

THE NEW DEAL

THE AMERICAN REVOLUTION OF THE 1930S



LECTURE OUTLINE

- **I. WHAT WAS THE NEW DEAL?**
- **II. NEW DEAL ECONOMICS**
- **III. NEW DEAL POLITICS**
- **IV. NEW DEAL GOVERNMENT**
- **V. THE NEW DEAL LEGACY**

I. WHAT WAS THE NEW DEAL?

- **FDR AND THE NEW DEALERS**
- **LAWS & AGENCIES**
- **EVOLUTION OF THE NEW DEAL**



FDR & THE NEW DEALERS

- **ROOSEVELT ELECTED 1932, TAKES OFFICE MARCH 1933**
 - **REELECTED FOUR TIMES (NO TERM LIMITS)**
 - **CAME WITH PRIOR EXPERIENCE IN NY & WDC**
 - **PERSONAL BACKGROUND, ELEANOR & POLIO**
- **KEY NEW DEALERS**
 - **INNER CIRCLE: HOPKINS, PERKINS, ICKES, HOWE, MORGENTHAU, “BRAINS TRUST” ETC**
 - **CONGRESS: VP GARNER, WAGNER, NORRIS, RAYBURN, BLACK, ETC.**
 - **RAFT OF GOOD ADMINISTRATORS ALL THE WAY DOWN**



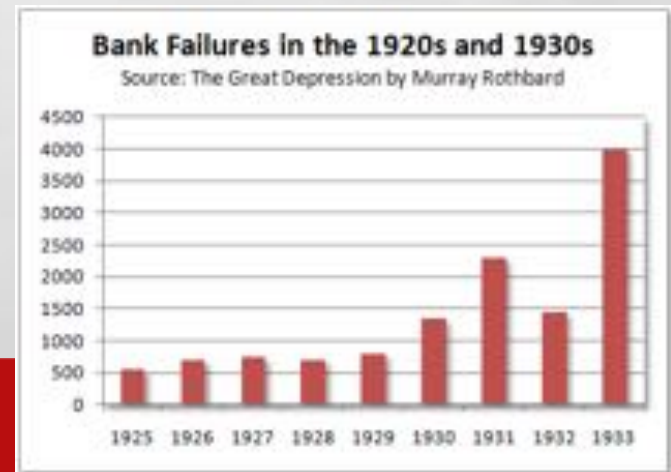
LAWS & AGENCIES

- **FINANCIAL STABILIZATION**
- **INDUSTRY & AGRICULTURE**
- **PUBLIC WORKS**
- **SOCIAL SUPPORT**



FINANCIAL STABILIZATION

- **BANKING & FINANCE (1933-34)**
 - **EMERGENCY BANKING ACT, GOLD RESERVE ACT, GLASS-STEAGALL ACT, ETC.**
 - **SECURITIES ACT, SECURITIES & EXCHANGE ACT**
 - **FARM CREDIT ACT**
- **NEW AGENCIES**
 - **FDIC, FSLIC, FNMA**
 - **SEC**
 - **EXPANDED HOLC & RFC**



INDUSTRY & AGRICULTURE

- **NATIONAL INDUSTRIAL RECOVERY ACT (NIRA) (1933)**
 - **DECLARED UNCONSTITUTIONAL & ABANDONED**
- **AGRICULTURAL ADJUSTMENT ACT (AAA) (1933)**
 - **THROWN OUT BUT SURVIVED (1938)**
- **AGENCIES**
 - **NRA**
 - **D OF A**



PUBLIC WORKS

- **FEDERAL EMERGENCY RELIEF ACT (FERA) (1933-35)**
 - **CIVIL WORKS ADMIN (CWA) (1933-34)**
- **PUBLIC WORKS ADMIN (PWA) (1933)**
- **CIVILIAN CONSERVATION CORPS (CCC) (1933)**
- **TENNESSEE VALLEY AUTHORITY (TVA) (1933)**
- **RURAL ELECTRIFICATION ADMIN (REA) (1935)**
- **WORKS PROGRESS ADMIN (WPA) (1935)**
- **FEDERAL ARTS PROJECT (UNDER WPA)**

***PLUS EXISTING LINE AGENCIES: TREASURY,
RECLAMATION, ARMY CORPS, PUBLIC ROADS, ETC.***



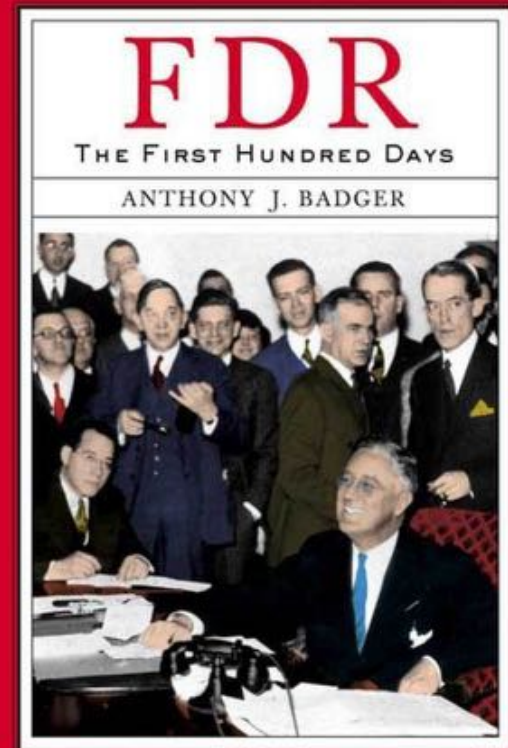
SOCIAL SUPPORT

- **LABOR LAW**
 - **RIGHT TO ORGANIZE (NIRA) (1933)**
 - **NATIONAL LABOR RELATIONS ACT (NLRA) (1935)**
 - **FAIR LABOR STANDARDS ACT (1938)**
- **SOCIAL SECURITY (1935)**
 - **AID TO MOTHERS WITH DEPENDENT CHILDREN**
- **HOUSING**
 - **NATIONAL HOUSING ACT (1934) (CREATES FHA & FNMA 1938)**
 - **U.S. HOUSING ACT (1937)**
 - **RESETTLEMENT ACT (1935)**



EVOLUTION OF THE NEW DEAL

- **FIRST NEW DEAL, 1933-34**
- **SECOND NEW DEAL, 1935**
- **A THIRD NEW DEAL, 1937-38**
- **WAR CLOUDS & FDR, 1939-1942**
- **END OF NEW DEAL, 1942**



"An elegant and bold synthesis about one of the most important moments in American political history." —JULIAN E. ZELIZER, Princeton University

II. NEW DEAL ECONOMICS

- **THE GREAT DEPRESSION**
- **FINANCIAL STABILIZATION**
- **FISCAL STIMULUS**
- **RAPID RECOVERY**

Ending of the Great Depression

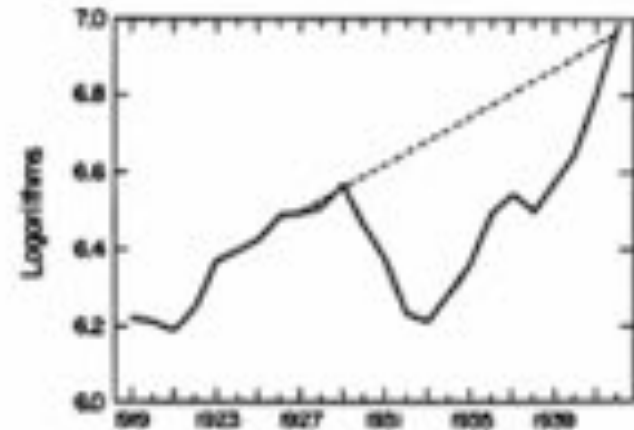


FIGURE 2

ACTUAL AND TREND REAL GROSS NATIONAL PRODUCT, 1919-1942

GREAT DEPRESSION

- **ECONOMIC COLLAPSE, 1929-33**
 - **GDP PLUNGES BY 33%**
 - **UNEMPLOYMENT SOARS TO 25%**
 - **TAX RETURNS FALL BY 50%**



Figure 5: Total Employment in the United States, 1928-1941



HOOVER'S FAILURE

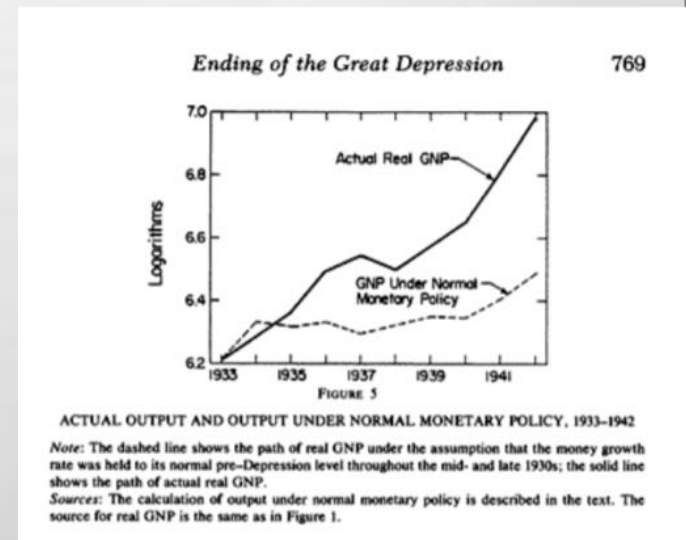
- **AUSTERITY**
- **JAWBONING**
- **REPRESSION**



“Prosperity cannot be restored by raids upon the public Treasury”.

FINANCIAL STABILIZATION

- **DOLLAR MADE SOUND**
 - **DOLLAR DEVALUED, OFF GOLD STANDARD, GOLD CALLED IN TO FORT KNOX**
- **THE BANKS RESTORED**
 - **BANK HOLIDAY & 10% CLOSED**
 - **DEPOSIT INSURANCE FOR ALL**
- **REINING IN CAPITAL MARKETS**
 - **GLASS-STEAGALL (SPLITS COMMERCIAL & INVESTMENT BANKS)**
 - **SEC**
- **SALVAGING MORTGAGES**
 - **HOLC**



FISCAL STIMULUS

- **RAPID INCREASE IN SPENDING**
 - **TAX INCREASES FOLLOW LATER**
- **FIRST PEACETIME DEFICITS IN US HISTORY**
 - **BEFORE KEYNES**
- **THE LESSON OF 1937-38 DOWNTURN**
 - **NEW TAXES, SPENDING CUTS & MONETARY AUSTERITY = RECESSION**



RAPID RECOVERY

- **THE MYTH OF FAILURE**
- **GROWTH TAKES OFF**
- **MISCOUNTING UNEMPLOYMENT**
- **EXAGGERATING THE WAR'S IMPACT**

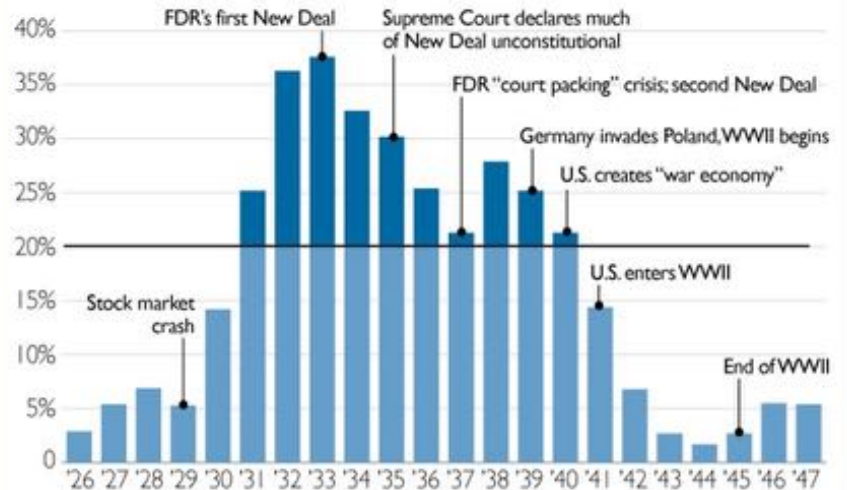


THE MYTH OF FAILURE

- **THE WAR DID IT**
 - **ACCEPTED BY LIBERALS, TOO**
- **GOVERNMENT CAN'T HELP**
 - **CONSERVATIVE REVISIONISM**
 - **KEYNES FORGOTTEN**

Unemployment Rate During the New Deal

Percentage of Jobless Nonfarm Workers, 1926–1947



Source: U.S. Department of Commerce, Bureau of the Census, Bicentennial Edition Historical Statistics of the United States Colonial Times to 1970 Part 1 (1975) Washington D.C., Series D 1-10 "Labor Force and its Components 1900-1947", p.126

Chart 1 heritage.org

GROWTH TAKES OFF

- **~10% GROWTH RATES, 1933 TO 1940**
 - **GLITCH IN 1937-38**
 - **BACK TO TREND LINE BY 1942**
- **PERSONAL INCOME (AVERAGE)**
 - **BACK TO 1929 LEVEL BY 1939**
- **TAX REVENUES**
 - **FEDS: RECOVER BY 1935, DOUBLE BY 1938**
 - **CA: DOUBLE BY 1936, DOUBLE AGAIN BY 1942**

FIGURE 1: US Growth Rate, GDP and Employment, 1930-1950

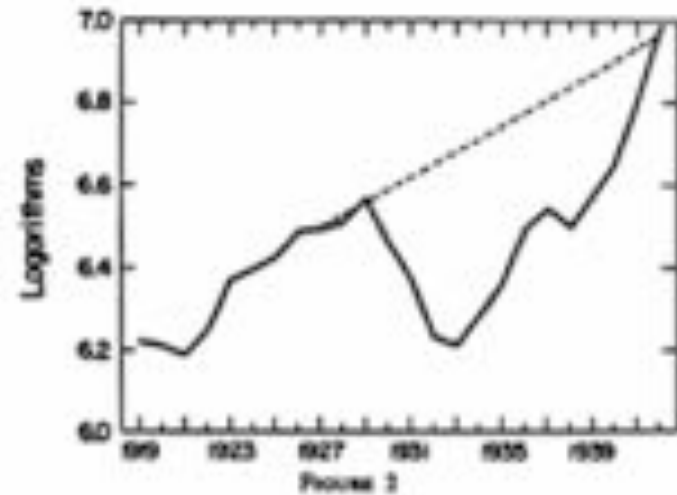
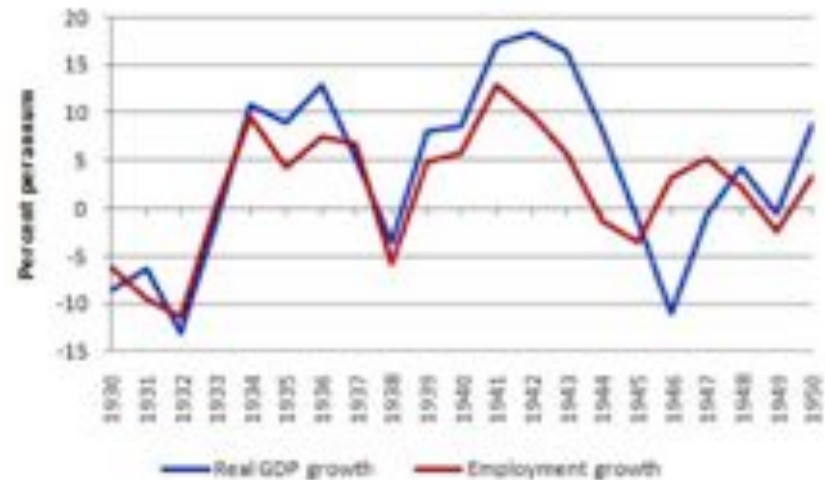
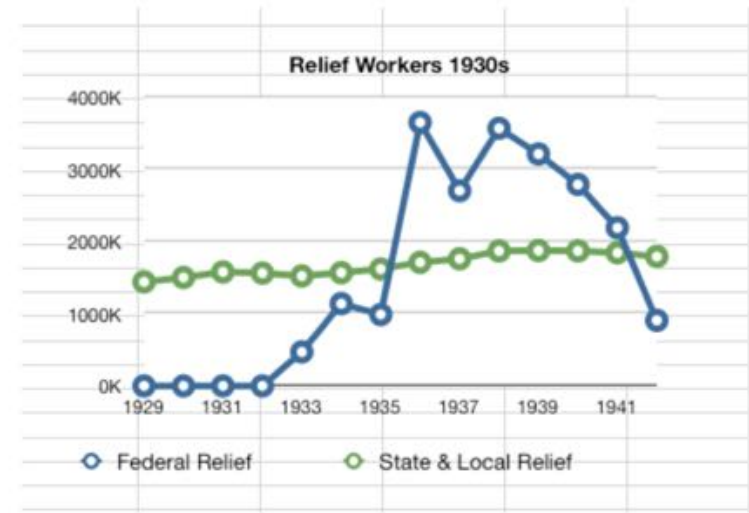


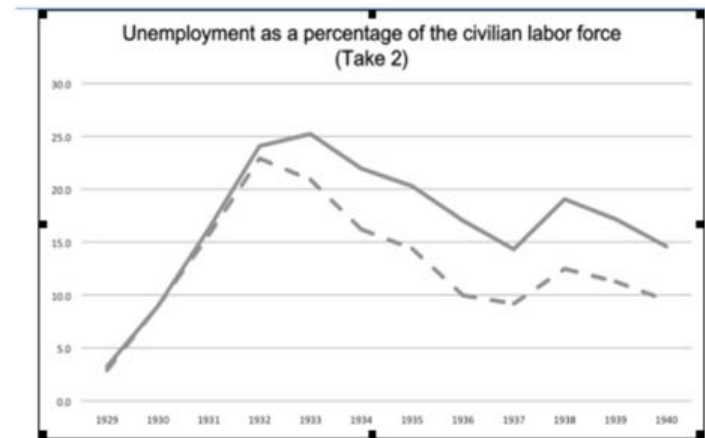
FIGURE 2: ACTUAL AND TREND REAL GROSS NATIONAL PRODUCT, 1919-1942

JOB CREATION

- **UNDERCOUNTING EMPLOYMENT**
 - **LEBERGOTT LEFT OUT EMERGENCY PROGRAMS LIKE WPA**
 - **UNEMPLOYMENT 5% LOWER, IN FACT**
- **YET UNEMPLOYMENT STAYS HIGH – WHY?**
 - **THE FORDIST REVOLUTION**
 - **CAPITAL DESTRUCTION**



source: Bureau of Economic Analysis, bea.gov, Table Ea916-965



Source: Rauchway 2008

GREAT LEAP FORWARD

- **1920S LEAP IN PRODUCTIVITY**

- **MASS PRODUCTION**
- **ELECTRIFICATION**

- **1930S CONTINUES THE SURGE**

- **CLOSING OLD FACTORIES**
- **INFRASTRUCTURE (ROADS)**

- **A. FIELD'S RESEARCH**

- **[HTTP://WWW.YOUTUBE.COM/
WATCH?V=QZBIHMVND5M](http://www.youtube.com/watch?v=QZBIHMVND5M)**

CHANGES IN PRODUCTIVITY AND WAGE RATES — UNITED STATES



Source: This chart was designed so that a constant percentage increase would appear as a straight line. The values of product and wages are both expressed in dollars of constant buying power. The data for product are for the private sector, and are from the series by John W. Kendrick in his paper, *National Productivity and Its Long-Term Projection* (National Bureau of Economic Research, May 1951), brought up to date by the National Industrial Conference Board. For the data on wage rates, see Chapter 1, p. 11.

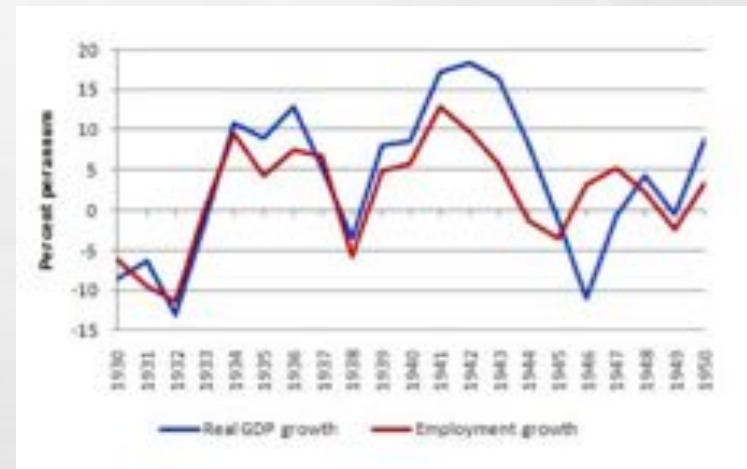
Table 3: Average Annual Rates of Labor Productivity and Capital Productivity Growth.

Period	Average Annual Labor Productivity Growth	Average Annual Capital Productivity Growth
1899-1909	1.30%	-1.62%
1909-1919	1.14	-1.95
1919-1929	5.44	4.21
1929-1937	1.95	2.38

Source: Devine (1983), Table 2. The average annual percentage rates of growth are calculated as instantaneous rates of change.

THE WAR'S IMPACT

- **ECONOMIC MOBILIZATION**
 - **FACTORIES AT FULL CAPACITY**
 - **ABSORBED EXCESS LABOR**
- **BUT *NOT* INNOVATIVE**
 - **WAR BUILD-UP JUST ADDED MORE OF THE SAME FACTORIES**
- **POSTWAR GLITCH**
 - **NO ONE MENTIONS THAT VS. 1937-38**



III. NEW DEAL POLITICS

- **FEAR ITSELF**
- **GEOGRAPHIC POLITICS**
- **CLASS POLITICS**
- **RACE POLITICS**
- **WAR POLITICS**



FEAR ITSELF

- **WORLD TURNS TO FASCISM & DICTATORSHIP**
 - **MUSSOLINI, HITLER, FRANCO, TOJO – AND MORE**
 - **AMERICAN FASCISTS & SYMPATHIZERS**
 - **SILVER SHIRTS, ITALIAN FASCIST LEAGUE, GERMAN-AMERICAN BUND, AMERICAN LEGION, KKK**
 - **FATHER COUGHLIN, LINDBERGH, HENRY FORD, ETC.**
- **MANY URGED FDR TO TAKE EMERGENCY POWERS**
 - **EVEN LIBERALS LIKE WALTER LIPPMAN**
- **FDR REFUSES THE RIGHT TURN**
 - **AND USHERS IN THE FIRST SOCIAL DEMOCRACY (“NEW DEAL LIBERALISM”)**



"ANYBODY ELSE?"



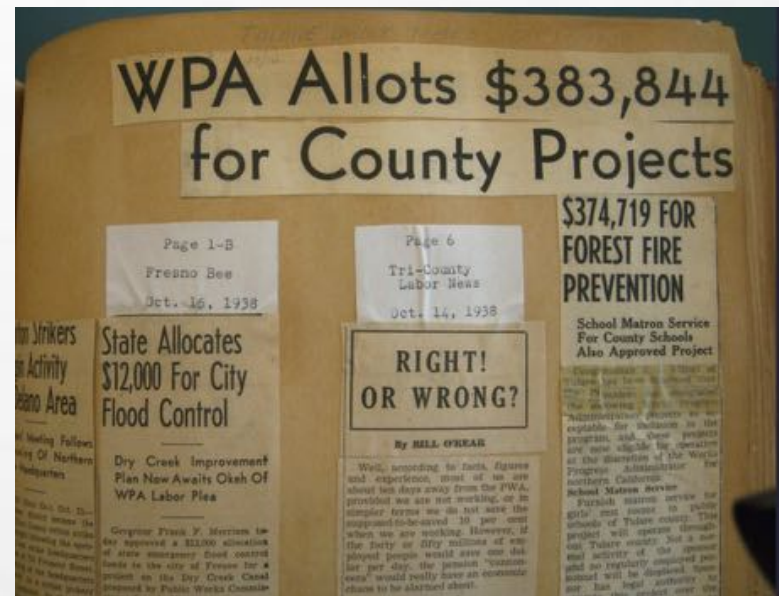
FDR TO THE RESCUE

- **A PRAGMATIST, NO IDEOLOGUE**
- **GENUINELY WORRIED FOR THE PEOPLE**
- **...AND FOR CAPITALISM (BUSINESS)**
- **UPBEAT PERSONALITY**
- **FIRST RADIO PRESIDENT**
- **FEARLESS ARISTOCRAT, NO TECHNOCRAT**
- **SURROUNDED BY OLD PROGRESSIVES**
- **OVERCOMES OWN FISCAL CONSERVATISM**



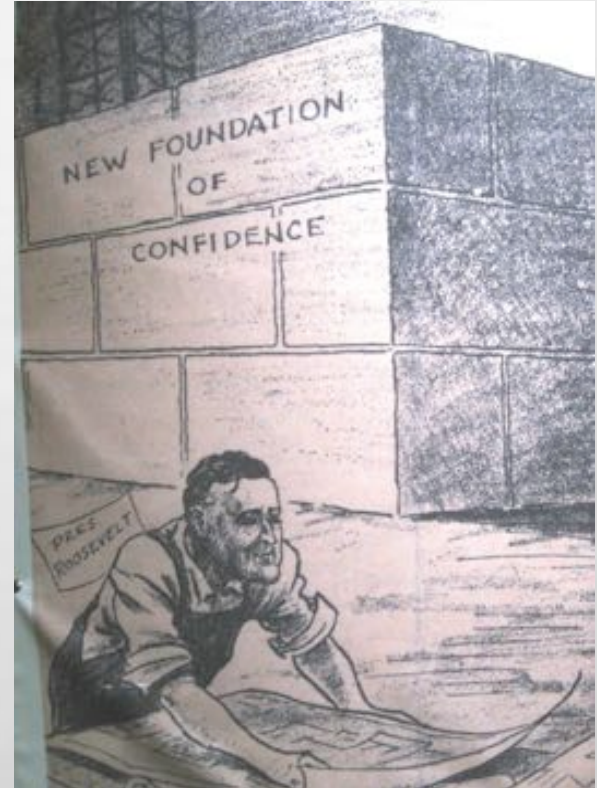
GEOGRAPHICAL POLITICS

- **TOO OFTEN OVERLOOKED**
- **THE NEW DEAL PROVIDED FOR EVERY REGION, EVERY CITY, EVERY COUNTY**



NEW DEAL IN ONE STATE

- **THE NEW DEAL COMES TO CALIFORNIA, 1933-39**
 - **\$750M PUBLIC WORKS**
 - **\$580M RELIEF GRANTS**
 - **\$820M LOANS**
- **TOTAL = \$1.38 BILLION**
 - **ALL FEDERAL SPENDING IN CA IN THE SAME PERIOD \$2.2 B**



EVEN CRAZY S&#T...



TAFT CIVIC CENTER MODELED ON SUTTER'S FORT

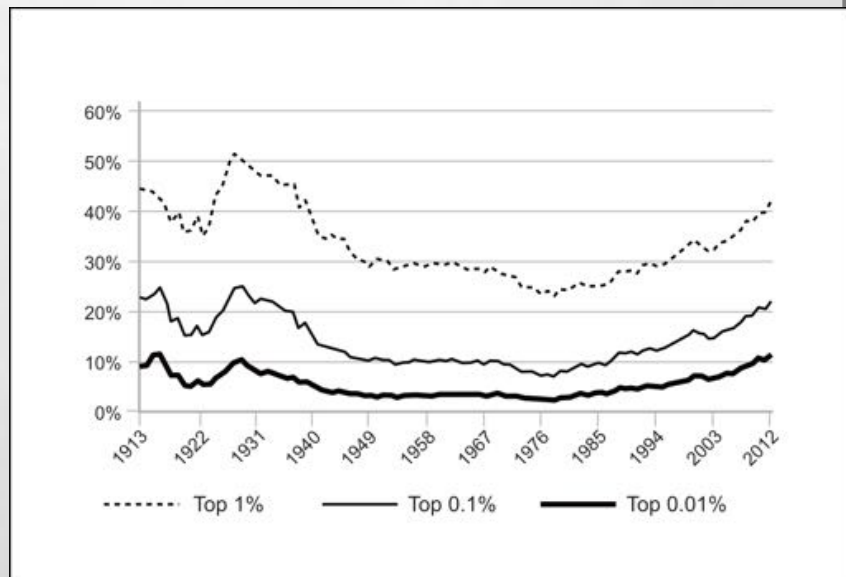
DEALING WITH DIXIECRATS

- **THE SOUTH & THE DEMOCRATIC PARTY**
- **FDR'S BIG TENT COALITION**
 - **THE POPULIST IMPULSE IN THE SOUTH**
- **THE COALITION GRADUALLY GOES SOUTH**
 - **BY SECOND TERM IT IS FADING**



CAPITAL WOUNDED

- **HUGE LOSS OF WEALTH**
- **MASS BUSINESS BANKRUPTCY**
- **NOSTRUMS SHOWN TO BE USELESS**
- **POLITICAL PARTY (GOP) HELPLESS**



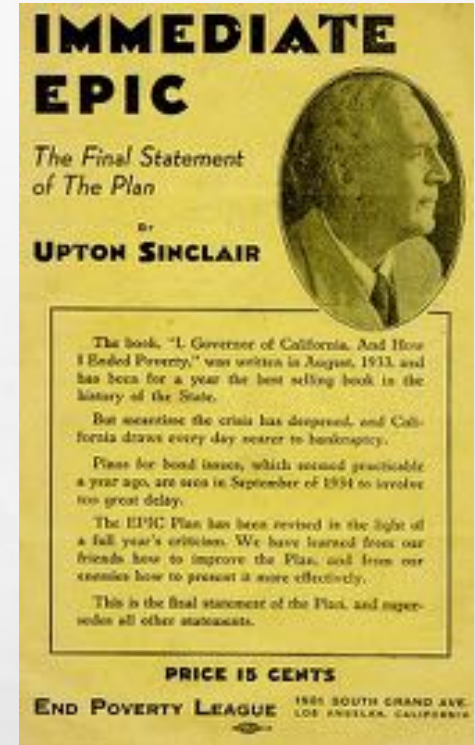
LABOR ON THE RISE

- **NEW DEAL & THE RIGHT TO STRIKE**
- **SF GENERAL STRIKE 1934**
- **FARMWORKER STRIKES 1933-34, 35-36**
- **TEAMSTERS STRIKE, 1934**
- **AUTO SIT-DOWN STRIKES, 1936-37**
- **RISE OF THE CIO > 1935**



POPULIST REVOLTS

- **THE SOUTH: HUEY LONG**
- **THE NORTH: FATHER COUGHLIN**
- **CALIFORNIA & THE WEST**
 - **HAM & EGGS MOVEMENT**
 - **TOWNSEND CLUBS (SOCIAL INSURANCE)**
 - **EPIC & UPTON SINCLAIR**



RACE POLITICS

& AHISTORICAL CRITICISM

- **THE LEGACY OF WHITE SUPREMACY**
 - 1924 & THE WHITENING OF AMERICA
- **THE WEIGHT OF THE SOUTH**
 - DOMESTICS & FARM WORKERS; FEDERAL LYNCH LAW
- **URBAN SEGREGATION IN THE NORTH**
 - COVENANTS, ZONING & FHA RED-LINING
- **RACE WARS IN THE WEST**
 - ANTI-JAPANESE MOVEMENT & INTERNMENT
- **POSITIVE STEPS**
 - OUTSPOKEN NEW DEALERS, INCLUSIONARY PROGRAMS, NATIVE AMERICANS, BLACK ADVISORS



IV. NEW DEAL GOVERNMENT

- **EXPANDED ROLE OF GOVERNMENT**
- **PROGRESSIVE GOVERNANCE**
- **WORKING WITH LOCALS**
- **MIXED MORALITY**

GOVERNMENT EXPANSION

- **LEAP IN SIZE OF US GOVERNMENT**
 - **AT ALL LEVELS**
- **FEDERAL DOMINANCE**
 - **STATES IN RETREAT, PIPELINE TO THE CITIES**
- **NEW FINANCES**
 - **HIGHER TAXES, MORE DEBT**
- **NEW RESPONSIBILITIES**
 - **SOCIAL SAFETY NET, BUSINESS REGULATION**

PROGRESSIVE GOVERNANCE

- **TRADITION OF 'ENLIGHTENED REFORM'**
- **FAITH IN MODERN MANAGEMENT**
- **CIVIL SERVANTS & ENGINEERS**
- **REGULATION IN THE PUBLIC INTEREST**



WORKING WITH LOCALS

- **NEW FEDERALISM OF GRANTS & LOANS**
 - **BEYOND 19TH CENTURY LIBERALISM**
 - **BEYOND EVEN CIVIL WAR & WWI**
 - **THE POWER OF THE PURSE**

- **STATE & LOCAL GOVERNMENT ROLE**
 - **MAINTAIN LOCAL CONTROL**
 - **SELECT PROJECTS & PARTICIPANTS**
 - **LOCAL COST SHARING**

MIXED RESULTS

- **A CLEAN SLATE**
 - **BEING FIRST & MAKING IT UP AS YOU GO ALONG**
- **CLEAN HANDS**
 - **VIRTUALLY NO SCANDALS OR SKULDUGERY**
- **LOCAL POWER STRUCTURES LEFT INTACT**
 - **SELZNICK & LIBERAL CRITICS**

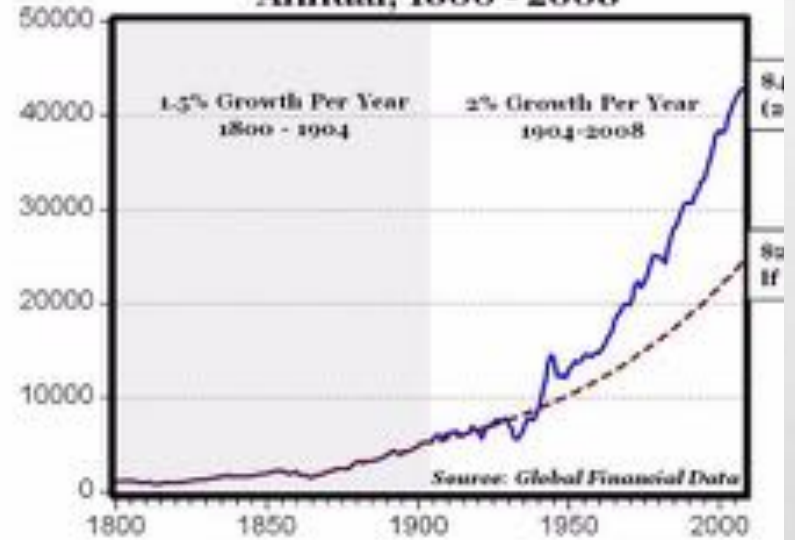
V. THE NEW DEAL LEGACY

- **POSTWAR GROWTH**
- **PUBLIC INVESTMENT**
- **EXPANDED GOVERNMENT**
- **REVENGE OF THE RIGHT**

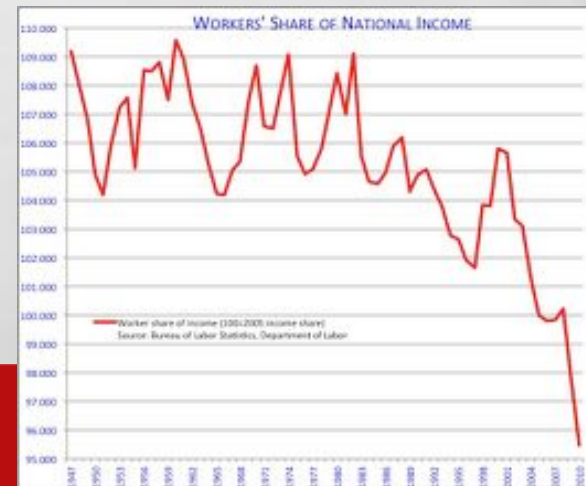
POSTWAR GROWTH

- **THE GOLDEN AGE**
 - **US STANDS ALONE**
 - **LABOR SHARES IN INCOME**
 - **NO FINANCIAL SPECULATION**

U.S. Real GDP Per Capita (2004 Dollars)
Annual, 1800 - 2008



Real take-off is after WWII



PUBLIC INVESTMENT

- **FEDERAL SPENDING CONTINUES**
 - **HIGHWAYS**
 - **WATER RESOURCES**
 - **EDUCATION**
- **STATE SPENDING, TOO**
 - **CALIFORNIA HIGHWAYS**
 - **CALIFORNIA WATER PROJECT**
 - **PUBLIC SCHOOLS & COLLEGES**



GREATER GOVERNMENT

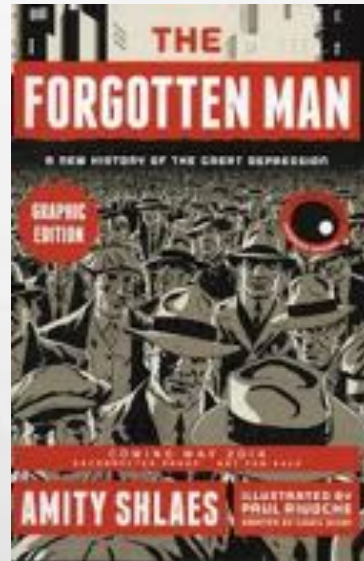
- **FEDERAL DOMINANCE LOCKED IN**
 - **FEDERAL TAXATION & REDISTRIBUTION**
- **GROWTH OF GOVERNMENT**
 - **EMPLOYMENT/GDP SHARE**
- **SOCIAL SECURITY STATE**
 - **US VERSION OF SOCIAL DEMOCRACY**
- **REGULATORY STATE**
 - **VERSUS THE DIRECTIVE STATES**



**Plus cold war state
Imperialism, militarism &
Imperial presidency**

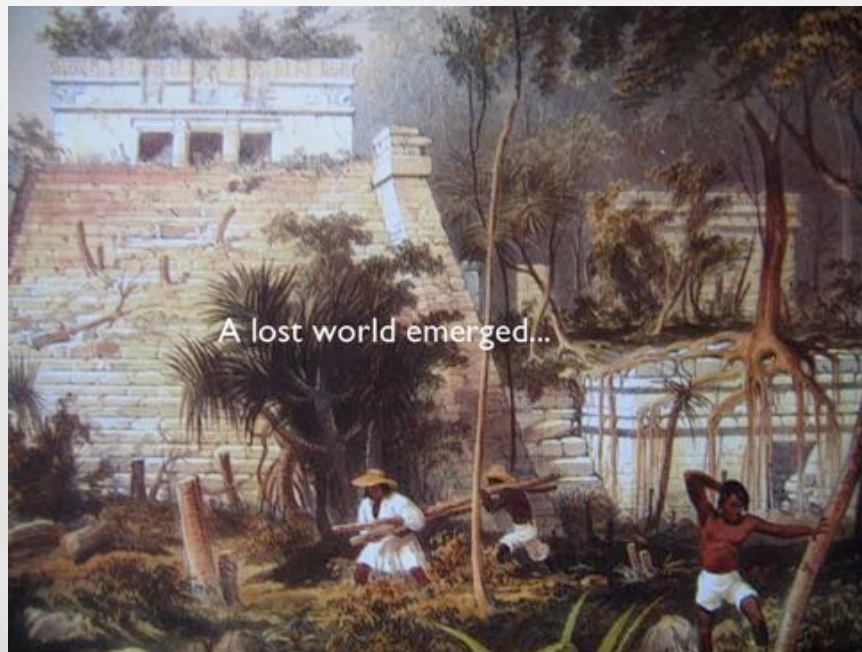
REVENGE OF THE RIGHT

- **FASCISTS TO FIGHT-BACK**
 - **DIXIECRATS, GOP & TAFT-HARTLEY**
- **BIRTH OF NEOLIBERALISM**
 - **FRIEDMAN, HAYEK & CO.**
- **COLD WAR ANTI-COMMUNISM**
 - **GOLDWATER & JOHN BIRCHERS**
- **NEOLIBERALISM TRIUMPHANT**
 - **THINK-TANKS TO REAGAN**



A LOST CIVILIZATION

- **IT'S ALL THERE, USED EVERY DAY & ALMOST ENTIRELY UNMARKED AND UNRECOGNIZED**



END OF THE NEW DEAL ERA