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
  - 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
II. NEW DEAL ECONOMICS

• THE GREAT DEPRESSION

• FINANCIAL STABILIZATION

• FISCAL STIMULUS

• RAPID RECOVERY
GREAT DEPRESSION

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

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
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=QZBIHMVNDSM

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.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Annual Labor Productivity Growth</th>
<th>Average Annual Capital Productivity Growth</th>
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</thead>
<tbody>
<tr>
<td>1899-1909</td>
<td>1.30%</td>
<td>-1.62%</td>
</tr>
<tr>
<td>1909-1919</td>
<td>1.14</td>
<td>-1.95</td>
</tr>
<tr>
<td>1919-1929</td>
<td>5.44</td>
<td>4.21</td>
</tr>
<tr>
<td>1929-1937</td>
<td>1.95</td>
<td>2.38</td>
</tr>
</tbody>
</table>

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")
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
CLASS POLITICS

• THE CAPITALIST CLASS ON ITS HEELS
  • CORPORATE LIBERALS AND RICH REACTIONARIES

• THE WORKING CLASS ON THE RISE
  • UP FROM THE ASHES

• POPULIST REVOLTS
  • A COUNTRY ON EDGE
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

& AHIStoryICAL 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

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

A lost world emerged...
END OF THE NEW DEAL ERA