Impediments to Change

- State control of electoral rules
- Gerrymanders
- No “one man- one vote” rule
 - Pervasive rural bias
- Limits on voter registration
 - Poll tax...
- Two party system
- State political parties

Self-Imposed Limits

- Not anti-capitalist
- No new government structures
- No changes to electoral process
- Adverse to conflicts within society
- Practical/pragmatic
 - Perkins = “half-loaf girl”

Three R's

- Relief
 - Some success
- Recovery
 - Less success
- Reform
 - Long term impact
 - Little immediate impact

Who Benefited?

- NRA -- Large corporations
- AAA -- large farmers
- Banking legislation -- banks & depositors
- HOLC -- lenders & homeowners
- SEC -- stock investors
- Relief -- poor
- Farm Credit Admin -- small farmers
- TVA -- Large farmers, industry...

Minorities & Poor

- No fundamental changes
 - No civil rights legislation
 - Anit-lynching proposals blocked
- Provided relief, where Hoover had not
- Even segregated programs provided help
- Seemed to care

Larger Impact

- Preserved capitalism
- No redistribution of wealth & income
- Major benefits to middle class
- Limited recognition of other organized groups (e.g. unions)
- Oblivious to segregation

Watersheds

- Welfare State
 - Govt responsibility for social welfare
 - Federal involvement
- Strong Federal govt
- Strong president
 - Executive Office of the President
- Political realignment