**THE NEW DEAL DEBATE**

**Question**: Did the New Deal promote or restrict enduring American ideologies (capitalism, democracy, and liberty/freedom)?

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For this debate, you will be on **one** of **two** teams:

*Team New Deal as Promoter:* This team will argue that the New Deal promoted enduring American ideologies.

*Team New Deal as Restricter:* This team will argue that the New Deal restricted enduring American ideologies.

**Procedure for Prep:**

1. Divide into two teams
2. Review the assignment
3. Complete the New Deal Chart (Prep Day 1 & HW)
4. Begin to develop arguments for whether the New Deal promoted or restricted each of the three enduring American values (Prep Day 2)
5. Start completing the Talking Point Sheets as a group and complete the rest individually for homework (Prep Day 2 & HW)
6. Complete the assigned readings and Talking Point Sheets for homework (Prep Day 2 & HW)

**Procedure For the Debate**:

1. Divide into two teams
2. Discuss how the New Deal promoted or restricted three enduring American ideologies (we will go through each one at a time)
3. Everyone must offer 2 quality comments.
4. Debate Days:

Green: Mon 3/17

Yellow: Wed 3/19

**Graded Components**

(60 Point Summative Assessment)

1. **Written components** *(20 points)*
   1. New Deal Chart
   2. Completed Talking Points Sheet
      1. Includes at least 6 arguments
      2. Chart is typed
      3. Evidence is specific, relevant and accurate
      4. There are at least 12 pieces of specific evidence to support your point
      5. The “time line” for your evidence, should be all of US history not just during the New Deal Era
2. **Participation on workdays:** Quality participation & collaboration with members of your group. *(10 points)*
   1. Quality participation in ways that demonstrate that you have done the assigned reading.
   2. Quality participation in ways that showcase analytical thinking.
   3. Quality listening and collaborative work with group members.
3. **Participation in the Debate:** Quality participation at least 2 times *(30 points)*

a. Participate in ways that further the arguments of the class

b. Argument must be clear

c. Supporting evidence clearly presented

d. Sources are given

**New Deal Chart**

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| --- | --- | --- | --- | --- | --- | --- |
| ***Name (Write Out in Full)*** | ***Year*** | ***Description – What did it Do? Who did it help?*** | ***Relief, Recovery, or Reform?*** | ***Promote or Restrict Capitalism?*** | ***Promote or Restrict Democracy?*** | ***Promote or Restrict Liberty/***  ***Freedom?*** |
| **TVA** |  |  |  |  |  |  |
| **CCC** |  |  |  |  |  |  |
| **AAA** |  |  |  |  |  |  |
| **SSA** |  |  |  |  |  |  |
| **REA** |  |  |  |  |  |  |
| **FDIC** |  |  |  |  |  |  |
| **SEC** |  |  |  |  |  |  |
| **WPA** |  |  |  |  |  |  |
| **NLRB** |  |  |  |  |  |  |
| **FWP** |  |  |  |  |  |  |

**Talking Points Sheet**

|  |  |  |  |
| --- | --- | --- | --- |
| *Ideology* | *Argument:* | *Evidence:* | *Source(s)* |
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\*\*Remember, you must **type** up this sheet and follow the grading components sheet. (there are requirements about how much evidence and what type evidence you use)

Did the New Deal Work?

By [MATTHEW BANDYK](http://www.usnews.com/Topics/tag/Author/b/bandyk_matthew/index.html)

Posted: April 11, 2008

While today's economic slowdown pales in comparison to the Great Depression, when it comes to political action, the ghost of the 1930s may still be haunting Washington, D.C. President Franklin Roosevelt explained the need for the New Deal this way in his 1932 address to the Democratic National Convention: "While [Republicans] prate of economic laws, men and women are starving. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings."

That's not so different from the sentiment behind modern-day calls for action, like Rep. Barney Frank's plan to bail out homeowners. When the market takes a wrong turn, it's the job of government to grab the wheel—by boosting spending or cutting taxes—and steer the economy back on the right path.

But if there's anything more unpredictable than the direction of the market, it's the effects of government tinkering with economic policy. And even today, economists and historians still vigorously debate not only whether or not the New Deal helped take the country out of the Depression but if it actually made things worse.

**A split**

Just how divided are experts? In 1995, economist Robert Whaples of Wake Forest University published a survey of academic economists that asked them if they agreed with the statement, "Taken as a whole, government policies of the New Deal served to lengthen and deepen the Great Depression." Fifty-one percent disagreed, and 49 percent agreed. Whaples today says that the New Deal remains a thorny issue for economists because it's so difficult to measure the effects it had on the country. "You need a credible model of the economy, and not everyone is going to agree on what that model should be," he says.

Yet most economists, including defenders of the New Deal, do agree that Roosevelt's policies were far from perfect. The National Industrial Recovery Act of 1933, in particular, gets a lot of blame. It created the National Recovery Administration, a federal bureaucracy that limited competition in various industries by setting prices and wages above market levels. The ensuing upward pressure on the price of goods and unemployment may have turned a bad situation worse. While it benefited some producers, the NRA's policies meant basic goods were more expensive for consumers and jobs harder to come by for people who were already in dire straits.

But the law was struck down by the Supreme Court in 1935, so some argue it did not last long enough to create severe damage. "The NIRA might not have been a good idea," says Eric Rauchway, historian at the University of California-Davis, "but it was not exerting enough of a drag to prevent a rapid rate of recovery. If you look at the economic performance of the 1930s, you see a rapid upward trend."

**Fears of confiscation**

Just how rapid that trend was, though, depends on whom you ask. Except for a downturn in 1938 (historians still debate its origin), the economy and unemployment did improve after the onset of the New Deal. The country's real gross domestic product fell from $865 billion in 1929 to $635 billion in 1933 but rebounded to $1 trillion by 1940.

The only hiccup was a decline from $911 billion in 1937 to $879 billion in 1938. But the percentage of jobless Americans remained in the double digits until the onset of World War II. In 1930, unemployment was at 8.7 percent, and it climbed to 24 percent in 1932 before declining to 15 percent by 1940. Jim Powell, author of FDR's Folly: How Roosevelt and His New Deal Prolonged the Great Depression, asks, "There was expansion, but how come you still had average unemployment of 17 percent from 1933 to 1940?"

One explanation is that in addition to the harm done by the restrictions imposed by the NRA, the "soak the rich" rhetoric coming from the Roosevelt administration had a chilling effect on economic growth by making people fear for their property rights. Who knows, maybe Uncle Sam would just start wholesale confiscation of the fortunes of America's wealthy or the nationalization of industries—Americans were already observing that going on across the pond with the rise of communism in Russia and fascism in Europe. This uncertainty, along with a jump in the top federal income tax rate from 25 percent in 1931 to 79 percent in 1936, may have deterred investment.

Whaples also points to the 1938 election, in which Democrats lost 72 seats in the House. While the Democrats retained majorities, these losses made it harder to pass their agenda and thus reduced the specter of "soak the rich" policies. "Investment almost immediately went up very strongly after [that election], now that people weren't as worried about the New Dealers and threats to their property," Whaples says.

**Relief projects**

Among other important New Deal measures were the relief projects, which came in the form of the Homeowners Loan Corp., which tried to reduce foreclosures by lowering mortgages (sound familiar?), and massive public-works projects intended to stimulate the economy by putting people to work. "Recovery was just one piece of the New Deal," Rauchway says. "Relief was another piece, and by all accounts it worked pretty well. It kept people from starving." He also notes that a decline in the relief programs was correlated with the downturn in 1938.

But Powell argues that these relief policies actually put a greater burden on the backs of the poorest in society, the opposite of what they intended. The income tax was not nearly as important then as it was today, so excise taxes on goods predominantly purchased by middle- and lower-class people were the main funding sources for these programs. "If you're just taking [money] from other middle- and low-income people, it's kind of a wash," Powell says. The federal government collected $11.2 billion in revenue from excise taxes on goods like beer, wine, cigarettes, and soft drinks, while the most important work agency, the Works Progress Administration, spent $6.2 billion throughout the New Deal.

**A new social contract**

What complicates the debate, however, is that the attempt to alleviate the Great Depression isn't even the whole story of the New Deal. Gavin Wright, an economic historian at Stanford University, says "people make a mistake by interpreting the New Deal policies as a response to the Great Depression."

Under Wright's interpretation, the Great Depression merely catapulted the Democrats to power and allowed them to enact the policies they wanted anyway. He argues that the New Deal comes across much better if viewed in the light of the culmination of the efforts of the progressive movement. "The basics of the New Deal really set the terms of the social contract—reduction in inequality, status of labor unions, heavy investment in human capital and higher education."

Some elements of that legacy are not very controversial today. Rauchway points out that "very few people disapprove of most of the New Deal reforms," which include Social Security, the Securities and Exchange Commission, the Federal Deposit Insurance Corp., and Fannie Mae. Ultimately, then, the ongoing debate over the New Deal may be less about its empirical effects in the 1930s and more about conflicting philosophies of the role of government.

Rauchway sees the idea of the New Deal as one to be praised. "[The idea was that] government should experiment very carefully around the margins with economic regulation, and you discard the things that don't work and keep the things that do."

Others see the failures of the NIRA and the massive expenditures required for public-works projects as signs that government should try not to tinker around the margins. "All those things did was transfer funds from one group of decision makers—consumers—to another—federal officials," Powell argues. Expect to see these disagreements resurface in debates about the response to today's economic troubles.

**Source**: <http://www.usnews.com/money/business-economy/articles/2008/04/11/did-the-new-deal-work.html>

Fresh Debate About FDR's New Deal by Jim Powell

It has been 70 years since Franklin Delano Roosevelt launched his New Deal in an effort to banish the Great Depression of the 1930s -- perhaps the most important economic event in American history. The New Deal was controversial then, and it's still controversial, because it failed to resolve the most important problem of the era: chronic unemployment that averaged 17 percent.

*Newsweek* columnist Robert Samuelson acknowledged that if World War II hadn't come along, America might have stumbled through many more years of double-digit unemployment. Samuelson, however, is among those who give FDR high marks for handling the political crisis of the 1930s, the worst political crisis this country has faced since the Civil War.

But the political crisis was caused by the double-digit unemployment, and in my new book, *FDR's Folly, How Roosevelt and His New Deal Prolonged the Great Depression* (Crown Forum, 2003), I report mounting evidence developed by dozens of economists, at Princeton, Brown, Columbia, Stanford, the University of Chicago, University of Virginia, University of California (Berkeley) and other universities, that double-digit unemployment was prolonged by FDR's own New Deal policies.

How can that be? Consider just a few of FDR's policies. The New Deal tripled federal taxes between 1933 and 1940 -- excise taxes, personal income taxes, inheritance taxes, corporate income taxes, dividend taxes, excess profits taxes all went up, and FDR introduced an undistributed profits tax. A number of New Deal laws, including some 700 industrial cartel codes, made it more expensive for employers to hire people, and this discouraged hiring.

Frequent changes in the tax laws plus FDR's anti-business rhetoric ("economic royalists") discouraged people from making investments essential for growth and jobs. New Deal securities laws made it harder for employers to raise capital. FDR issued antitrust lawsuits against some 150 employers and companies, making it harder for them to focus on business. FDR signed a law ordering the break-up of America's strongest banks, with the lowest failure rates. New Deal farm policies destroyed food -- 10 million acres of crops and 6 million farm animals -- thereby wiping out farm jobs and forcing food prices above market levels for 100 million American consumers. *FDR's Folly* spells out much more in startling, sometimes hilarious detail.

Robert Bartley, who edited the *Wall Street Journal* for three decades and is now a commentator, called for a fresh debate about the New Deal. Newspaper publisher Conrad Black, author of *Franklin Delano Roosevelt, Champion of Freedom,* responded by claiming that if "workfare" recipients were included among the "employed," then New Deal unemployment rates were lower than the U.S. Department of Labor has reported for decades. Those tempted to agree with Black might listen to jazz great Louis Armstrong's 1940 tune "The WPA" -- referring to FDR's biggest "workfare" program, the Works Progress Administration. Among the memorable lines: "Sleep while you work, rest while you play, lean on your shovel to pass the time away, at the WPA."

There's a fascinating split between economists and political historians about the New Deal. The idea that FDR cured double-digit unemployment, wrote author and commentator Thomas Sowell in a recent column, "was never pervasive among economists, and even J.M. Keynes -- a liberal icon -- criticized some of FDR's policies as hindering recovery from the depression."

Meanwhile, pro-FDR political historians such as James MacGregor Burns, Arthur M. Schlesinger, Jr., Frank Freidel, William Leuchtenburg, and Kenneth S. Davis, have focused on the personalities, elections, speeches, "Fireside Chats" and other aspects of the New Deal's political story, disregarding evidence about the economic consequences of New Deal policies. This continues to be the case with younger political historians like Alan Brinkley, author of *The End of Reform: New Deal Liberalism in Recession and War,* who called the New Deal "a bright moment." Disregarding the economic consequences, too, are children's book authors like Joy Hakim, whose recent bestseller *Freedom: A History of US* includes a glowing account of New Deal heroics.

Aside from *FDR's Folly,* the only major work mentioning evidence about the economic consequences of the New Deal is by Stanford University political historian David M. Kennedy: his 1999 book *Freedom from Fear,* winner of a Pulitzer Prize. "Whatever it was," he wrote, the New Deal "was not a recovery program." The New Deal might be gone, but the debate goes on.

Source: <http://www.cato.org/pub_display.php?pub_id=3327>

The Hundred Days and Beyond: What did the New Deal Accomplish? by Anthony Badger

The Hundred Days were an accident. Roosevelt took advantage of the need to reopen the banks to ask Congress to stay in session to pass recovery and reform legislation. Much of that legislation was improvised. The haste dictated by the economic crisis profoundly shaped the New Deal response in the Hundred Days.

Despite the four months between election and inauguration, Roosevelt had few worked-out legislative or recovery plans. He certainly had no plans to deal with the rapidly escalating banking crisis. When he took office and shut the banks, he had to turn to held-over officials in the Treasury and Federal Reserve to dust off legislative proposals that they had devised in the Hoover years. The key was not more credit (the banks had had plenty of that) but recapitalization through the Reconstruction Finance Corporation buying preferred stock in the banks. It was still a tremendous gamble when the President went on the air on Sunday March 12 to explain the crisis and make a “man to man appeal” for confidence when the banks reopened the next day. The gamble paid off when people deposited more than they took out. There was no Plan B if that appeal failed.

The response to FDR’s inaugural and from congressional leaders to his banking proposals encouraged him to ask Congress to stay in session. Eventually Congress passed an unprecedented sixteen pieces of major legislation. In the Hundred Days, the New Deal established a farm program that told farmers what they could and could not plant (the Agricultural Adjustment Administration), created an industrial recovery programme that set minimum prices and wages (the National Recovery Administration), launched the biggest public works program in the nation’s history (Public Works Administration), set up national relief program (Federal Emergency Relief Administration), refinanced farm and home mortgages, regulated the stock market and banking, guaranteed bank deposits, and established the Tennessee Valley Authority.

There was no great federal blueprint that FDR wanted to impose on the country. He really only had definite plans for farm policy, the Tennessee Valley and the Civilian Conservation Corps. Only when existing appropriations for relief were exhausted did he devise a temporary relief administration. Forty days into the Hundred Days there was no indication that there was to be an industrial recovery program – congressional action forced Roosevelt’s hand over that and over public works spending.

There was much talk of the emergency as the equivalent of war and a justification for emergency presidential powers as in a time of war. Wartime agencies from 1917-18 served as model for agencies like the NRA. Many officials who had served in government then returned to Washington in 1933. But, in fact the emergency in 1933 led to constraints rather than opportunities for federal power. The government had to act quickly but there simply was not any established “state capacity” for the government to do so. The federal government, observed one historian, “had almost no institutional structure to which Europeans would accord the term ‘the State’.” It had neither the information nor the personnel to implement the policies launched in 1933. As a result, bankers themselves had to decide which banks were sound enough to reopen, farmers had to operate the crop control programme, businessmen dominated the formulation and the implementation of the NRA industrial codes, existing state agencies had to administer the relief programme, and the army had to organize the Civilian Conservation Corps.

Similarly, Roosevelt and others had a fatal attraction for one-off quick-fix solutions that would kick-start the economy into recovery without the permanent expansion of the bureaucracy and constant state intervention. Congressional “share the work” schemes, farm proposals for cost of production legislation, retrenchment, public works spending, and above all demands for currency inflation were all in this “start-up” mode. Roosevelt never lost the hope that tinkering with the currency –including the gold-buying experiment – would raise price levels, particularly of farm products and in itself bring recovery.

This concern for the domestic price-level fitted in with his main advisers’ conviction that the depression was national in origin and would be solved by nationalist measures. These concerns finally knocked out of the reckoning an internationalist option at the London conference at the start of July. For men like FDR’s budget director, Lewis Douglas, balancing the budget was one part of an international rescue package that involved exchange rate stabilization and the removal of trade barriers. Roosevelt believed that currency stabilization would tie his hands as he sought domestic recovery, so he scuppered the London conference.

Why did FDR get support for the banking bail-out and for the dramatic legislation of the Hundred Days? It was not just his communication skills both personally to congressional leaders and journalists and nationally to the radio audience. He was popular, he had been elected by a large majority, and he had survived an assassination attempt. Above all, it was the scale of the depression that made congressional leaders of both parties respond to their constituents’ demands to support FDR. Unemployment was at least twenty-five percent, agriculture was devastated, and homeowners and farmers lost their homes and land in the thousands every month. None of the stabilizers that protect Americans nowadays were in place – almost no unemployment relief since private, local and state unemployment welfare funds were exhausted; no guarantee of bank deposits; no unemployment or old age insurance. FDR’s opportunity lay in the magnitude of the economic downturn which led political leaders to ignore (temporarily) cherished ideological convictions against government intervention.

**The Difficulties of Micro-Economic Intervention**

The National Recovery Administration did not bring recovery. In part, its failure reflected the contradictions of the New Dealers’ analysis of economic failure. In some industries they wanted to check excessive competition which relentlessly fuelled the deflationary spiral: cutting wages and prices in a vain effort to undercut competitors. But their analysis of other industrial sectors was that large firms practiced the economics of scarcity, keeping prices artificially high. The codes of fair practice, drafted largely by trade associations which held a monopoly of information about their industries, did little to protect consumers, increase wages, or increase purchasing power. To small businessmen the codes seemed to protect their larger rivals. For industries in which a few firms already controlled most of the market, there was little incentive to concede to labor, consumers or potential new entrants. There were more than 500 codes which merely increased resentment of bureaucracy and efforts at code enforcement. Concentration, as originally envisaged on codes in a few central industries would have been better. But fundamentally, there was little in the NRA that would create new jobs. It probably checked the deflationary spiral but, if the hope was that public works spending would engineer expansion, then PWA spending could not work quickly enough. Probably the biggest mistake was not to include government loans to business in the NRA which might have financed expansion. When the industrial recovery legislation was knocked down in 1935 it had few friends: the only attempts to sustain it were in coal mining.

The Agricultural Adjustment Administration was more politically and institutionally successful. Production control and price-support loans on stored commodities remained part of US farm programmes until 1996. Agriculture was the one area where there was ‘state capacity’ in 1933. The government had county by county production records; agricultural economists had devised a production control plan that was voluntary but provided incentives to offset the ‘free rider’ principle; and the Extension Service provided a network of agents in each rural county could sign up millions of individual farmers to participate. The farm program operated remarkably smoothly and quickly. Critics have claimed that drought, rather than government programmes, cut production, and that the AAA exacerbated rural poverty. Whatever its faults, the income it provided to farmers enabled them to survive on the land in the 1930s until non-farm opportunities arose after 1940. It eliminated many of the risks in farming and provided new sources of credit.

However, organized farm groups achieved political power in 1933 because their cooperation was essential to a voluntary farm program. This strengthening of farm interest groups meant that those groups would stand in the way in the future of plans to reorder American agriculture on a more efficient basis and in the way of solving the problems of rural poverty. New Dealers came to recognize that expanding urban consumer purchasing power, rather than supporting farm prices, was the solution to the farm problem. But by then farm pressure groups were too entrenched. Government support for agriculture became more and more generous (and less justifiable) as the number of people in farming declined.

**The Longer-Term New Deal**

The longer-term New Deal reforms produced social cohesion in the United States and a faith in the federal government that would last until the 1960s.

Financial regulation of both banks and stock market in 1933 and 1934 heralded a lengthy period of financial stability, contained stock market speculation, and largely ended the spectres of bank failure.

From 1933 to 1938 the New Deal instituted reforms that would re-finance the mortgages of homeowners and farmers. They enabled debt-ridden property owners to take out longer-term mortgages and paved the way for a significant expansion of homeownership in the US, although the construction industry did not really start to revive until the late 1930s. The new mortgage arrangements helped the United States eventually to have the highest percentage of homeownership in the world. Farm foreclosures virtually stopped after 1933.

The failure to secure dramatic economic recovery meant that the government had to stay in the business of relief. The Federal Emergency Relief Administration funded state relief programs until 1935. In poor states the federal government put up almost 90% of relief money. Harry Hopkins always wanted to replace the dole with jobs. The Civil Works Administration put people to work temporarily in the winter of 1933-34. In 1935 the Works Progress Administration provided jobs for the unemployed – at its peak forty percent of the nation’s jobless. Many WPA jobs were unskilled construction jobs, particularly on roads. They struggled to attain the legitimacy and wage rates of jobs in the private sector. But the WPA provided jobs for artists, middle-class professionals, teachers and students. The range of construction projects from housing projects to high schools to a football stadium at the University of Arkansas created a permanent New Deal landscape at the local level. The WPA showed that government job programmes can be creative and efficient. For all the limitations and conservative stereotyping, WPA jobs were the first indication for many Americans that the federal government took its responsibility for their welfare in an economic downturn seriously.

The Wagner Act of 1935 was perhaps the most remarkable piece of legislation of the whole New Deal. It is difficult to imagine another year in which such a pro-union piece of legislation could have been passed. Anti-union tactics had been largely unrestrained in the United States. The courts, local, and state governments had usually sided with employers. This alignment reflected the fact that in most communities in the United States, the middle class identified with the employer rather than with local strikers. American workers had been encouraged in union organization in the early New Deal, and had launched in 1934 an unprecedented, albeit mostly unsuccessful, wave of strikes. The Wagner Act, by outlawing a host of employer anti-union activities and providing for government-supervised worker elections for union recognition, provided vital protection for union organizers as they organized mass production workers for the first time in 1936 and 1937. Unions provided the radical cutting edge of New Deal politics in the late 1930s. The decade was perhaps the only decade in the twentieth century in which middle-class Americans identified with industrial workers as fellow consumers. From the 1940s onwards middle-class Americans tended to view organized labour as hostile to their interests.

The final cement in a positive relationship between ordinary Americans and their government was the 1935 Social Security Act. Like the Wagner Act, the Social Security Act did not herald a ‘second New Deal’; rather it was the culmination of expert reform development and congressional study over a two-year period. The United States had been an “outlier,” a “welfare laggard” in the western industrialized world before 1935. For all the limitations of the Social Security Act – regressive taxes, variations in state provision, lack of coverage of some of the neediest Americans, and the lack of health care – it nevertheless represented a quantum leap in social provision. The contributory taxes also ensured that its legacy was permanent. As Roosevelt rightly observed, no future Congress was going to take away benefits that their constituents believed they had paid for.

It was these measures above all that created a half-way political revolution in the United States and bound lower-income voters to the Democratic Party until at least the 1980s and made it the national majority party until the 1990s. But it was only a half-way revolution. FDR never created the unequivocally progressive party that he hoped for. In particular, the southern Democrats, who had so enthusiastically supported the emergency New Deal, survived Roosevelt’s attempt to reconstruct the party in the South. They were skeptical about the non-emergency, urban, labor-oriented direction of the New Deal which also threatened traditional patterns of racial and economic dependency in the South. They would combine after 1938 with conservative Republicans in a bi-partisan coalition that would block efforts to extend the New Deal for the next quarter of a century. This constituted a powerful anti-statist coalition that stymied FDR’s 1937-38 hopes of a Third New Deal which would have guaranteed social minima to all Americans through social housing, extended coverage of Social Security, health insurance, a full-scale rural poverty programme, and a commitment to full employment. That agenda remains unfulfilled.

**Infrastructure**

The public works programmes (both the large-scale projects of the PWA and the smaller labor-intensive programs of the WPA) have tended to be treated as short-tem palliatives aimed at temporary job creation. But the most recent study of New Deal public works spending concluded that it was “an extraordinarily successful method of state-sponsored economic development.”

The New Deal rebuilt the infrastructure of the United States when revenue-starved state governments could not do so. It rebuilt the road system (though FDR’s dream of an interstate highway system would not be realized until 1956). It rescued American schools and universities. Long before federal aid to education, the New Deal built schools, paid teachers salaries, invested in capital projects in the universities, and paid students to stay on at school and college. Multi-purpose dams created cheap electrical power and managed water resource development.

Nowhere was this impact greater than in the Sunbelt. A new generation of younger southern politicians like Albert Gore and Lyndon Johnson could see what the Tennessee Valley Authority had done for a river valley – it could be model for modernizing the poorest region in the country. Like their western counterparts, they could see that abundant electrical power and readily available water could provide the key for industrial development and the diversification of agriculture. The federal government funded capital infrastructure projects in Sunbelt cities that had been funded a generation before in older northern cities by private capital. What southern and western politicians also believed was that their regional entrepreneurs need access to capital, access that an eastern-dominated financial system denied them. The Reconstruction Finance Corporation, under Texas banker Jesse Jones, provided that capital. It is difficult to conceive of the remarkable growth of the South and the West in World War II and after without that New Deal-funded infrastructure investment.

**Conclusion**

The New Deal was a “laboratory for economic learning” in the 1930s. Given the state of government economic knowledge in the 1930s it is not surprising that government employees struggled to engineer recovery through micro-economic intervention. Economic historians and right-wing commentators blame the New Deal for prolonging the Depression by deterring private investment through excessive regulation and raising prices at the expense of jobs. While it is true that Roosevelt had not secured recovery by the time of the dramatic recession in 1937-38, it is also true that the spending afterwards did create new jobs. Government employment in the 1930s also compensated significantly for the failure to create new jobs in the private sector. Above all, it is difficult to see that a free market solution could have been imposed without massive social and anti-democratic unrest. For all the bitterness of opposition to Roosevelt and heightened class tensions in the US in the 1930s, the New Deal developed, especially through its welfare and jobs programs, enough social cohesion to allow its democratic institutions to survive a catastrophic economic downturn intact and to fight a world war successfully.   **Anthony Badger** is Paul Mellon Professor of American History at Cambridge University and Master of Clare College. He is the author of a number of books, most recently **FDR: The First Hundred Days** (Hill and Wang, 2008).

Source: <http://www.gilderlehrman.org/historynow/03_2009/historian3.php>

The New Deal, Then and Now

by Alan Brinkley

No president had ever before intervened in the economy as extensively or aggressively as Franklin Roosevelt did in the 1930s, and the sheer magnitude of his activism and his legislative achievements awed not only many Americans, but much of the world.

And yet this impressive array of achievements – achievements that have had a profound and lasting impact on the government’s capacity to support and protect its citizens – did not, in the end, do very much to end the Great Depression. At no time in the first eight years of the New Deal did unemployment drop below fifteen percent. At no time did economic activity reach levels comparable to those a decade earlier, and none of the periods of recovery during the peacetime New Deal lasted very long. So what went wrong? Why did this bold, active, and creative moment in our history prove such a failure at its first and most important task? Part of the explanation was a result of actions the New Deal took, but a larger part of the explanation was a result of things the New Deal did not do.

Some of the New Deal’s most important initiatives were, in fact, active obstacles to recovery. The National Recovery Administration, created in 1933 to help stabilize the volatile economy, was enormously popular for a time, mostly because the NRA created the illusion of bold and forceful action. The NRA sought to organize industries through “codes” that would allow corporations to cooperate with one another in keeping production low and prices up. The code authorities were almost impossible to administer, and the NRA was in many ways highly ineffective. But the NRA was even worse when it worked as it was supposed to do, because its goal was exactly the opposite of what the economy needed. Instead of expanding economic activity, the NRA worked to constrict it – artificially *raising* prices just as purchasing power was falling. It was a deflationary force in an economy already suffering severe deflation. The Federal Reserve Board – operating under classical economic assumptions – saw the economic wreckage around them and responded by raising interest rates so as to protect the solvency of the Federal Reserve Bank itself. No one today would even consider high interest rates in a deflationary economy, but the 1930s Fed had not absorbed the new economic ideas that were gradually receiving attention. Milton Friedman wrote (with Anna Schwartz) an essay on the Depression in the 1960s that they entitled “The Great Contraction.” They placed much of the blame for this contraction on the flawed monetary policies of the Fed.

But the more important failure of the New Deal was what it did not do. The only way to break the economic deadlock that had paralyzed the American economy in the 1930s was to shock it back to life by enormously expanding economic activity – quickly and decisively. Instead, the New Deal wavered and quibbled – spending large sums of money with one hand while reducing spending with the other. One of the first acts Congress passed for Roosevelt in 1933 was the Economy Act, which slashed government spending in areas that helped reduce economic activity. It cut the salaries (and in some cases the jobs) of government employees, and it dramatically reduced payments to World War I veterans, taking $500 million from the economy in a single stroke. The Social Security System, so valuable over the long term, was in the short term also a drag on the economy. It began collecting taxes in 1936 but paid out no benefits until the 1940s. In 1937, deluded by a weak economic recovery, Roosevelt (urged on by his Treasury Secretary) set out to balance the budget through severe spending cuts. The result was a sudden and dramatic economic downturn – a recession within a Depression that produced some of the highest levels of unemployment and lowest levels of production of the decade.

In the aftermath of the 1937-1938 depression, Roosevelt launched a new $5 billion spending plan to try to shock the economy back to life. This infusion of funds did help undo the some of the damage that the 1937 budget cuts helped to create, but it only helped the economy recover to the weak and fragile condition of a year earlier. Nevertheless, the idea of spending as an antidote to recession – an idea that had never found much favor in the past even among the most progressive figures in the New Deal – now began slowly to find legitimacy. American economists were now eagerly reading Keynes and imagining more robust uses of fiscal and monetary powers to stimulate growth. It is possible, although by no means certain, that even without a war, the New Deal would have embarked on a spending program large enough to push the economy to somewhere close to full employment. But in the end, the Great Depression – an unprecedented crisis that had stubbornly resisted the efforts of two presidential administration over twelve years to restore prosperity – came to an end only because of the massive and inevitable spending required by the greatest and most terrible war in human history.

Economic orthodoxy – which rested on the assumption of scarcity and gave high priority to balanced budgets and fiscal prudence – was a powerful force in the 1930s despite its failures, just as the rollicking and now staggering orthodoxy of free and unregulated markets is today. The great achievements of the New Deal helped pave the way to an understanding of how to address severe deflation, but it never itself came to a point where it could use the tools at its disposal aggressively and effectively enough or quickly enough. As the Obama administration tackles a new financial catastrophe, it makes sense to look at the history of the New Deal – as the President reportedly is doing. There is much to learn from it – not just from its achievements, but also from its failures.

Source: <http://www.gilderlehrman.org/historynow/03_2009/historian5.php>

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***The Shifting Size and Scope of the National Government Unit: New Deal Debate***

*Rubric*

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| --- | --- | --- | --- |
|  | **Exemplary** | **Proficient** | **Needs Improvement** |
| ***Listening/Engagement*** |  |  |  |
| ***Adding New Information*** |  |  |  |
| ***Using Specific, Relevant, and Accurate Evidence*** |  |  |  |
| ***Transitioning Effectively*** |  |  |  |
| ***Taking Risks*** |  |  |  |
| ***Answering the Question*** |  |  |  |