

The Great Depression – Part 2

The New Deal

The year of 1932 was an election year. The Republican Party nominated President Hoover for re-election. The Democratic Party nominated Franklin Roosevelt, the governor of New York.

During the campaign, Roosevelt promised "a new deal for the American people." He meant that under his leadership, the government would make laws that could end the depression and help the needy.

Voters chose Roosevelt over Hoover by more than seven million votes.

Roosevelt Takes Action

President Roosevelt took office in March 1933. (Up until 1937, all United States Presidents took office on March 4. Amendment 20 made January 20 the day that the President's term begins and ends.) President Roosevelt immediately began to put into action a plan that he and his advisors had developed to end the depression. That plan became known as the New Deal.

In those years, Congress always began its session a few weeks after a new President began his term. President Roosevelt called a special session of Congress to start earlier. During the next three months, the President sent 15 bills concerning the depression to Congress. Congress approved each law.

Government Helps the Banks

One of President Roosevelt's first actions was to close all the nation's banks. Congress then passed the Emergency Banking Relief Act. The Act allowed banks to reopen only if they could prove to the government that they were *sound*, or in no danger of failing.

Then President Roosevelt spoke to Americans on the radio. It was the first in a series of talks that Roosevelt called "fireside chats." President Roosevelt guaranteed Americans that their money would be safe in the reopened banks. The President's confidence and strong, steady voice soothed Americans' fears. Within a few weeks, the banking crisis passed.

Help for the Needy

President Roosevelt had three goals in his New Deal plan: to provide *relief* to needy Americans and find jobs for the unemployed; to bring about an economic *recovery*, or return to normal, by helping business and agriculture; and to *reform* the nation's economy so depressions would not develop again.

Congress moved quickly to help the President reach the first of his goals-help for the needy. In May 1933, Congress set up the Federal Emergency Relief Administration (**FERA**). FERA provided money for needy Americans to pay for food and clothing. By 1935, FERA had spent over two billion dollars in aid to the needy.

Help for the Unemployed

Congress also acted quickly to provide jobs for the unemployed. Government leaders believed that jobs would provide workers with money to spend. If more people spent money, the economy would improve.

In 1933, Congress set up the Civilian Conservation Corps (**CCC**). The CCC put young men to work on *conservation* projects. The conservation projects helped preserve and protect natural resources such as forests, rivers, and wild life. CCC workers planted trees, dug reservoirs, and fought forest fires.

In 1935, Congress set up the Works Progress Administration (**WPA**). WPA workers built hospitals, airports, schools, and roads. WPA actors, musicians, and singers performed around the country. By 1936, about four million people were working for the WPA.

Helping Farmers Recover

Congress also acted quickly to help President Roosevelt reach his second goal-economic recovery. Congress first helped farmers. In 1933, Congress set up the Agricultural Adjustment Administration (**AAA**).

You read that farmers suffered even before the depression because of low food prices. During the depression, farm prices remained low mainly because farmers were producing more food than people could buy.

In 1933, the government began to pay farmers *not* to grow certain crops, such as wheat, rice, and sugar. In that way, the prices of those crops would rise. By 1935, prices of farm products had risen sharply.

Helping Business Recover

During the early years of the depression, many businesses were in trouble. Business people cut prices. Competition became unfair. That resulted in business failures and *unemployment*.

To help business, Congress set up the National Recovery Administration (**NRA**). The NRA encouraged businesses to work together to set fair prices and end unfair competition. Leaders from different industries, such as the automobile industry and the textile industry, met to set up *codes*, or rules. The codes described how much a company could produce and how much it could charge for its products.

At first, many businesses cooperated with the NRA. But by 1934, companies stopped following the NRA codes.

The Supreme Court Attacks the New Deal

President Roosevelt believed the federal government had to expand its power to deal with an emergency like the depression. But some Americans believed that certain New Deal laws, such as the laws that set up the NRA and AAA, were unconstitutional: Some people believed those laws gave the federal government more power than it was allowed under the Constitution.

In 1935, the Supreme Court declared the NRA unconstitutional. In 1936, the Court declared the AAA unconstitutional. In both cases, the Court said the federal government had gone beyond its powers under the Constitution.

New Deal Reforms

During the New Deal years, Congress passed several laws to correct problems in the economy that had led to the depression.

For example, Congress passed the Truth-in-Securities Act to control the stock market. The Act set up the Securities and Exchange Commission (**SEC**). The SEC watches over the stock market and regulates the buying and

selling of stock.

Congress also reformed the nation's banking system. The Glass-Steagall Banking Act was passed to protect Americans from bank failures. It also set up the Federal Deposit Insurance Corporation (**FDIC**). The FDIC *insures*, or protects from loss, people's savings. If a bank fails, the FDIC pays its depositors the full amount of their savings. The FDIC continues to insure people's savings today.

Other Reforms Help Workers

Other New Deal reforms helped workers. During the depression, many companies tried to keep workers from joining unions. In 1935, Congress passed the National Labor Relations Act. The Act guaranteed workers the right to join a union.

Many companies forced workers to work longer hours during the depression. At the same time, wages were cut. In 1938, Congress passed the Fair Labor Standards Act. The Act set the *maximum*, or longest, work week at 44 hours. The Act said that businesses must pay extra to workers who work more than 44 hours.

The Act also set a *minimum wage* of 25 cents an hour. (Since 1938, the minimum wage has been raised many times.) The Act also prohibited the hiring of children under 16 to work in factories.

Social Security

In 1935, Congress passed the **Social Security Act** to help the aged, unemployed, and disabled. The Act was the first national *welfare* law in history.

The Social Security Act set up a plan for paying *pensions* to people over 65. (A pension is money paid to people who no longer work.) The Act also helped the states set up unemployment insurance plans that give unemployed people money to live on while they look for work.

The Act also provided money for states to help homeless children, and the blind and other disabled people.

The Importance of the New Deal

The New Deal brought some lasting changes to American life. Before the New Deal, most Americans had little contact with the federal government. But during the New

Deal, federal programs brought government into the lives of nearly every American. Millions of Americans worked for the government or received government *benefits-money* or other aid. They still do today.

Before the New Deal, most Americans believed that the government should not interfere with the economy. Today, most Americans expect the government to do what it can to keep the economy healthy.

Many New Deal reforms, such as social security, the maximum work week, the minimum wage, and restrictions on child labor, have lasted. They continue to protect workers and improve lives today.

Homework: Answer the questions below on a separate sheet of lined paper. Be sure to write your answers in complete sentences using proper spelling, capitalization, and punctuation.

1. What were President Roosevelt's goals for the New Deal?
2. Explain the following: CCC, WPA, AAA, NRA, SEC, FDIC
3. How did the New Deal change the view of most Americans about the role of government in the economy?
4. What New Deal programs continue to protect Americans today?

