

The Legacy of the New Deal by Gertrude Schaffner Goldberg

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The legacy of the New Deal and its accomplishments should be seen in the context of previous American history and the grave challenges it faced. The New Deal grappled with the country's gravest economic crisis. Franklin Roosevelt assumed the presidency after three years of severe depression with unemployment more than twice its peak rate in our recent Great Recession. The resources of the country's local and state governments were depleted. Deep deprivation and despair stalked the land. Economic crisis gave birth to dictatorship elsewhere in the world—Hitler became German Chancellor only a few months before FDR took the oath of office. Thus, democracy itself was on trial. The Dust Bowl, a metaphor for a depressed nation, blackened the sky, polluting huge stretches of the hinterland. New Dealers, moreover, lacked the governmental institutions to deal with economic insecurity that were established earlier in some other countries.² It fell to them to create those institutions in an underdeveloped state--for example, to lay the cornerstone of an American welfare state.

The Roosevelt administration met these unprecedented challenges by offering relief, recovery and reform. The New Deal's provision of desperately-needed relief to millions of hungry Americans was unprecedented in a nation where relief--meager at best--had been almost entirely local. New Deal relief to the needy was usually in the form of cash--whereas previous public aid was typically in kind or only available in an institution or poor house with consequent loss of freedom to the recipient. Relief to a sizable portion of the jobless millions was in the form of paid government employment that simultaneously expanded the nation's physical, social, cultural and environmental resources. These job programs created the treasures that are celebrated in a *Map and Guide to New Deal Public Works and Art: New York City* which shows that many of the landmarks that we associate with this City were created or expanded by New Deal programs like the Works Progress Administration (WPA), the Civil Works Administration (CWA), and the Public Works Administration (PWA).³

Owing to New Deal measures, the economy recovered from its catastrophic decline. Gross Domestic Product fell by more than one-fourth from its peak in 1929 to 1933, the low point of the Depression. By 1939, even prior to the boost from war preparation, it was nearly 10% above the 1929 level.⁴ The official unemployment rate did not go below double digit until the tremendous World War II job creation program, both military and civilian. However, as economist Philip

Harvey points out, the rates would have been lower had workers in the job creation programs been counted as employed (as they are in employment statistics today).⁵

Reform as well as recovery was on the agenda as New Dealers enacted permanent retirement and unemployment insurance for **some** workers and established a federal government contribution to state cash assistance for the elderly, blind, and dependent children. These fell far short of Roosevelt's stated goal of "cradle to grave" protection, but the Social Security Act of 1935, he emphasized, was but a cornerstone of a structure on which future security could be built. Even as early as 1939, the structure expanded to include the families of retired and deceased workers. Disability coverage came in the 1950s. In time Social Security benefits came to include occupations previously excluded like farm labor and domestic work that employed large proportions of African Americans and other minorities as well as women. In response to strong opposition of the AMA, the SSA omitted health insurance even though New Deal planners considered it a vital component of economic security. However, Medicare and Medicaid for the elderly and poor became part of the Social Security Act some 20 years after FDR laid the cornerstone—under the leadership of former New Dealer LBJ.

More friendly to labor than any previous Administration, the ND established collective bargaining rights and a permanent National Labor Relations Board to oversee them, again excluding farm and domestic workers. In 1938, the Fair Labor Standards Act (FLSA) included a minimum wage, a 40-hour week and overtime pay, again excluding farm and domestic workers. Importantly, it also outlawed the scourge of child labor.

More sensitive to environmental problems than most of his contemporaries, FDR initiated programs to conserve the land and repair the damage imposed by years of depleting our natural resources. In this the Civilian Conservation Corps, which employed unemployed, largely male young people from families on relief, was a major contributor.

Roosevelt called the New Deal approach Bottom Up instead of Top Down. Banking reforms were enacted although FDR stopped short of nationalizing the banks. The breakdown and ultimate repeal of these regulatory reforms contributed to the panic that led to the Great Recession. Another bottom-up program was the Home Owners Loan Corporation (HOLC) that enabled some distressed home owners to refinance their mortgages. The direct relief and reform measures already noted were also Bottom Up.

The level of government spending by the New Deal was unprecedented, but Roosevelt and some top New Dealers were nevertheless what we would call deficit hawks today. And so, with recovery by no means complete, the Administration, following its resounding victory in the 1936 presidential election, presided over severe spending cuts. The result: a depression within the depression in 1937. The Administration learned its lesson, and listening to stimulus or

spending proponents like the progressive Federal Reserve Chair Marriner Eccles and Federal Relief Director Harry Hopkins, FDR reversed course—an indication of his experimental approach—if something doesn't work, try something else.

Contrast the Obama Administration. Although substantially expanding some New Deal measures like Unemployment Insurance and Food Stamps to sustain consumption, it largely eschewed mortgage aid to beleaguered home owners and was bent on a “soft-landing” for the banks. **Completely missing** was the stunning New Deal legacy of direct job creation, the legacy of “building great things” that we celebrate today. Instead, Great Recession unemployed workers were maintained on extended unemployment compensation with consequent extended idleness and the nation's loss of their potential output. Moreover Obama embraced fiscal austerity sooner than Roosevelt, assuming a deficit-hawkish policy when unemployment was **higher** than at the beginning of his administration and shockingly, only months before the predictably disastrous mid-term election that cost him and his party leadership of the House of Representatives.

Substantial credit for progressive ND measures goes to pressure from strong social movements. These were largely absent during the Obama Administration with two exceptions, both in his first term--a health care movement and short-lived Operation Wall Street which burst onto the scene and into the streets in opposition to egregious economic inequality.

Social movement pressure on the ND was met, not with repression but moderate reform, usually far short of what the movements sought. Social movement pressure came from an unemployed workers movement that built up during the pre-New Deal years and exerted pressure for relief and Unemployment Insurance early in the ND. Also contributing to reform was a resurgent labor movement partly reawakened by a New Deal measures such as the National Recovery Act that accorded workers the right to bargain collectively. Strong pressure came from a movement of progressives and the elderly for old-age pensions that continued as a force for improvement of the SSA when it fell far short of movement demands. Hungry World War I veterans marched on Washington; populist Senator Huey Long led a movement for sharing the wealth; and protest came from Southern Tenant Farmers whose sorry lot was worsened by ND agricultural policies.

Unable to make headway during the New Deal were civil rights and women's movements. Despite the strong feminist voice of ER and the powerful first woman Cabinet member, Labor Secretary Frances Perkins, **organized** women were largely without voice.

New Deal dependence on southern racist legislators for the enactment of reforms robbed African Americans of many benefits of the New Deal. What chance for the Southern Tenant Farmers Union with its base in Arkansas and with the Senate Majority leader from that state and Congress dominated by his racist planter ilk. Even outlawing so egregious a crime as lynching was eschewed by FDR who thought it would threaten legislative action on vital New Deal policies.⁶ Relief programs aided African Americans but not in proportion to their need. Already beleaguered farm tenants and sharecroppers, many of them black, were further oppressed by its agricultural policies which favored landlords over their tenants.⁷ The Home Owners' Loan Corporation (HOLC) instituted the policy of "redlining" or refusing loans to homeowners in black or racially or ethnically-mixed areas.⁸ The Federal Housing Administration (FHA) followed HOLC's discriminatory practices. The relief programs that kept many blacks from starving were nonetheless discriminatory; it was more difficult for them to establish eligibility, they were paid lower wage rates than whites and were classified and employed as unskilled regardless of qualifications.⁹ Given the composition of Congress, the historian Ira Katznelson draws this conclusion: "Each of the era's milestone laws required their [the South's elected representatives] support; each would have been blocked without it. Black women and men paid the price for these New Deal legislative victories."¹⁰

Time doesn't permit discussion of some gains for blacks in some programs, such as the National Youth Administration, and the advocacy of Eleanor Roosevelt and others, such as Interior Secretary Harold Ickes, Harry Hopkins and especially his deputy and director of the National Youth Administration, Aubrey Williams. Mention should also be made of the so-called Black Cabinet, African Americans like Mary McCleod Bethune and Robert Weaver who had a voice in some ND agencies. Thus, discrimination notwithstanding, Blacks began to say "Farewell to the Party of Lincoln."¹¹

The New Deal spelled a new, activist role for the federal government in carrying out an expanded definition of its constitutional mandate—"to promote the general welfare." Executive power was expanded but New Deal achievements were within the framework of constitutional democracy and¹² without resort to dictatorial powers.¹³

Not the least of New Deal accomplishments are its less tangible ones. Perhaps the greatest was to convey to the dispirited people of this nation the feeling that their government cared about them and could help them to solve their problems—a closeness to the people enhanced by FDR's radio Fireside Chats and by ER's daily syndicated column in which she literally invited her readers into the White House and by her travels far and wide, often promoted the achievements of the work programs. Traditional emphasis on liberty was expanded by FDR and New Dealers to include

economic security. “Freedom from Want” was one way in which FDR linked the two in his famous Four Freedoms. Huge government spending in wartime created full employment and convinced Roosevelt it was possible to assure an economic right to decent, paid work for all that he felt to be a government obligation all along but which had been undermined by spending inhibitions. The right to “useful, remunerative work” was the first of the economic rights in Roosevelt’s “Economic Bill of Rights,” and he considered it “the most fundamental” one that would make others such as decent homes, adequate medical care, security in old age, and a good education easier to achieve.¹⁴

It has been left to subsequent generations to overcome New Deal failures or make its reforms more inclusive. That is what our Celebration of New Deal New York City is striving to do—to build on the legacy of a government that brought hope and relief and reform to a depressed nation—to advocate the use of an updated, racial and gender inclusive New Deal model to overcome the formidable problems economic and social inequality that still beset us and-- in the case of the environment--are even more threatening.

¹ Part of this paper appeared first in my concluding chapter in Sheila D. Collins and Gertrude Schaffner Goldberg, eds., *When Government Helped: Learning from the Successes and Failures of the New Deal* (New York: Oxford University Press, 2014), 292-324/

² Alan Brinkley, “The Idea of the State,” in Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton: Princeton University Press, 1989), 86.

³ The Living New Deal, *Map and Guide to New Deal Public Works and Art: New York City* (Berkeley, CA: University of California, Department of Geography, 2017).

⁴ National Income and Products Accounts, GDP and Other National NIPA Series, 1929-2012, August 2012, Table 2A. Volker Jansson points out (“A Tale of Two Cities,” in Collins and Goldberg, 45), growth rates averaged 7.7 percent annually between 1933 and 1941, rates the nation has not witnessed since. The physical volume of industrial production fell nearly 50 percent (47.2 percent) between 1929 and 1932 but had exceeded the 1929 index by 1937; it dropped down in the severe recession year of 1938 but by 1940 exceeded the 1929 level by 12 percent. Broadus Mitchell, *The Depression Decade from New Era through New Deal 1929-1941* (Armonk NY: M.E.Sharpe, 1946), 446. The GNP which had dropped 30 percent between 1929 and 1933, exceeded the 1929 level in 1937, 1939 and 1940. Lester V. Chandler *America’s Greatest Depression 1929-1941* (New York: Harper & Row, 1970), 3. According to William Leuchtenburg, “marked gains had been made before the war spending had any appreciable effect. William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal 1932-1940* (New York: Harper & Row, 1963), 347.

⁵ According to Harvey, if these workers are counted as employed, the unemployment rate dropped from 23.0 percent to 10.0 percent or was more than halved in Roosevelt’s first term, compared to the commonly reported drop from 23.0 percent to 17.0 percent. Philip Harvey, “The New Deal’s Job-Creation Strategy,” in Collins and Goldberg, 3.

⁶ Ira Katznelson *Fear Itself: The New Deal and the Origins of Our Time* (New York: Liveright, 2013), 160, citing Walter White, *A Man Called White: The Autobiography of Walter White* (Athens: University of Georgia, Press, 1995), 168-169.

⁷ Citing a number of sources, Leuchtenburg (p. 137) concludes, “The New Deal was not to blame for the social system it inherited, but New Deal policies made matters worse. The AAA’s [Agricultural Adjustment Administration] reduction of cotton acreage drove the tenant and the cropper from the land, and landlords, with the connivance of local AAA committees which they dominated, cheated tenants of their fair share of benefits.”

⁸ Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (Cambridge: Harvard University Press, 1993), 51-52.

⁹ Nancy E. Rose, *Put to Work: The WPA and Public Employment in the Great Depression*, 2nd ed. (New York: Monthly Review Press), passim.

¹⁰ Katznelson, 252-253.

¹¹ Nancy J. Weiss, *Farewell to the Party of Lincoln: Black Politics in the Age of FDR* (Princeton, NJ: Princeton University Press, 1983).

¹² Franklin D. Roosevelt, State of the Union Messages to Congress, January 11, 1944 and January 6, 1945, <http://www.presidency.ucsb.edu/ws/index.php?pid=16518>; <http://www.presidency.ucsb.edu/ws/index.php?pid=16603>

¹³ Katznelson made this observation in remarks on “New Deal New York: A Living Legacy,” at Roosevelt House, New York, May 11, 2017.