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quences in future economic slumps. The New Deal never fully achieved these goals of relief, recovery, and reform. But by aiming for them, Roosevelt's experimental programs enormously expanded government's role in the nation's economy and society.

### The New Dealers

To design and implement the New Deal, Roosevelt needed ideas and people. As governor of New York, he frequently hosted private, informal conversations about social and economic policy with a small group of professors from Columbia University. Dubbed the "Brains Trust," these men and others continued to advise the new president about the problems faced by the nation and how to deal with them.

Hundreds of other reformers rushed to join the Roosevelt administration. Among the most important were two veterans of Roosevelt's New York governorship: Harry Hopkins and Frances Perkins. Hopkins was a tough-talking, softhearted social worker devoted to the **social gospel** or moral and material uplift of the downtrodden. He administered New Deal relief efforts and served as one of the president's loyal confidants. Like Hopkins, Perkins embraced the social gospel tradition, having worked for a time in Jane Addams's Hull House in Chicago. She also had extensive experience trying to improve working conditions in shops and factories. In fact, she had directed New York's investigation of the 1911 Triangle Shirtwaist Factory fire that killed 146 women (see chapter 21). Roosevelt tapped Perkins to serve as secretary of labor, making her the first woman cabinet member in American history—an indication of her expertise and of the growing strength of women in the Democratic Party, which had an active Women's Division.

No New Dealers were more important than the president and his wife, Eleanor. The gregarious president radiated charm and good cheer, giving the New Deal's bureaucratic regulations a benevolent human face. Eleanor Roosevelt became the New Deal's unofficial ambassador. She observed, she said, as "the eyes and ears of the New Deal" as she traveled throughout the nation connecting the corridors of power in Washington to Americans of all colors and creeds in church basements, meeting halls, and front parlors. A North Carolina women's rights



### Eleanor Roosevelt Serving Unemployed Women

A tireless ambassador of the New Deal, Eleanor Roosevelt used her status as First Lady to highlight New Dealers' sympathy for the plight of poor, unemployed, and neglected working people. Shown here in December 1932, Roosevelt serves soup to jobless women and their children. The carefully posed scene contrasts Roosevelt's broad smile with the somewhat awed concern on the faces of the two women at the end of the table and with the casual workaday indifference of the kitchen workers in the background. The photo depicts both the value of personal, face-to-face relief efforts and the impossibility of such limited, private gestures to help the millions of Americans in need.

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activist recalled, "One of my great pleasures was meeting Mrs. Roosevelt. . . . [S]he was so free of prejudice . . . [and] she was always willing to take a stand, and there were stands to take about blacks and women."

As Roosevelt's programs swung into action, many Americans benefited directly through jobs and relief or indirectly through economic improvements. In time, the millions of beneficiaries of the New Deal became grassroots New Dealers who expressed their appreciation by voting Democratic on election day. A signal success of the New Deal was to create a durable political coalition of Democrats that would reelect Roosevelt in 1936, 1940, and 1944.

As Roosevelt and his advisers developed plans to meet the economic emergency, their watchwords were *action*, *experiment*, and *improvise*. Without a sharply defined template for how to provide relief, recovery, and reform, they moved

from ideas to policies as quickly as possible, hoping to identify ways to help people and to boost the economy. But underlying New Dealers' experimentation and improvisation were four guiding ideas.

First, Roosevelt and his advisers sought capitalist solutions to the economic crisis. They believed that the depression had resulted from basic imbalances in the nation's capitalist economy—imbalances they wanted to correct. They had no desire to eliminate private property or impose socialist programs, such as public ownership of productive resources. Instead, they hoped to save the capitalist economy by remedying its flaws.

Second, Roosevelt's Brains Trust persuaded him that the greatest flaw of America's capitalist economy was underconsumption, the root cause of the current economic paralysis. Underconsumption, New Dealers argued, resulted from the gigantic productive success of capitalism. Factories and farms produced more than they could sell to consumers, causing factories to lay off workers and farmers to lose money on bumper crops. Workers without wages and farmers without profits shrank consumption and choked the economy. Somehow, the balance between consumption and production needed to be restored.

Third, New Dealers believed that the immense size and economic power of American corporations needed to be counterbalanced by government and by organization among workers and small producers. Unlike progressive trustbusters, New Dealers did not seek to splinter big businesses. Huge businesses had developed for good economic reasons and were

here to stay. Roosevelt and his advisers hoped to counterbalance big economic institutions and their quest for profits with government programs focused on protecting individuals and the public interest.

Fourth, New Dealers felt that government must somehow moderate the imbalance of wealth created by American capitalism. Wealth concentrated in a few hands reduced consumption by most Americans and thereby contributed to the current economic gridlock. In the long run, government needed to find a way to permit ordinary working people to share more fully in the fruits of the economy. In the short term, New Dealers sought to lend a helping hand to poor people who suffered from the maldistribution of wealth.

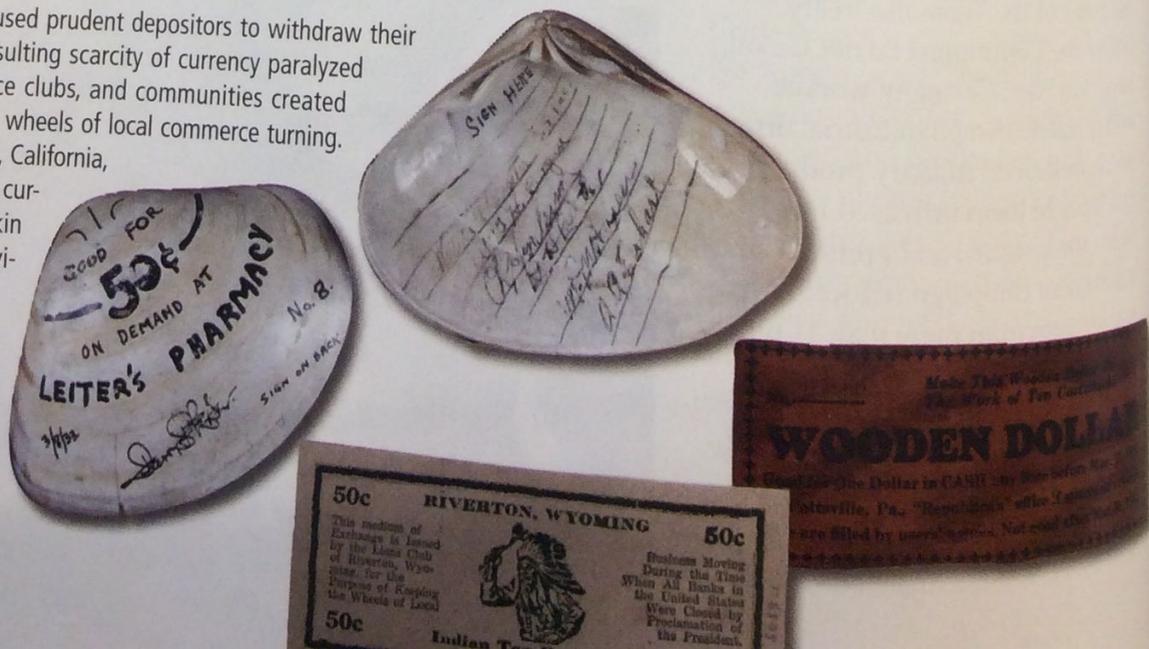
## Banking and Finance Reform

Roosevelt wasted no time making good on his inaugural pledge for "action now." As he took the oath of office on March 4, the nation's banking system was on the brink of collapse. Since 1930, more than five thousand banks had collapsed. Roosevelt immediately declared a four-day "bank holiday" in order to devise a plan to shore up banks and restore depositors' confidence. Working round the clock, New Dealers drafted the Emergency Banking Act, which gave the secretary of the treasury the power to decide which banks could be safely reopened and to release funds from the Reconstruction Finance Corporation (RFC) to bolster banks' assets. To secure the confidence of depositors, Congress passed the Glass-Steagall Banking Act, setting

### Emergency Money

When bank failures in 1933 caused prudent depositors to withdraw their money and hide it away, the resulting scarcity of currency paralyzed businesses. Store owners, service clubs, and communities created "emergency money" to keep the wheels of local commerce turning. Leiter's Pharmacy in Pismo Beach, California, for example, used clamshells for currency; other places issued buckskin and wooden dollars. Such improvisation demonstrates the collapse of the banking system and the creative solutions of some of its victims.

National Museum of American History, Smithsonian Institution, Behring Center.



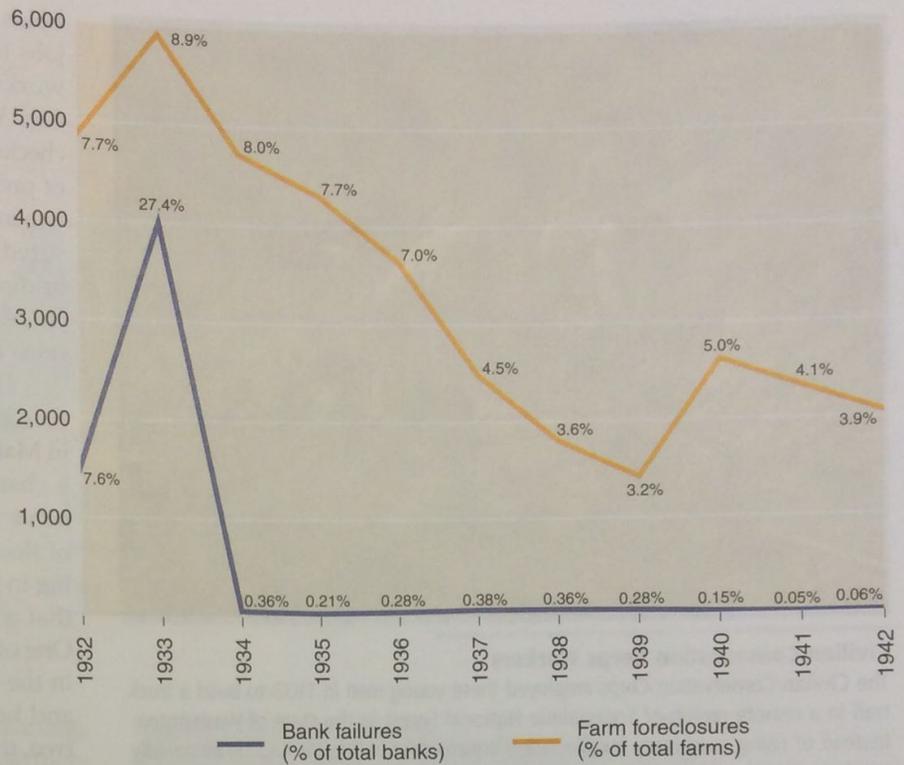
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up the Federal Deposit Insurance Corporation (FDIC), which guaranteed bank customers that the federal government would reimburse them for deposits if their banks failed.

On Sunday night, March 12, while the banks were still closed, Roosevelt broadcast the first of what became a series of "fireside chats." Speaking in a friendly, informal manner, he addressed the millions of Americans who tuned their radios to hear the president explain these first New Deal initiatives. The new banking legislation, he said, made it "safer to keep your money in a reopened bank than under the mattress." With such plain talk, Roosevelt translated complex matters into common sense. This and subsequent fireside chats forged a direct connection—via radio waves—between Roosevelt and millions of Americans. Evidence of their link to Roosevelt piled up in the White House mail room. Millions shared the views of a man from Paris, Texas, who wrote to Roosevelt, "You are the one & only President that ever helped a Working Class of People. . . . Please help us some way I Pray to God for relief."

The banking legislation and fireside chat worked. Within a few days, most of the nation's major banks reopened, and they remained solvent as reassured depositors switched funds from their mattresses to their bank accounts (Figure 24.1). Some radical critics of the New Deal believed that Roosevelt should have nationalized the banks and made them a cornerstone of economic planning by the federal government. Instead, these first New Deal measures propped up the private banking system with federal funds and subjected banks to federal regulation and oversight. One adviser proclaimed, "Capitalism was saved in eight days," although in reality the rescue operation took much longer to succeed.

In his inaugural address, Roosevelt criticized financiers for their greed and incompetence. To prevent the fraud, corruption, insider trading, and other abuses that had tainted Wall Street and contributed to the crash of 1929, Roosevelt pressed Congress to regulate the stock market. Legislation in 1934 created the Securities and Exchange Commission (SEC) to oversee financial markets by licensing investment dealers, monitoring all stock transactions, and requiring



**FIGURE 24.1 Bank Failures and Farm Foreclosures, 1932–1942**

New Deal legislation to stabilize the economy had its most immediate and striking effect in preventing banks, along with their depositors, from going under and farmers from losing their land.

corporate officers to make full disclosures about their companies. To head the SEC, Roosevelt named an abrasive and ambitious Wall Street financier, Joseph P. Kennedy, who had a somewhat shady reputation for stock manipulation. When critics complained about his selection, Roosevelt replied shrewdly, "Set a thief to catch a thief." Under Kennedy's leadership, the SEC helped a cleaned-up and regulated Wall Street to recover slowly, although the stock market stayed well below its frothy heights of the 1920s.

### Relief and Conservation Programs

Patching the nation's financial structure provided little relief for the hungry and unemployed. A poor man from Nebraska asked Eleanor Roosevelt "if the folk who was borned here in America . . . are this Forgotten Man, the President had in mind, [and] if we are this Forgotten Man then we are still Forgotten." Since its founding, the federal government had never assumed responsibility for needy people, except in moments of natural disaster or emergencies such as the Civil War. Instead, churches, private



### Civilian Conservation Corps Workers

The Civilian Conservation Corps employed these young men in 1933 to build a truck trail in a remote region of Snoqualmie National Forest in the state of Washington. Instead of using machinery for the heavy construction work, the CCC intentionally used the muscles of working men in order to maximize employment. Although the truck trail provided emergency relief in the form of badly needed jobs, it contributed minimally to the New Deal goals of recovery and reform among the millions of Americans who could not readily leave their families for jobs in the wilderness.

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charities, county and municipal governments, and occasionally states assumed the burden of poor relief, usually with meager payments. To persuade Americans that the depression necessitated unprecedented federal relief efforts, Harry Hopkins dispatched investigators throughout

Work relief efforts replaced the stigma of welfare with the dignity of jobs. As one woman said about her husband's work relief job, "We aren't on relief anymore. My husband is working for the Government."

the nation to describe the plight of impoverished Americans. Reports filtered back to Washington of families surviving on "bull-dog gravy"—a thin paste of lard, flour, and water—along with news that the working hours of tens of thousands of Americans had been cut, reducing their wages to about \$1.50 a day. As one New Yorker wrote the government, "We work,

ten hours a day for six days. In the grime and dirt of a nation [for] . . . low pay [making us] . . . slaves—slaves of the depression!"

Hopkins's investigators galvanized support for the Federal Emergency Relief Administration (FERA), which provided \$500 million to feed the hungry and create jobs. Established in May 1933, FERA supported four million to five million house-

holds with \$20 or \$30 a month. FERA also created jobs for the unemployed on thousands of public works projects, organized by Hopkins into the Civil Works Administration (CWA), which put the checks worth more than \$800 million into the hands of previously jobless workers. Earning wages between forty and sixty cents an hour, laborers renovated schools, dug sewers, and rebuilt roads and bridges. FERA extended the scope of relief to include health and education, providing vaccinations for millions and funding literacy classes.

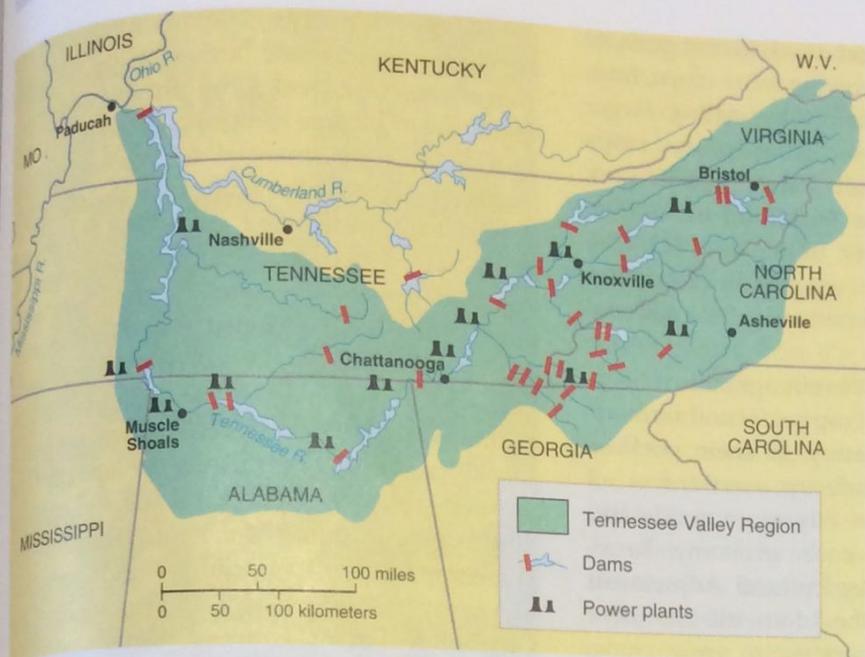
The most popular work relief program was the Civilian Conservation Corps (CCC), established in March 1933. It offered unemployed young men a chance to earn wages while working to conserve natural resources, a long-standing interest of Roosevelt. Women were excluded from working in the CCC until Eleanor Roosevelt demanded that a token number of young women be hired. One of the three million young men who enlisted in the CCC, Blackie Gold, had been out of work and had to "beg for coal, [and] buy bread that's two, three days old" in order to help support his large family. After he joined the CCC, Gold earned \$30 a month and was required to send all but \$5 home to his family. By the end of the program in 1942, the three million CCC workers had checked soil erosion, tamed rivers, and planted more than two billion trees. CCC workers left a legacy of vast new recreation areas, along with roads that made those areas accessible to millions of Americans. Just as important, the CCC, CWA, and other work relief efforts replaced the stigma of welfare with the dignity of jobs. As one woman said about her husband's work relief job, "We aren't on relief anymore. My husband is working for the Government."

The New Deal also sought to harness natural resources for hydroelectric power. Continuing a project begun under Hoover, the New Deal completed the colossal Hoover Dam across the Colorado River in Nevada, providing not only electricity but also flood control and irrigation water for Arizona and southern California. In addition, building the dam provided badly needed jobs and wages for thousands of unemployed workers.

The New Deal's most ambitious and controversial natural resources development project was the Tennessee Valley Authority (TVA), created in May 1933 to build dams along the Tennessee River to supply impoverished rural communities with cheap electricity (Map 24.3). The TVA planned model towns for power station workers and new homes for the farmers who would benefit from electricity and flood control. The most ambitious

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**MAP 24.3 The Tennessee Valley Authority**

The New Deal created the Tennessee Valley Authority to modernize a vast impoverished region with hydroelectric power dams and, at the same time, to reclaim eroded land and preserve old folkways.

**READING THE MAP:** How many states were affected by the TVA? How many miles of rivers (approximately) were affected?

**CONNECTIONS:** What kinds of benefits—economic as well as social and cultural—did TVA programs bring to the region? How might the lives of a poor farming family in Alabama or Tennessee have changed after the mid-1930s owing to these programs?

**FOR MORE HELP ANALYZING THIS MAP,** see the map activity for this chapter in the Online Study Guide at [bedfordstmartins.com/roark](http://bedfordstmartins.com/roark).

example of New Deal enthusiasm for planning, the TVA set out to demonstrate that a partnership between the federal government and local residents could overcome the barriers of state governments and private enterprises to make efficient use of abundant natural resources and break the ancient cycle of poverty. The TVA never fully realized these utopian ends, but it improved the lives of millions in the region with electric power, flood protection, soil reclamation, and jobs.

New sources of hydroelectric power helped the New Deal bring the wonders of electricity to country folk, fulfilling an old progressive dream. When Roosevelt became president, 90 percent of rural Americans lacked electricity. Private electric companies refused to build transmission lines into the sparsely settled countryside when they had a profitable market in more accessible and densely populated urban areas. Beginning in 1935, the Rural Electrification Administration (REA) made low-cost loans available to local cooperatives for power plants and transmission lines to serve rural communities. Within ten years, the REA delivered electricity to nine out of ten farms, giving rural Americans access for the first time to modern conveniences that urban people had enjoyed for decades.

**Agricultural Initiatives**

Farmers had been mired in a depression since the end of World War I. New Dealers diagnosed the farmers' plight as a classic case of overproduction and underconsumption. Following

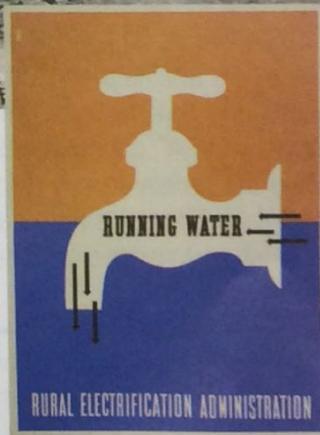


**Rural Electrification and Running Water**

New Deal programs brought housing and electricity to rural families like those in this village in east-central Tennessee. The Tennessee Valley Authority provided the houses shown here and the power that flowed through the lines strung from poles along the right side of the road. In this village, the pump operated by the children in the foreground was the only source of water.

In addition to providing electric power, the New Deal's Rural Electrification Administration built the necessary infrastructure to bring running water to homes that lacked it. The REA promoted these projects through public outreach campaigns that used posters like this one to increase awareness of the benefits of running water. What difference do you think electricity and running water made in the daily lives of the people in this village?

Pump: FDR Library; Poster: Digital Image © The Museum of Modern Art/Licensed by Scala/Art Resource, NY Art © Estate of Lester Beall/Licensed by VAGA, New York, N.Y.



age-old practices, farmers tried to compensate for low crop prices by growing more crops, hoping to boost their earnings by selling larger quantities. Instead, producing more crops pushed prices lower still. Farm income sank from a disastrously low \$6 billion in 1929 to a catastrophically low \$2 billion in 1932. The median annual income among farm families plunged to \$167, barely one-tenth of the national average.

New Dealers sought to cut agricultural production, thereby raising crop prices and farmers' income. With more money in their pockets, farm families—who made up one-third of all Americans—would then buy more goods and lift consumption in the entire economy. To reduce production, the Agricultural Adjustment Act (AAA) authorized the "domestic allotment plan," which paid farmers *not* to grow crops. Individual farmers who agreed not to plant crops on a portion of their fields (their "allotment") would receive a government payment compensating them for the crops they did not plant. Since crops were already in the ground by the time the act was passed in May 1933, drastic measures were necessary to reduce production immediately. While millions of Americans went to bed hungry, farmers slaughtered millions of cattle, hogs, sheep, and other livestock and destroyed millions of acres of crops in order to qualify for their allotment payments.

With the formation of the Commodity Credit Corporation, the federal government allowed farmers to hold their harvested crops off

the market and wait for a higher price. In the meantime, the government stored the crop and gave farmers a "commodity loan" based on a favorable price. If the market price rose above that level, a farmer could sell the crop, repay the loan, and pocket the difference. If the market price never rose above the loan level, the farmer simply took the loan as payment, and the gov-

ernment kept the crop. In effect, commodity loans addressed the problem of underconsumption by making the federal government a major consumer of agricultural goods and reducing farmers' vulnerability to low prices. New Dealers also sponsored the Farm Credit Act (FCA) to provide long-term credit on mortgaged farm property, allowing debt-ridden farmers to avoid foreclosures that were driving thousands off their land (see Figure 24.1).

Crop allotments, commodity loans, and mortgage credit made farmers major beneficiaries of the New Deal. Crop prices rose impressively, farm income jumped 50 percent by 1936, and FCA loans financed 40 percent of farm mortgage debt by the end of the decade. These gains were distributed fairly equally among farmers in the corn, hogs, and wheat regions of the Midwest. In the South's cotton belt, however, landlords controlled the distribution of New Deal agricultural benefits and shamelessly rewarded themselves while denying benefits to many sharecroppers and tenant farmers—blacks and whites—by taking the land they had worked out of production and assigning it to the allotment program. Many such tenants and sharecroppers could no longer find work, and their privation worsened. The president of the Oklahoma Tenant Farmers' Union explained that large farmers who got "Triple-A" payments often used the money to buy tractors and then "forced their tenants and [share]croppers off the land," causing these "Americans to be starved and dispossessed of their homes in our land of plenty."

## Industrial Recovery

Unlike farmers, industrialists cut production with the onset of the depression. Between 1929 and 1933, industrial production fell more than 40 percent to balance low demand with low supply and thereby maintain prices. But the industrialists' strategy created major economic and social problems for Roosevelt and his advisers, since falling industrial production meant that millions of working people lost their jobs. Unlike farmers, most working people lived in towns and cities and needed jobs to eat. Mass unemployment also reduced consumer demand for industrial products, contributing to a downward spiral in both production and jobs, with no end in sight. Industries responded by reducing wages for employees who still had jobs, further reducing demand—a trend made worse by competition among industrial producers. New Dealers struggled to find a way to break this cycle of unemployment and underconsumption—a way consistent with corporate profits and capitalism.

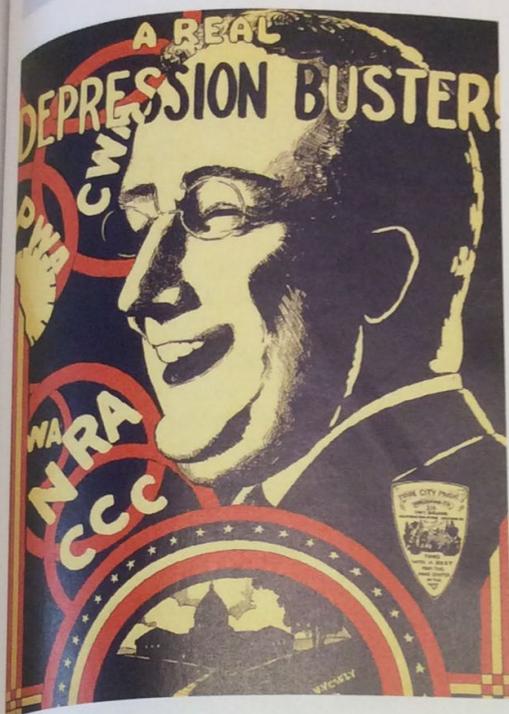
The New Deal's National Industrial Recovery Act (NIRA) opted for a government-sponsored form of industrial self-government through the National Recovery Administration (NRA), established in June 1933. The NRA en-

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The president of the Oklahoma Tenant Farmers' Union explained that farmers who got "Triple-A" payments often used the money to buy tractors and then "forced their tenants and [share]croppers off the land."

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### 1936 Campaign Poster

This campaign poster calls Roosevelt "A Real Depression Buster" and highlights his alphabet soup of New Deal agencies. Roosevelt's face was so well known that the poster does not even mention his name, the Democratic Party, or the New Deal. It exemplifies the political significance of Roosevelt's confident smile, perhaps the most potent symbol of the New Deal.

Collection of Janice L. and David J. Frent.

couraged industrialists in every part of the economy to agree on rules, known as codes, to define fair working conditions, to set prices, and to minimize competition. The idea behind codes was to stabilize existing industries and maintain their workforces while avoiding what both industrialists and New Dealers termed "destructive competition," which forced employers to cut wages and jobs. Industry after industry wrote elaborate codes addressing detailed features of production, pricing, and competition. In exchange for relaxing federal antitrust regulations that prohibited such business agreements, the NRA received a promise from participating businesses that they would recognize the right of working people to organize and engage in **collective bargaining**. To encourage consumers to patronize businesses participating in NRA codes, the New Deal mounted a public relations campaign that displayed the NRA's Blue Eagle

in shop windows and on billboards throughout the nation.

New Dealers hoped that NRA codes would yield businesses with a social conscience, ensuring fair treatment of workers and consumers and promotion of the general economic welfare. Instead, NRA codes tended to strengthen conventional business practices. Large corporations wrote codes that served primarily their own interests rather than the needs of workers or the welfare of the national economy. (See "Seeking the American Promise," page 878.) The failure of codes to cover agricultural or domestic workers led one woman to complain to Roosevelt that the NRA "never mentioned the robbery of the Housewives" by the privations caused by the depression. Many business leaders criticized NRA codes as heavy-handed government regulation of private enterprise. Some even claimed that the NRA was a homegrown version of Benito Mussolini's corporate fascism taking shape in Italy. In reality, however, compliance with NRA codes was voluntary, and government enforcement efforts were weak to nonexistent. The NRA did little to reduce un-

employment, raise consumption, or relieve the depression. In effect, it represented a peace offering to business leaders by Roosevelt and his advisers, conveying the message that the New Deal did not intend to wage war against profits or private enterprise. The peace offering failed, however. Most corporate leaders became active and often bitter opponents of Roosevelt and the New Deal.

**REVIEW** How did New Dealers try to steer the nation toward recovery from the Great Depression?

## Challenges to the New Deal

The first New Deal initiatives engendered fierce criticism and political opposition. From the right, Republicans and business people charged that New Deal programs were too radical, undermining private property, economic stability, and democracy. Critics on the left faulted the New Deal for its failure to allay the human suffering caused by the depression and for its timidity in attacking corporate power and greed.

The failure of codes to cover agricultural or domestic workers led one woman to complain to Roosevelt that the NRA "never mentioned the robbery of the Housewives" by the privations caused by the depression.