The New Deal

- **What was the New Deal?**
  - A series of dramatic policy reforms during Roosevelt’s Administration; most initiated from (3/33 – 10/38)
  - An attempt to “change the world by passing laws”
  - It was not an economic program with an internally consistent game plan.
  - Too small in a government spending sense to provide either adequate relief for unemployment or adequate increase in aggregate demand.
New Deal Programs and Policies

1. Banking
   A. Banking Holiday – Emergency Banking Relief Act
      - 3/33 all banks shut under “Trading w/ Enemy Act”
      - Reopening coincided w/ end of gold standard
      - Gave banks a “good housekeeping” seal of approval
      - Boosted confidence
   B. Federal Deposit Insurance and limited branch banking – Glass-Steagall Act
      - Individuals no longer lose from closures
      - Effect on confidence & ‘contagion’
New Deal Programs and Policies

2. Relief – spending at the federal level but considerable state and local discretion

- FERA: Federal Emergency Relief Administration - dealt with unemployment
- WPA: Works Progress Administration
- PWA: Public Works Administration
- CCC: Civilian Conservation Corps
- WPA, PWA and CCC jobs on Federal Projects
New Deal Programs and Policies

3. Industry Policy
- National Industrial Recovery Act – government enforced price cartels – raise prices and profits for business
- Declared unconstitutional by the Supreme Court 1935

4. Agricultural Policy
- AAA: Agricultural Adjustment Act – Price supports, production quotas
- Farm Credit Administration: dealt with mortgages
- Farm Security Administration: attempted reforms

5. Labor Policy
- Wagner Act: supported unions
- Fair Labor Standards Act: established minimum wages and maximum hours
New Deal Programs and Policies

- 6. Elderly
  - Social Security Act

- 7. Consumer
  - Securities Exchange Act - required information reporting
  - Most New Deal policies raised prices to consumers
The Role of the Supreme Court

- **Delicately balanced:**
  - 4 Conservatives, 3 liberals, 2 moderates (Hughes and Roberts)
  - Struck down NIRA (Schecter Poultry Case) – interstate commerce
  - Struck down state minimum wage law and national child labor law
  - Court pack – Roberts reversal- and retirement of old conservatives
  - Federal minimum wage upheld 9 - 0
Overall macroeconomic effect of New Deal policies was harmful

- Tended to raise prices when output was falling faster than prices
- After NIRA declared unconstitutional most policies were hostile to business: social security act, security exchange commission, direct government employment, new taxes and regulations, sponsorization of unions, minimum wages…
- Failed to promote private investment
Positive side: New Deal

- The New Deal gave people hope, the government was doing something
- The legacy of the New Deal
  - legal revolution
- Crises and ratchet Effect: government involvement in the economy now viewed as permanent
- Scale and scope both increased more in a regulatory way rather than in a fiscal sense