

The Importance, Achievement, and Definition of the New Deal

David R. Riemer

“People were so alarmed that all through the rest of 1929, 1930, and 1931, the specter of unemployment--of starvation, of hunger, of the wandering boys, of the broken homes, of the families separated while somebody went out to look for work--stalked everywhere. The unpaid rent, the eviction notices, the furniture and bedding on the sidewalk, the old lady weeping over it, the children crying, the father out looking for a truck to move their belongings himself to his sister's flat or some relative's already overcrowded tenement, or just sitting there bewilderedly waiting for some charity officer to come and move him somewhere. I saw goods stay on the sidewalk in front of the same house with the same children weeping on top of the blankets for 3 days before anybody came to relieve the situation!”

Frances Perkins, Secretary of Labor 1933-1945, “The Roots of Social Security”¹

“This is preeminently the time to speak the truth, the whole truth, frankly and boldly. I am prepared ... to recommend the measures that a stricken nation in the midst of a stricken world may require.”

Franklin D. Roosevelt, 1st Inaugural Address, March 4, 1933

The New Deal is the starting point for any serious examination of the place of American government.

To begin with, the New Deal is the 20th century's antidote to the two temptations, so easy to succumb to, about whether it is even possible to reform government. The first temptation—the Shrugging Shoulders Temptation—is to surrender to the cynical premise that nothing big can ever be done, that all discussion about fundamental reform is hot air, and that the only useful thing to do is tinker with small bits of the *status quo*. The second temptation—the Blank Sheet Temptation—is to indulge in the fantasy that one can redraw all of government on a blank sheet, as if hundreds of years of values, attitudes, policies, programs, and did not exist. This website will yield to neither temptation.

¹ Delivered at Social Security Administration Headquarters--Baltimore, Maryland, October 23, 1962, <https://www.ssa.gov/history/perkins5.html>.

Big change happens...at times. Fundamental reform takes place...every now and then. Even in the absence of a political or economic crisis, the public's values and attitudes evolve in major ways over the decades. In the crucible of crisis, public opinion often transforms rapidly, pulled abruptly in new directions by the influence of a charismatic leader like Abraham Lincoln or Franklin Roosevelt. Thus, even in a democracy constrained by checks and balances, the typical pattern of stalemate and glacial change in governmental policy will give way, on rare occasions, to dramatic transformations that, only a few months earlier, both cynics and believers thought impossible.

American history is full of examples of how decades of standoff and creeping change give way, almost as if by magic, to brief periods of convulsive change. The United States was never going to abolish slavery...until, suddenly in 1863 and 1865, it did. The nation was determined not to give women the right to vote, require a minimum wage and old-age pensions, prohibit racial segregation, restrict water pollution, or allow same-sex marriage...until, in short order, it did. To assert that nothing big can be changed in the face of nearly 250 years of huge transformations in America's political, social, and economic structure is plain silly. It is beyond dispute that big change *will* take place in the future. The only uncertainty is *when*.

Yet just as it is foolish to claim that big change in America's public policy will never happen, it is equally foolish to imagine that fundamental transformations in the place of government in the United States can be drawn on a blank sheet. In the early 1930s, as the Great Depression worsened, a small but growing number of Americans on both the far left (admirers of Stalin and the then-new Soviet Union) and far right (fans of Mussolini's recent Fascist regime and Hitler's very new Nazi takeover) argued that the U.S.'s experiment in democracy itself and a market economy had failed. Even "respectable" people, such as columnist Walter Lippmann, began to talk about the virtues of dictatorship. In essence, they wanted America to unmoor itself from its historical roots and start all over again.

This investigation of the place of American government—like any sensible investigation—rests on the conviction that, no matter how severe the crisis, the values of most Americans and the momentum of U.S. history will not permit the reform of government to occur in a vacuum.

We cannot start from scratch. The past—particularly the New Deal—creates an inescapable historical context that shapes and limits any endeavor to reform American government. History—particularly the New Deal—has created a vocabulary, patterns of thought and action, and specific policies and programs that must be dealt with in creating a new vocabulary, new thoughts and actions, and new specific policies and programs.

The New Deal is the specific starting point for this website because of its dramatic—indeed, revolutionary—nature. Today, we take the New Deal for granted. Like the creation of the United States, and like the abolition of slavery, it is a "given."

It is not outlandish, however, to re-see the New Deal as the nation's Second American Revolution

The New Deal revolutionized the functions, financing, and forms of government, especially the federal government. It created a huge segment of the government we know today. Moreover, it set the pattern that subsequent reforms typically followed. The New Deal's premises, its structures, and its language dominate our thinking about government, whether we embrace or repel those premises, structures, and language.

Over 80 years later, as we proceed into the 21st century, the New Deal continues to provide the dominant context, most common vocabulary, and most widely understood patterns of thought and action, as we debate the role of government. Many of the original New Deal's specific policies and programs—particularly Unemployment Insurance, Social Security, minimum wage regulation, and the regulation of banks and stock exchanges—continue to play an outsize role in today's discussion of how to restructure the future place of American government.

In short, like it or not, we are all children of the New Deal. We live in “The House that FDR Built” and the New Deal's successors renovated. We have no choice but to start off from that structure in the quest to put government in its proper place.

“Action, and Action Now”

To understand the original New Deal, it is necessary to grasp how radically and enormously it expanded the reach of government. The New Deal converted America's small public stage into a huge public theater. It also applied a very specific architectural style to the immense new public theater, featuring in particular (1) federal individual entitlements, (2) federal social insurance programs, (3) federal creation of infrastructure, (4) federal regulation of entire economic sectors, and (5) federal subsidies. Both the *magnitude* of the New Deal's expansion of the public stage and the primary architectural features of that expansion provide the jumping-off point for this website's reexamination of the place of government.

American government at all levels had of course expanded, but slowly, in the decades that preceded the Dust Bowl of the 1920s and the great Stock Market Crash of 1929. It took the collapse of the American economy during the years immediately prior to Franklin Roosevelt's election in 1932, however, to generate an intense and swelling nationwide debate about the role of government.

Given FDR's personality—his impulse to react quickly and boldly—his election determined that that Administration would seek to expand the scope of federal power and action. But how? FDR and the initial team of New Dealers had

hardly a clue about *exactly* they wanted to propose to Congress and have the government do.

By Inauguration Day in March 1933, with the nation plunging deeper and deeper into a Great Depression that triggered massive unemployment and a collapse of the financial system, the federal government needed to change dramatically. Timid adherence to the *status quo*, even modest change, would imperil the nation. The only option was to take daring action to try to get the U.S. back on its feet.

Franklin Roosevelt, elected by a huge majority, was inclined by temperament to be aggressive. "This Nation asks for action," FDR declared in his Inaugural Address, "and action now." In abstract language, he quickly committed to enacting measures to get Americans back to work, raise earnings and income, increase spending and prices, fix the banking system, and rescue the stock markets.

To assist the "host of unemployed citizens [who] face the grim problem of existence, and an equally great number toil with little return," FDR announced that: "Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources."

To clean up the economic mess caused in large part because the "money changers have fled from their high seats in the temple of our civilization" and "the rulers of the exchange of mankind's goods have failed." FDR called for "a strict supervision of all banking and credits and investments" and "an end to speculation with other people's money."

FDR's Inaugural Address was a wonderful speech that, as he said, laid out "the lines of attack." But it necessarily dealt with abstractions.

What *exactly* action did FDR have in mind when he spoke of recommending measures "to put people to work," provide for "a strict supervision of all banking and credits and investment, and bring "an end to speculation with other people's money,"

Roosevelt made it clear that he intended to propose new laws. "I am prepared...to recommend the measures that a stricken nation...may require."

But what specific measures would the new President propose? What specific new programs, and what levels of spending backed by specific revenue measures, would FDR's supporters in Congress enact? The clock was ticking. With each day, more workers lost their jobs, and more banks folded. What would the New Deal be? What would the New Deal do?

Within the first 100 days, the answers came. They came in a torrent. The answers kept coming for five years. Despite the Supreme Court's rejection of several of the New Deal's earliest efforts (the National Recovery Act and the first Agriculture Adjustment Act), between 1933 and 1937 President Roosevelt and Congress filled the statute books with specific measure after specific measure.

Students of the "original" New Deal will offer different lists of its specific accomplishments. The following list includes just a few of the most frequently mentioned laws or programs:

- Civilian Conservation Corps (CCC)
- Civil Works Administration (CWA)
- Works Progress Administration (WPA)
- Public Works Administration (PWA)
- Fair Labor Standards Act (FLSA)
- National Labor Relations Act (NLRA)
- Social Security Act
- FDIC and FSLIC
- Securities and Exchange Act
- Agriculture Adjustment Act (AAA)
- Tennessee Valley Authority (TVA)

If one includes the specific programs or laws put in place throughout the 80 years of the New Deal *writ large*, it would go on for pages.

Defining the New Deal

The New Deal, as defined in this website, refers *both* to the historic New Deal of 1933-1937 *and* more broadly to the dramatic expansion of governmental power that took place at the national level in the United States throughout the last seven decades of the 20th century and the first decade of the 21st century.

The most dramatic and visible phase of the New Deal as thus defined—what might be called the "original" New Deal—is of course the cluster of federal laws signed by President Franklin D. Roosevelt from 1933 through 1937, in order to revive what FDR in his First Inaugural Address called "stricken nation in the midst of a stricken world." The aims of the original New deal were simple and clear: get Americans back to work, increase their purchasing power, save the banks, save the stock exchanges, and in general regulate key economic sectors.

This resulting laws created the Civilian Conservation Corps (CCC), Civil Works Administration (CWA), Works Progress Administration (WPA), and Public Works Administration (PWA), all aimed at providing the unemployed with jobs and rebuilding the nation's infrastructure. The "original" New Deal also included the Fair

Labor Standards Act (FLSA), the National Labor Relations Act (NLRA), and the Social Security Act, which, respectively, set a national minimum wage and maximum hour limits, legalized unions and collective bargaining, and put in place a sweeping array of programs to provide income to unemployed workers and seniors who retired from the labor market.

Perhaps most famously, the “original” New Deal, launched immediately after FDR took office, moved aggressively to correct three of the biggest market failures that threatened to wreck the nation’s entire economy: the collapse of the country’s banks, the crash of the New York Stock exchange, and the erosion (both physically and economically) of the agriculture sector. The New Deal responded, among other measures, by insuring bank deposits through the Federal Deposit Insurance Corporation (FDIC), improving the safety of the stock market via a Securities and Exchange Commission (SEC), and stabilizing farm prices through the Agriculture Adjustment Act.

This website at times refers to the New Deal—in a context that I hope is clear—as this “original” mid-1930s cluster of federal laws and programs. But when the New Deal is typically discussed in this website, the term usually refers to the New Deal *writ large*: that is, the 80-year arc of increased federal activity and regulation that took place during the 20th century and extended into the first decade of the 21st century. Think of the New Deal *writ large* as the space between two famous bookends: FDR’s Inaugural Address of 1933 and President Obama’s signing of the Affordable Care Act (aka ObamaCare) in 2010.

Under this broad definition, the New Deal folds in the entire “original” New Deal of the mid-1930s *plus* the equally important (if chronologically spread-out) array of federal laws enacted from the 1960s through 2010 that also sought to provide economic security to the poor, the unemployed, workers, and seniors. The broader definition of the New Deal also adds, on top of the many 1930’s-era laws that regulated the nation’s markets, a growing list of additional regulatory structures to protect the environment, employees, consumers, and investors from serious harm or undue risk.

The New Deal *writ large* thus encompasses the expansion of the economic security system and welfare system in the 1950s, 1960s and 1970s, e.g., the creation of Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI), Food Stamps, and other latter-day anti-poverty programs. The broad definition of the New Deal also extends to the big income tax credits that, in lieu of direct spending programs, Congress began to favor starting in the 1970s to increase the incomes of low-income and even middle-income workers, e.g., the Earned Income Tax Credit and the Child Tax Credit. And the wider New Deal further includes Congress’s four major expansions of health insurance between 1964 through 2010: Medicaid for many of the poor, Medicare for seniors, the State Children’s Health Insurance Program (SCHIP) for low-income children, and Obamacare to fill in some of the biggest remaining gaps in coverage.

The New Deal *writ large* additionally includes the many expansions of federal regulation that occurred from the 1960s through the early 21st century. Congress and Presidents from both parties imposed new environmental regulation via the Clean Air Act, Clean Water Act, and the operation of the Environmental Protection Agency (EPA); created stronger worker safety rules, enforced by the Occupational Safety and Health Administration (OSHA); added new consumer protections, overseen by the Consumer Product Safety Commission (CPSC) and other federal agencies; and sought to toughen the regulation of banking and stock markets in the wake of the Great Recession of 2008-2009.

In short, the New Deal as used here typically means the entire spectrum of federal programs and regulations—historically centered in FDR’s response to the massive economic breakdown that the U.S. faced in the 1930s, but ranging across the next 80 years—that a succession of national governments put in place from 1933 to 2010 in order to provide all Americans with economic security and redress the harmful unintended side-effects of the nation’s evolving market economy.

In each instance where I use the term New Deal, I have tried to do so in a way that makes clear I am referring to the “original” New Deal vs. the New Deal *writ large*. This explanation, I hope, will further contribute to that clarity.