

4 The Effects of the New Deal

TERMS & NAMES

Securities and
Exchange
Commission

liberal

conservative

MAIN IDEA

The Depression and the New Deal had many long-term effects on U.S. government and society.

WHY IT MATTERS NOW

Politicians still debate how large a role government should play in American life.

ONE AMERICAN'S STORY

Until 1935, Ward James worked as a writer for a New York publisher. Then he lost his job. His wife and son went to Ohio to live with her parents. James moved in with a friend and applied for government relief. Even after he got a steady writing job with the WPA, Ward James continued to worry about what would happen next.

A VOICE FROM THE PAST

Everyone was emotionally affected. We developed a fear of the future which was very difficult to overcome. Even though I eventually went into some fairly good jobs, there was still this constant dread: everything would be cut out from under you and you wouldn't know what to do. It would be even harder, because you were older.

Ward James, quoted in *Hard Times*

Years after the Depression, James still had “a little fear . . . that it might happen again.” As this section explains, both the Depression and the New Deal had lasting effects on Americans and their government.



The fear and despair described by Ward James was felt by many unemployed people during the Depression.

Lasting Effects of the Depression

Americans like Ward James who lived through the Depression often saw themselves as the survivors of a terrible battle. For the rest of their lives, many feared losing their money and property again. One elderly government worker bought land whenever she could afford it so that if the Depression returned, she would “have something to live off.”

Virginia Durr, who had worked for the federal government under FDR, said that the Depression affected people in two ways. “The great majority reacted by thinking money is the most important thing in the world. . . . And there was a small number of people who felt the whole system was lousy. You have to change it.”

The New Deal did not end the Depression. Even with all the new programs, the government still wasn't spending enough money to jump-start a stalled economy. Then, in the 1940s, World War II changed the situation. To fight in that war, the government had to purchase guns,

tanks, ships, airplanes, and other military equipment. The defense industry hired many people, who then had more money to spend. The U.S. economy started growing again.

Although the New Deal didn't end the Depression, it forever changed the U.S. government. As Supreme Court justice John Clarke told FDR, "You have put a new face upon the social and political life of our country."

"We developed a fear of the future."

Ward James

ReadingHistory

A. Recognizing Effects How did FDR increase the president's power?

A Larger Role for Government

President Roosevelt increased the president's power. Under FDR, the White House became the center of government. More than other early-20th-century presidents, Roosevelt proposed bills and programs for Congress to consider instead of waiting for Congress to act.

Other nations also saw the rise of strong leaders. But at the same time, those nations saw a loss of freedom. For example, during the Depression, Germany elected Adolf Hitler, who became a dictator. The United States did have some leaders who abused power—such as Huey Long—but they never became president. FDR's leadership and his concern for the poor helped Americans keep their faith in democracy.

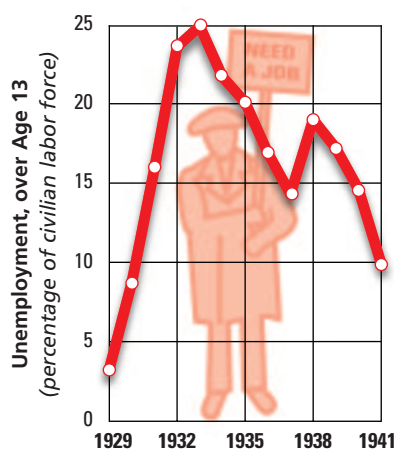
As well as increasing the president's power, Roosevelt also expanded the federal government. Because of the New Deal, the federal government became directly responsible for people's well-being in a way it had not

CONNECTIONS TO MATH

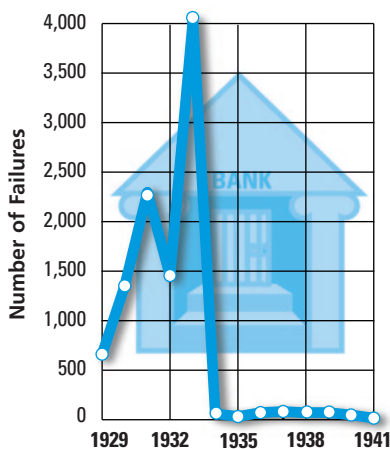
Effects of the New Deal, 1929–1941

Although Franklin Roosevelt's New Deal programs did not end the Depression, they did make some economic conditions better. Use these graphs to determine how the New Deal—began in 1933—affected the unemployment rate, the number of bank closings, and the number of business failures.

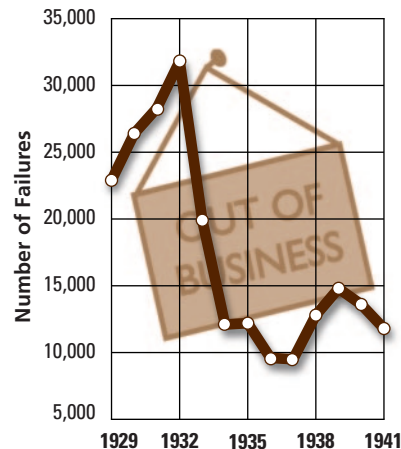
Unemployment Rate



Bank Closings



Business Failures



Sources: Historical Statistics of the United States

SKILLBUILDER Interpreting Graphs

1. Judging from these graphs, did the Depression's negative effects on business improve after FDR took office in 1933? Explain.
2. In which area was there the biggest change for the better?



HISTORY through ART

The Works Progress Administration (WPA) created many jobs. One of the WPA's most enduring legacies is the art that it commissioned. Much WPA art was used to decorate public places, such as post offices and government buildings. This mural by William Gropper shows the building of a dam.

What attitude did Gropper want to convey about laborers?

been before. It now made relief payments, served school lunches, and ran a program providing pensions. People came to see the federal government, not their state or local governments, as the protector of their welfare.

The federal government went into debt to provide this aid. FDR used deficit spending both to fund the New Deal and to pay for the war. Since then, deficit spending has often been part of the federal budget.

New Deal Programs Today

Several of FDR's New Deal programs continue to help Americans today. Some of the more important programs that still exist offer the following benefits and protections.

1. **A National Pension System.** The Social Security system pays out old-age pensions (and has been expanded to include aid to other groups). It is funded through taxes on employers and employees.
2. **Oversight of Labor Practices.** Created by the Wagner Act, the National Labor Relations Board (NLRB) oversees labor unions. It also investigates disputes between management and labor.
3. **Agricultural Price Supports.** This program pays farmers to raise crops for domestic use rather than export. To receive payments, farmers must agree to limit the space they devote to certain crops.
4. **Protection for Savings.** After the bank holiday of 1933, the Federal Deposit Insurance Corporation (FDIC) was created. The FDIC insures bank deposits up to \$100,000. It replaces the deposits of individuals if banks close.
5. **Regulation of the Stock Market.** A federal agency called the Securities and Exchange Commission watches the stock market. It makes sure companies follow fair practices for trading stocks.

ReadingHistory

B. Analyzing Causes Why do you think FDR wanted to create an agency to oversee the stock market?

An Ongoing Political Debate

The issues that came out of the New Deal continue to shape American politics. For example, Democrats and Republicans still argue about whether federal or local government should be responsible for various programs. In addition, Democrats are more likely to be liberal and Republicans are more likely to be conservative in their political beliefs. A **liberal** in politics favors government action to bring about social and economic reform. A **conservative** favors fewer government controls and more individual freedom in economic matters.

Despite these lingering disagreements, some New Deal programs are still so popular that everyone supports them. For example, neither party wants to end Social Security, even though the system is in trouble. The amounts that people pay in through payroll taxes today do not completely pay for pensions. The system may run out of money sometime in the future.

In early 1999, President Bill Clinton announced a plan to save Social Security by using extra money from the federal budget. The Republicans accepted his plan. They knew that saving Social Security is a priority for Americans and that voters might grow angry if they made a political fight of the issue.

FDR probably would have approved. “The great public,” Roosevelt said, “is interested more in government than in politics.” Roosevelt felt that party labels mattered little as long as politicians “did the big job that their times demanded to be done.”

In the 1940s, President Roosevelt would face another big job. He had to lead the country in fighting a world war. Chapter 13 discusses World War II and America’s role in it.

Now and then

SOCIAL SECURITY

Today, many young people worry that the Social Security trust fund won’t have enough money for their pensions. For one thing, people live longer now than they did in the 1930s. Also, the percentage of people receiving benefits keeps increasing compared to the number paying into the system. Last, Social Security benefits have been expanded since the 1930s.



ReadingHistory

C. Analyzing

Points of View

How would you summarize FDR’s view of government’s role?

Section 4 Assessment

1. Terms & Names

Explain the significance of:

- Securities and Exchange Commission
- liberal
- conservative

2. Taking Notes

Use a bulleted list like the one shown below to list the legacy of the Depression and New Deal.

Legacy of the Depression and New Deal

- _____
- _____
- _____

What part of the legacy affects politics today?

3. Main Ideas

a. What psychological impact did the Depression have on many Americans?

b. What finally pulled the United States out of its economic depression?

c. How do today’s political differences date back to the Depression?

4. Critical Thinking

Drawing Conclusions Of the following New Deal programs, which one do you think affects your life the most? Explain.

THINK ABOUT

- Social Security
- Federal Deposit Insurance Corporation
- Securities and Exchange Commission

ACTIVITY OPTIONS

LANGUAGE ARTS

TECHNOLOGY

Ask your grandparents or other older relatives what they think the legacy of the Depression and New Deal is. Prepare a **written interview** or an **audio recording**.