FDR & The New Deal

Election of 1932. With the Republican party handicapped by the generally accepted view that it was responsible for the depression, the Democratic candidate for president appeared a certain victor.

DEMOCRATS. The powerful drive by Governor Franklin D. Roosevelt of New York to become the Democratic presidential nominee had made such an impact that the only question in the minds of the delegates to the national convention was whether a combination could be effected to prevent him from securing the two-thirds vote required by the party's rules for the nomination. When the "stop Roosevelt" movement, led by former Democratic presidential candidate Alfred E. Smith collapsed, the New York governor was chosen on the fourth ballot. For second place on the ticket the delegates named Speaker of the House John N. Garner of Texas. The platform, which was an unusually brief and specific one, committed the party to the repeal of the Eighteenth (Prohibition) Amendment and to the principle of "continuous responsibility of government for human welfare."

REPUBLICANS. President Hoover controlled the proceedings of the Republican national convention. His nomination on the first ballot was quickly made unanimous, and in accordance with his wishes. The platform, drafted by Hoover and his aides, was adopted after a spirited battle over the prohibition plank, which as finally approved called for a referendum on the issue.

THE CAMPAIGN. Both Hoover and Roosevelt carried out extensive programs of speech making. Hoover defended his party's policies on the tariff, agricultural relief, and general economic recovery, and denounced the proposals of the opposition as demagogic appeals. Roosevelt stressed a "new deal" for the "forgotten man" without clearly indicating the specific measures of his program. He accused the Republicans of seeking prosperity by conferring favors on special interests and emphasized that the Democrats believed it the responsibility of government to promote the wellbeing of the great masses of the people. Roosevelt essentially offered change without really emphasizing just what shape that change would take.

Roosevelt was a New York aristocrat who portrayed himself as a caring, moderate, wealthy father-figure to the American people. To a great extent, FDR appeared more conservative than the innovative, practical engineer of the Republican party, Herbert Hoover. Besides stressing that he “felt the pain” of the average American, FDR didn’t really go very far to explain how he might eliminate the economic pain of the Depression.

ROOSEVELT'S LANDSLIDE VICTORY. The result at the polls was an unprecedented majority for the Democrats. In popular votes, Roosevelt won 22,830,000 to Hoover's 15,761,000. Roosevelt captured forty-tWo states with 472 electoral votes while Hoover carried four of the New England states, Pennsylvania, and Delaware, with a total of 59 electoral votes. The victory represented not so much a vote of confidence in the Democratic party and its leaders as a measure of resentment, engendered by the depression, against the Hoover administration.

THE FIRST NEW DEAL

On March 9, 1933, Congress met in a special session called by President Roosevelt to deal with what seemed to be the impending collapse of the American banking system. After Congress passed an emergency act on banking it remained in special session, upon Roosevelt's request, to treat a variety of economic ills, including unemployment among laborers and falling prices for farmers. This session came to a close on June 16, 1933, after Congress enacted a host of measures deemed essential by the Roosevelt administration. The March 9 to June 16 special session of Congress, soon called the "Hundred Days," was a remarkable period of cooperation between the executive and legislative branches of government. The New Deal produced a political realignment, making the Democratic party the majority, with its base in liberal ideas, big city machines, and newly empowered labor unions. The Republicans were split, either opposing the entire New Deal as an enemy of business and growth, or accepting some of it and promising to make it more efficient. The ravages of the Great Depression offered Progressives an unparalleled opportunity to increase the authority of the federal government. Progressive Democrats even some Progressive Republicans took advantage of that opportunity during the first hundred days of FDR's presidency.

The Hundred Days launched the First New Deal, which had as its objective the relief and recovery, and then the reform, of the various economic sectors of the nation.

The Roosevelt Administration

THE PRESIDENT. Roosevelt was an extraordinarily savvy politician. Over the radio on many an evening he spoke in a relaxed style to the American people in "fireside chats." As an orator he had few equals. He was not the first president to agree to press conferences, but he held them more often and, through his masterful give-and-take with reporters, used them more skillfully than had any of his predecessors to present his views to the American people. Although confined to a wheelchair since 1921 as a result of an attack of polio (wearing heavy leg braces he was able to take a few steps and stand to deliver an address), he exhibited striking self-assurance and unlimited mental and physical energy.

INAUGURAL ADDRESS. Between Roosevelt's election in November, 1932, and his inauguration in March, 1933, economic conditions had steadily worsened. His inaugural address, however, sounded a high note of confidence. He declared in ringing tones that "the only thing we have to fear is fear itself;" and pledged strong executive leadership to resolve the grave economic conditions.

THE "BRAIN TRUST." During his early years in office Roosevelt consulted on matters of economic and social reform a group of unofficial advisers that newspaper reporters dubbed the "Brain Trust" because its members were academicians.

The New Deal Philosophy

Much of Roosevelt's approach to the difficult problems of the depression was pure experimentation, but the experiments he tried convinced him that the best course for the nation was away from traditional principles of economic individualism toward a planned economy. Roosevelt and his associates in the administration maintained that by such planning it was possible to establish an enduring balance in the economic system among conflicting sectors of the nation.

The watchwords of the New Deal were *relief, recovery, reform.* The mission of the New Deal lay in, first, relief to persons in need by providing them with money, loans to make mortgage payments, or jobs; second, recovery to the nation as a whole by passing legislation to assist business, labor, and agriculture to reestablish themselves in strength; third, reform of institutions, such as banking, to make for economic and social stability.

Relief for the Unemployed

FDR launched a series of ad hoc fixes in order to put Americans back to work.

CIVILIAN CONSERVATION CORPS (CCC). In March, 1933, Congress created the Civilian Conservation Corps to provide work for men between the ages of eighteen and twenty-five. They were employed in such projects as reforestation, soil conservation, flood control, and road construction throughout the nation. By the end of 1941 more than 2 million young men had been employed by the CCC.

FEDERAL EMERGENCY RELIEF ADMINISTRATION (FERA). This agency was established by the Federal Emergency Relief Act in May, 1933, to assist states and cities in caring for the unemployed. The FERA matched the funds expended by state and municipal governments in administering their relief projects for the jobless.

CIVIL WORKS ADMINISTRATION (CWA). Created in November, 1933, the Civil Works Administration provided jobs for approximately 4 million men in such undertakings as road repair and park improvement. The CW A was disbanded the following year and its functions were assumed by the Federal Emergency Relief Administration.

Recovery in Business

The Roosevelt administration made strong legislative moves to help business.

THE NATIONAL INDUSTRIAL RECOVERY ACT (NIRA). Passed in June, 1933, the National Industrial Recovery Act (NIRA) was intended to help business revival by means of self-regulation and in so doing lessen unemployment. The act created the National Recovery Administration (NRA), which supervised the preparation of codes of fair competition by employers, employees, and consumers in each industry. After the codes received the approval of the President, they became binding upon every segment of the industry in question, and were to be enforced by law. The codes accomplished such objectives as the abolition of child labor, the limiting of production, the control of prices, and the establishment of minimum wages and maximum hours for workers. Hundreds of these codes were administered by the NRA under the chairmanship of the iron-willed former brigadier general Hugh Johnson, but few proved effective. Participating firms within each industry displayed the Blue Eagle (symbol of the NRA) and used the motto of the agency, "We do our part." Organized labor achieved a long-standing goal through the NIRA, for Section 7a of the act guaranteed workers the right to bargain collectively. Approximately 500 industries had adopted fair competition codes and were operating under them when in 1935 the Supreme Court declared the NIRA unconstitutional on the grounds that it granted the President too much power and that it dealt in commercial activities that were intrastate in nature.

PUBLIC WORKS ADMINISTRATION (PWA). The NIRA established the Public Works Administration (PWA) for the construction of roads, school buildings, hospitals, dams, bridges, and a variety of other projects to stimulate the economy. The agency cooperated with state and local governments in the granting of contracts to private firms. Under the direction of Secretary of the Interior Ickes, from 1933 to 1939 the PWA spent approximately $5 billion on close to 35,000 construction projects, employing more than 500,000 people.

Agricultural "Adjustment"

Legislation was sponsored by the Roosevelt administration to strengthen the status of agriculture and to prevent the loss of farms by debt-ridden owners.

THE AGRICULTURAL ADJUSTMENT ACT. This measure, passed in May, 1933, was designed to help farmers gain higher profits by encouraging them to reduce their production, which would in turn decrease their surpluses and thus raise the prices of their goods. It was hoped that through this action the farmers' purchasing power would be restored to parity with that of the prosperous and relatively stable five-year period before the outbreak of World War I. The act created the Agricultural Adjustment Administration (AAA), which was authorized:

- ★ to control production of such commodities as wheat, cotton, corn, rice, tobacco, and hogs by paying cash subsidies to farmers who voluntarily restricted acreage planted in such crops or reduced the numbers of such livestock;
- ★ to impose taxes upon the processors of agricultural commodities-such as flour millers and meat packers-in order to secure funds to pay the subsidies;
- ★ to pay farmers to sow grasses on untilled land that would provide cover for top soil and prevent dust storms.

The act remained in operation until 1936, when it was declared unconstitutional by the Supreme Court.

THE FARM CREDIT ACT. This act, passed in June, 1933, set up the Farm Credit Administration (FCA) to provide loans to farmers for production and marketing, with the object of enabling them to refinance farm mortgages that were in jeopardy of being lost through foreclosures. Within the first two years of its existence the agency helped refinance approximately 20 percent of the farm mortgages in the nation.

THE FRAZIER-LEMKE FARM BANKRUPTCY ACT. This measure, passed in June, 1934, provided for a five-year postponement on the foreclosure of farm mortgages, during which time a farmer in default of his payments could repurchase his property at a reappraised price. When the Supreme Court invalidated the act the following year, Congress passed (August, 1935) the second Frazier-Lemke Act, which allowed for only a three-year moratorium on farm mortgage foreclosures and for a more precise guarantee of the rights of the lending institutions.

Recovery in Housing

The Roosevelt administration sponsored legislation to prevent the loss of homes by financially distressed owners, to encourage the building of new homes and the improvement of existing ones, and to establish a stable procedure for home financing.

HOME OWNERS LOAN CORPORATION (HOLC). This agency, created in June, 1933, was provided with more than $2 billion to refinance the mortgages of non-farm homeowners who were threatened with losing their properties through foreclosures. The HOLC was in existence for three years, during which time it aided approximately 1 million homeowners.

FEDERAL HOUSING ADMINISTRATION (FHA). This agency was established by the National Housing Act in June, 1934, to insure mortgages made by private lending institutions for the building of new homes and the improvement of existing homes. By 1941 the government had insured $3.5 billion in mortgages.

Reform in Banking

While Congress was enacting the various measures that constituted a program of relief for the unemployed and recovery in business, agriculture, and housing, it was also considering legislation to bring about long-range reforms in banking.

THE EMERGENCY BANKING ACT. Numerous demands upon banks for the payment of money had forced thousands to suspend operations by the time Roosevelt assumed office. Fearful that the banking system was on the verge of collapse, Roosevelt, on March 5, 1933, declared an immediate four-day bank holiday which closed all national banks and financial institutions affiliated with them. All on the single day of March 9, 1933, there was introduced, passed, and signed into law the Emergency Banking Act, empowering the President to reorganize insolvent national banks. Under the terms of the measure a majority of the banks soon reopened.

THE GLASS-STEAGALL BANKING ACT. Passed in June, 1933, this significant reform law, among other things, (1) separated commercial banking from investment banking;! (2) increased the authority of the Federal Reserve Board to prevent member banks of the Federal Reserve System from engaging in excessive speculation; (3) created the Federal Deposit Insurance Corporation (FDIC) to guarantee bank deposits up to $5,000 each (subsequent legislation increased the sum) in the event of the failure of the institution.

THE SECURITIES EXCHANGE ACT. This measure, passed in June, 1934, provided for the regulation of securities exchanges in order to protect the purchasers of stocks and bonds against fraudulent practices. The Securities Exchange Act set up the five-member Securities Exchange Commission (SEC) to register and supervise the sale of new issues of stocks and bonds and authorized the Federal Reserve Board to control the buying of stocks and bonds on margin.

THE BANKING ACT. This measure, passed in August, 1935, strengthened government control of the banking system of the nation through a revision of the Federal Reserve Act of 1913. The new law, among other things, (1) changed the title of the Federal Reserve Board to the Board of Governors of the Federal Reserve System, increased its bipartisan membership of financial experts from six to seven, and enlarged its power over the twelve Federal Reserve Banks; (2) required that all state banks with deposits of $1 million or more join the Federal Reserve System within seven years in order to have their deposits guaranteed by the Federal Deposit Insurance Corporation; (3) permitted the Federal Reserve Banks to purchase government bonds only in open-market transactions.

The Government as Regional Developer

An earlier demand for a relatively simple plan of government production of electric power led eventually to a rather complex program of government participation in regional development. In the 1920s the advocates of government ownership and operation of electric power facilities concentrated their efforts upon Muscle Shoals, a gigantic project on the Tennessee River that had been built by the government during World War I to produce hydroelectric power and extract nitrate for the manufacturing of explosives. In 1928 liberal Republican Senator George Norris of Nebraska guided a bill through Congress that provided for the creation of a government-owned corporation to work the nitrate plants for the production of fertilizer and to sell the surplus power generated at the hydroelectric station. President Coolidge vetoed the bill on the ground that the government operation would compete with private enterprise. In 1931 a virtually identical bill passed Congress, only to be vetoed by President Hoover on the same ground.

THE TENNESSEE VALLEY AUTHORITY ACT. In May, 1933, President Roosevelt signed into law with much enthusiasm the Tennessee Valley Authority Act, marking the triumph of Senator Norris's attempt to place the power resources of the Tennessee River at the disposal of the people. The act established the Tennessee Valley Authority (TVA), an independent public corporation created not only to work the power project at Muscle Shoals but also, much more important, to develop fully a region embracing parts of seven states-Tennessee, Virginia, Kentucky, North Carolina, Georgia, Alabama, and Mississippi-for the economic and social well-being of the people. Through the construction of dams, power plants, and transmission lines, many villages and farms in the Tennessee River Valley were supplied with electric current at low rates. TVA electric rates served as a "yardstick" to measure the reasonableness of rates charged by utilities companies. Some other important projects of TV A were the implementation of a program of flood control, the improvement of navigation on the Tennessee River and its tributaries, and the production of nitrate fertilizer. The standard of living of the approximately 3 million inhabitants of the Tennessee River Vally was quickly raised. During World War II TV A generated hydroelectric power for the production of the atomic bomb at the government installation in Oak Ridge, Tennessee. Since the establishment of TV A representatives of big business and conservative politicians have called for the disbanding of the agency on the ground that it competes with private enterprise, but to no avail.

The Tariff Issue

As American exports increased rapidly, exceeding imports, nations in debt to the United States as a result of borrowing during World War I found it difficult to make payments for goods bought on credit.

TARIFF WARS. When the Smoot-Hawley Tariff, with an average duty of approximately 60 percent, was signed by President Hoover, there were protests from all parts of the world. More than thirty nations struck back at the excessively high rates by increasing their rates on goods from the United States. Many nations passed acts placing all sorts of restrictions on the passage of American-made goods through their customhouses.

THE TRADE AGREEMENTS ACT. Secretary of State Cordell Hull feared not only the economic but also the political effects of tariff wars. He therefore proposed the adoption of reciprocal trade agreements with those nations that traded most extensively with the United States. In 1934 Congress passed the reciprocal Trade Agreements Act, empowering the President, with the advice of economic experts, to negotiate with other nations agreements that revised tariff rates up to 50 percent in either direction without the consent of Congress. By 1950 agreements had been reached with some fifty nations in Europe, Asia, and Latin America. By the time the United States next engaged in extensive tariff legislation, in 1962, the average duty was approximately 10 percent

THE SECOND NEW DEAL

Shortly after the Roosevelt administration received a tremendous vote of confidence from the American people in the congressional elections of 1934, it indicated that it was intent upon sponsoring a group of new projects to help the underprivileged throughout the nation. In his State of the Union Message to Congress, delivered in January, 1935, President Roosevelt declared that his administration was ready to implement a comprehensive program of social reform, having as its basic objective to provide security against unemployment, illness, the cares of old age, and the uncertainty of dependency upon family or friends. This plan of action soon became known as the Second New Deal.

New Directions

Whereas the First New Deal had instituted projects to help businessmen, laborers, and farmers, the Second New Deal gave assistance almost exclusively to laborers and farmers. In attempting to realize a fuller program of social action, the Second New Deal was decidedly more to the left in spirit than the First New Deal had been.

CRITICISM OF THE NEW DEAL. That many businessmen by mid-1934 began to resist what they considered the "radical" policies of the New Deal was an indication that the economy was heading in the direction of normality. Complaints increased that the Roosevelt administration was undermining the capitalist system with its bold experimentation. Conservatives charged that the government was destroying private enterprise through interference in every phase of business activity.

POLITICAL ENDORSEMENT OF THE NEW DEAL. Whatever the effects of New Deal acts, they were approved by the labor and farm vote in the congressional elections of 1934. In the new Seventy-fourth Congress the Roosevelt administration increased a dominant strength it already enjoyed in the legislative branch. In the Senate the Democratic majority went from 59 to 69 out of 96 members, while in the House of Representatives the number of Democrats rose from 313 to 323 out of 435 members. Although the administration sometimes experienced difficulty in maintaining unity of action among the Democrats, it met with no serious reversals in guiding the presidential program of legislation through the new session of Congress.

Election of 1936

In a campaign marked by a vigorous defense and a bitter denunciation of the New Deal, Roosevelt won a strong reelection victory.

DEMOCRATS. There were no surprises at the Democratic national convention. President Roosevelt and Vice-President Garner were renominated without opposition.

REPUBLICANS. The delegates to the Republican national convention began their proceedings with little confidence that their candidate for president, whoever he might be, could beat Roosevelt in the coming election. The convention chose for its standard-bearer the rather liberal Republican Governor Alfred M. Landon of Kansas. Chicago newspaper publisher Frank Knox was named Landon's running mate.

THE CAMPAIGN. The candidates avoided such deep basic issues separating their parties as the philosophy underlying direct federal benefits, the centralization of power in the national government, the delegation of unusual authority to the President, and the relation of a heavily unbalanced budget to the economy of the nation. The Democrats were content to defend their record. The Republicans denounced the Roosevelt administration for reckless experimentation, extravagant spending, unbridled use of patronage, and failure to suppress communism. The conduct of the campaign by the Republicans was hesitant and inept, sharply contrasting with the assurance and proficiency of the politicians who managed the Democratic campaign. Roosevelt skillfully carried the brunt of the battle for his party, while Landon proved a dull campaigner both in his personal appearances and in his radio speeches.

ROOSEVELT'S LANDSLIDE VICTORY. The vote for the President cut across party lines. He was reelected with 27,757,000 popular votes to Landon's 16,684,000. Roosevelt carried every state except Maine and Vermont, thus capturing 523 out of 531 electoral votes.

Relief for the Unemployed

On the basis of the experience secured from the Civil Works Administration of 1933-1934, the Roosevelt administration put a more comprehensive plan into operation early in 1935 to overcome persistent unemployment.

WORKS PROGRESS ADMINISTRATION (WPA). In April, 1935, Congress passed the Emergency Relief Appropriation Act, which signified a turning by the federal government from direct relief to work relief alone. The act established the Works Progress Administration (WPA), a name that was changed to the Works Projects Administration in 1939. Harold L. Ickes of the Public Works Administration and Harry L. Hopkins of the Federal Emergency Relief Administration each wanted to administer the new agency;

Roosevelt chose Hopkins, in large part because he was more inclined to spend large sums and less heedful of stringent rules. Within six months of its creation the WPA was employing approximately 2.5 million manual laborers on such projects as the construction or improvement of roads, school buildings, hospitals, power plants, bridges, and parks. The WPA also provided work for the skilled and educated-artists, musicians, people of the theater, writers, teachers-by creating the Federal Art Project, the Federal Theater Project, and the Federal Writers' Project. For example, under the auspices of the Federal Art Project murals were painted in public buildings and under the auspices of the Federal Writers' Project state and local histories were written. By the time the WPA was terminated in 1943, it had spent approximately $11 billion on close to 1.5 million projects and in so doing had given temporary jobs to about 8.5 million persons. In spite of its achievements, the WPA was criticized by many conservative Americans as being wasteful and inefficient.

NATIONAL YOUTH ADMINISTRATION (NYA). Established by executive order in June, 1935, under the provisions of the Emergency Relief Appropriation Act, the National Youth Administration (NYA) gave part-time employment to needy persons between the ages of sixteen and twenty-five in high schools, colleges, and universities so that they could continue their education. More than 4 million unemployed young people had been helped by the time the NYA was disbanded in 1943.

Labor Legislation

The Roosevelt administration was extremely supportive of organized labor's aspirations for a higher status in American society. The New Deal gained some of its most substantial victories in the field of labor legislation. Changes within the labor movement itself had great influence on the principles written into that legislation.

THE NATIONAL LABOR RELATIONS ACT. After the NIRA was declared unconstitutional by the Supreme Court in 1935, Senator Robert F. Wagner of New York initiated legislation to guarantee labor's right to bargain collectively. The result was the National Labor Relations Act (also called the Wagner-Connery Act), passed by Congress in July, 1935. The act created the National Labor Relations Board (NLRB), composed of three members, which was authorized to determine suitable units for collective bargaining, to conduct elections for the choice of labor's representatives, and to prevent interference with such elections. The NLRB was empowered to investigate complaints of unfair labor practices, to issue orders that such practices be stopped, and to petition federal courts to enforce its restraining orders.

THE FAIR LABOR STANDARDS ACT. This act, passed by Congress in June, 1938, was designed as a substitute for the codes of the disbanded NRA as they concerned fair labor standards. For each industry engaged in interstate commerce, a committee composed of employers and employees was to recommend a minimum wage-not less than twenty-five cents an hour, to be raised to forty cents by 1945-compatible with economic conditions in that industry and to establish over a period of time a forty-hour workweek. The act required payment for work over forty hours in a week at the rate of time and a half, prohibited the labor of children under sixteen years of age, and restricted the labor of those under eighteen to nonhazardous jobs.

Agricultural Legislation

The problem of farmers trying to make a living on inferior land was a constant concern of the Roosevelt administration.

RESETTLEMENT ADMINISTRATION (RA). Established in May, 1935, under the provisions of the Emergency Relief Appropriation Act, the Resettlement Administration (RA) assisted farm families to move from submarginal to fertile land and extended loans at low interest rates to enable particularly needy farm families to purchase new land and equipment. Within four years almost 800,000 families had received rehabilitation aid. Also, under the auspices of the RA a few suburban communities were built for low income city families.

THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT. This act was passed in February, 1936, soon after the Agricultural Adjustment Act of 1933 was declared unconstitutional. It attempted to curtail agricultural production not through a program of crop control (as under the Agricultural Adjustment Act) but through one of soil conservation. The act authorized the payment of cash subsidies to farmers for planting crops, such as alfalfa and clover, that would conserve the soil. This would curtail production of staple crops, such as wheat, cotton, corn, and tobacco, which deplete the soil, and would have the ultimate result of raising agricultural prices.

THE AGRICULTURAL ADJUSTMENT ACT. With the Agricultural Adjustment Act of 1933 declared unconstitutional by the Supreme Court and with the Soil Conservation and

Domestic Allotment Act proving ineffectual, Congress passed in February, 1938, a second Agricultural Adjustment Act in another attempt to decrease agricultural surpluses and thus increase agricultural prices. The secretary of agriculture was authorized (1) to set acreage quotas for staple crops and pay farmers cash subsidies for planting in their stead soil-conserving crops; (2) to set marketing quotas for export crops that were in surplus to such a degree that the prices for them might be adversely affected. The act also implemented the "ever-normal granary" plan, sponsored by Secretary of Agriculture Henry A. Wallace, which operated as follows: a Community Credit Corporation would store crops that were in surplus to prevent a decline in prices and at the same time grant loans to farmers on the stored crops as a substitute for the profits that would have been realized by selling them, the loans to be repaid when the price of the crops rose and the farmers removed them from storage and sold them at a satisfactory profit. The financing of the various aspects of the program was to be derived from the federal treasury, rather than from taxes imposed upon the processors of farm commodities as in the act of 1933.

Security for the Needy

In what was to be one of its most far-reaching enterprises, the Roosevelt administration launched the government into assuming a duty (for all time to come) to insure the security of the needy people of the nation.

EXTREMIST PROPOSALS. One of the reasons for Roosevelt's strong support of attempts to give the people greater security was the appeal of several extremist proposals by groups that were hostile toward the Roosevelt administration. The Share-Our-Wealth movement, led by Democratic Senator Huey P. Long of Louisiana, advocated that the federal government guarantee to every family of the nation a homestead worth $5,000 and a minimum annual income of $2,000. The Old Age Revolving Pension plan, originated by Dr. Francis E. Townsend, a California physician, recommended that the federal government pay $200 a month to persons sixty years of age and over, who would be obligated to spend the entire sum within the month. The National Union for Social Justice, headed by the Reverend Charles E. Coughlin, a Michigan Roman Catholic priest who made effective use of the radio to spread his views, urged that the currency be extensively inflated through the use of silver.

THE SOCIAL SECURITY ACT. This act, passed by Congress in August, 1935, upon the recommendation of President Roosevelt, provided for (1) a federal program of benefits to retired workers beginning at the age of sixty five and of benefits to the dependent survivors of deceased workers, based on the employees' earnings before the age of sixty-five, to be paid out of funds derived from a tax on employees and their employers; (2) a program of unemployment compensation administered by the state with grants from the federal government and financed by a similar payroll tax; (3) federal aid to the states for various projects, such as maternity and infant care services and assistance to crippled children and the blind.

Roosevelt and the Supreme Court

The responsibility of determining the constitutionality of the New Deal fell to the Supreme Court.

INVALIDATION OF NEW DEAL LAWS. Decisions of the Supreme Court from the last third of the nineteenth century on indicated that most justices were opposed to the government's increasing its role in economic affairs and were reluctant to sanction government-fostered social improvements that restricted individual initiative. The Court found much that was constitutionally at fault in the legislation of the New Deal.

In 1935 in *Schechter* v. *United States* (the "Sick Chicken Case") the Court declared the National Industrial Recovery Act of 1933 unconstitutional on the grounds that it delegated too much power to the President and that it dealt in intrastate commerce. The Court held that a Brooklyn poultry dealer could not be prosecuted for violating National Recovery Administration codes governing the quality of chickens he sold and the level of wages he paid. The justices agreed unanimously that since the retail poultry business was not interstate commerce, Congress had no jurisdiction over it. Roosevelt angrily retorted that this was a "horse-and-buggy" definition of interstate commerce. In 1936 in *United States* v. *Butler* the Court by a 6 to 3 vote declared the Agricultural Adjustment Act of 1933 unconstitutional on the grounds that Congress possessed no authority to tax for the benefit of a particular segment of society. The Court invalidated several other New Deal laws as well, prompting Roosevelt to ponder ways of nullifying the power of the Supreme Court, or controlling it.

THE "COURT PACKING" PLAN. Despite his anger and his fear that the judicial branch would invalidate much New Deal legislation, Roosevelt postponed action until after the 1936 election. He then chose to interpret his overwhelming victory, which cut across party lines, as a blanket endorsement of his policies and quickly made plans to circumvent the Supreme Court. Because six of the nine justices were over seventy, the President struck at them as too old to remain on the bench. He also charged that the Court was violating the Constitution by acting as a "policy-making body."

In February, 1937, Roosevelt submitted to Congress the Reorganization Plan, which was quickly labeled by its foes as the "Court Packing" Bill. It proposed that Supreme Court justices retire at the age of seventy years, and the expansion of the Supreme Court to twelve members. To Roosevelt's amazement, his plan was not well received by either the press or the American people. Both apparently perceived FDR's plan as an unprecedented expansion of executive power.

FDR was unable to convince even Democrats in the Senate to support the plan, which was defeated by a vote of 70 to 20. The Senate Judiciary Committee, dominated by Democrats even went so far as to brand the plan as “a needless, futile and utterly dangerous abandonment of constitutional principle... without precedent or justification.”

REVERSAL OF THE COURT. In the end the President won the fight with the Supreme Court. Perhaps a better explanation is that Roosevelt stayed in office so long that he was simply able to pack the Court to his liking. From 1937 to 1939 retirements from and deaths on the Court enabled Roosevelt to appoint four well-known supporters of the New Deal, bringing about such a change in the Court's membership that a reversal occurred in its interpretation of congressional powers over economic and social matters. By 1941 Roosevelt had named seven of the nine justices. With the retirement that year of the moderate Chief Justice Charles Evans Hughes, the President elevated the liberal Associate Justice Harlan F. Stone to the position. Among the legislation sustained by the Court with its new members were the Fair Labor Standards Act of 1938 and the Agricultural Adjustment Act of 1938.

EVALUATION OF THE NEW DEAL

The years of the New Deal constituted one of the most controversial periods in the nation's history. The ardent supporters of the New Deal thought it could do no wrong, while its critics believed that it was destroying the traditional American way of life.

The Financial Cost

The New Deal's elaborate spending programs to bring about relief and the granting of extensive loans to private enterprise to promote recovery placed an extraordinary financial burden upon the federal government. The Roosevelt administration tried to increase the annual tax revenues. Congress reluctantly yielded to presidential insistence and passed the Revenue Act of 1935, which increased the rates of taxation on individual incomes over $50,000, on gifts, on estates, on corporate earnings, and on excess profits (we might usefully ask, "what is an excess profit?"). But even expansive increases in taxation did not provide sufficient revenue to pay for the experiments of the New Deal. In 1933 the debt of the United States had stood at approximately $22.5 billion. Six years later it had increased to almost $40.5 billion. Thus deficit financing had almost doubled the national debt in six years.

A Continuation of Reform

In many ways Roosevelt's program was a continuation of the reform movement that had been interrupted by the outbreak of World War I. There were precedents from both Democratic and Republican administrations. There were borrowings from the Populists of the latter part of the nineteenth century and the progressives of the early twentieth century. Roosevelt's attacks on the leaders of industry as "economic royalists" were reminiscent of those conducted against the "money power" by the Populists and the progressives, and a number of New Deal reforms had first been demanded by those groups.

A New Direction in Government Policy

To most citizens the New Deal created an entirely new role for the federal government. Government policy in the past had been primarily a restrictive and coercive force. FDR's New DEal transformed the federal government into an instrument that enabled a centrally controlled state with the power to act with speed and decision. Some Americans believed that that government should provide economic security for all less fortunate Americans. Others began to fear that government, and especially the executive branch, had assumed a broader, more pervasive power in areas of American society where it had not gone before.

It also needs saying that, in spite of the huge amount of money that the New Deal spent and central control of the U.S. economy that government acquired, the New Deal really was not successful in restoring economic stability, prosperity, or long-term low unemployment. The statistics looked good politically for FDR and the Democrats from 1933 to 1937. "Makework" New Deal jobs brought down the unemployment numbers, but by early 1937, many of those jobs were gone and unemployment began to rise. By 1938, unemployment reached over 20%. One in five Americans who wanted to work were out of work. Not only were New Deal jobs drying up, but the rise in taxes on payrolls and corporate production that were created in order to pay for the New Deal, began to prompt layoffs in the industrial sector. Gross domestic product (GDP) also began to fall in 1937 and by the end of 1839, had declined over 6%. Evidence of the long-term failure to heal the U.S. economy is perhaps best illustrated by the collapse of the Dow Jones Industrials from 190 in August to a low of 114 on November 24, 1937.

The Interruption of Reform

Some Progressive critics of the New Deal had begun to argue that the reason for the recession of 1937-1939 was that the government needed to spend even more money on more programs. They argued that those industries that laid off workers should be punished for their uncaring actions. FDR had, by the middle of 1938, begun to see the political advantage in further anti-business rhetoric and further expansion of the New Deal. He was, in fact, urging even further reforms in 1939 when war was thrust upon Europe by Adolf Hitler in 1939. Preparation for war and the war itself became the cure for the Great Depression. Ultimately, the U.S. recovered from the Depression when industry began to increase production of war goods, first to aide Britain, and finally to mobilize the nation in the face of a two-front war of enormous proportions.