

THE EFFECTIVENESS OF ROOSEVELT'S NEW DEAL

Student's Name

Subject

Date

The New Deal is one of the most complex domestic policies in the history of the United States, formulated by Franklin D. Roosevelt to combat the severe economic crisis in the country during the Great Depression.¹ New Deal was initiated in 1933 with the goals of offering the immediate relief, recovery, and reforming measures to avoid future depressions.² However, its efficiency was always questionable, and there are different opinions about it both for domestic and foreign policies. Roosevelt's policies affected the course of the U.S government and the economy and provided a new direction for the international economic systems. This essay will analyze how the New Deal that Roosevelt introduced helped to relieve the struggling Americans, revive the economy in the long-term, and alter the economic system so that such a crisis can never occur again. Moreover, it will also analyze how the New Deal impacted other countries that underwent similar challenges during the interwar period and how this program recast the function of the government not only in the U.S but in the entire world.

When Franklin D. Roosevelt began his presidency on March 4, 1933, the United States was in the midst of the Great Depression, which had devastating effects on the economy as well as employment, income, and social organization.³ They include the great depression of 1929 when the stock market crashed and the rest of the decade became very difficult in terms of economy. By 1933, the U.S. unemployment rate stood at 25%, meaning that a quarter of the population was jobless.⁴ Over the course of the Great Depression, thousands of banks had closed their doors, taking with them the life savings of millions, and

¹ Cushman, Barry. "Rethinking the New Deal Court." *Virginia Law Review* (2024): 201-261.

² Cushman, Barry. "Rethinking the New Deal Court." *Virginia Law Review* (2024): 201-261.

³ Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

industrial output had been slashed by nearly 50%.⁵ This economic turmoil not only affected the businesses but also social life of Americans as many faced hunger and homelessness.

To these grim situations, Roosevelt came up with a New Deal which was a set of legislative and executive measures that sought to relieve the suffering of the American people as well as create a framework for recovery. Therefore, Roosevelt's aim was to use relief, recovery and reform in the form of experimental programs. It is important to note that the New Deal was not just one policy, but a series of policies and programs for the purpose of experimenting with various methods of dealing with the issues that were affecting the U.S economy. This was because Roosevelt understood that the depression was not a simple problem that could be addressed through a single solution provided by the government.

The New Deal refers to the programs, public work projects, and financial reforms that were initiated by President Franklin D. Roosevelt in the 1930s to tackle the Great Depression; among the first measures adopted by the newly elected President was direct relief to the unemployed and the indigent. In the first one hundred days of his presidency, Roosevelt did not linger around by immediately making actions like declaring a bank holiday; this referred to the closure of all the banks in the country to discourage further withdrawal of money. The subsequent Emergency Banking Act allowed only sound financial institutions to reopen; this aided in restoring the confidence of the people on the banks. Roosevelt also created the Federal Emergency Relief Administration (FERA), which provided direct relief to individuals and families by providing them with food, clothing, and shelter.⁶ These early

⁴ Field, Alexander J. *A great leap forward: 1930s depression and US economic growth*. Yale University Press, 2011.

⁵ Field, Alexander J. *A great leap forward: 1930s depression and US economic growth*. Yale University Press, 2011.

⁶ Sullivan, Edward J. "FDR: Governor, President and Advocate for Youth." *Journal for Leadership & Instruction* 23, no. 1 (2024).

measures were meant to address the suffering of millions, proving that the government is willing to invest in people.⁷

To this effect, Roosevelt also sought to directly stimulate recovery through the creation of large-scale public works initiatives. The Civilian Conservation Corps (CCC) which was meant for young men who were jobless to be involved in planting trees and constructing buildings.⁸ On the other hand, the Works Progress Administration was engaged in more large-scale constructions including roads, schools, and bridges in order to provide employment to millions of Americans and thus assist in the recovery of the struggling economy. These contributed not only to the generation of employment opportunities but also to the development of the physical infrastructure of the country that had been worn out for quite some time.

However, to address these issues, Roosevelt also came up with several relief and recovery measures and structural changes that would prevent future depressions. Among them, one of the most significant shifts was the creation of the Social Security Administration (SSA) in 1935, with the goal of building a welfare state based on pension, unemployment insurance, and disabled persons. The Securities and Exchange Commission (SEC) was another key reform, formed to monitor the stock market and curb the speculation that caused the 1929 crash. These reforms were in accordance with Roosevelt's outlook of the essence of the economic problem, which he perceived not as cyclical difficulty but a structural problem requiring a structural fix.

Another objective of the New Deal was to bring an immediate relief to Americans who were going through a hard time due to the Depression. Many individuals who had

⁷ Pederson, William D., and Byron W. Daynes. *Franklin D. Roosevelt and Congress: The New Deal and its aftermath*. Vol. 2. ME Sharpe, 2001.

⁸ Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

previously been out of work found employment through programs such as the Civilian Conservation Corps (CCC) and the Public Works Administration (PWA).⁹ The CCC used young men in activities that sought to preserve the nation's resources such as planting trees and preventing soil erosion. The New Deal brought an unprecedented role of the federal government in responding to the needs of the population.¹⁰ This was a new development in American governance since the federal government started interfering with the lives of the people in ways that were previously unheard of.

Another program, the Works Progress Administration (WPA), was also instrumental in Roosevelt's relief programs.¹¹ The WPA provided job opportunities to millions of Americans in construction, including roads, schools, and airports. These programs offered employment opportunities during the period of economic decline and contributed to the economic growth. Although opponents of the New Deal claimed that some of these programs were ineffective, this was not immediately apparent. The WPA had generated more than 8 million jobs by 1936 and consequently lowered the unemployment rate considerably.¹²

Besides these direct relief measures, Roosevelt undertook reforms to shore up the economy and avoid such catastrophes in the future. The Glass-Steagall Act of 1933 created another agency known as FDIC which insured bank deposits and this helped reinstate the confidence of people in the banking system. The SEC was established to regulate the stock market and prevent the kinds of speculative practices that had led to the 1929 crash. These measures helped to stabilize the economy and laid the foundation for future economic growth.

⁹ Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

¹⁰ Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

¹¹ Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

¹² Hiltzik, Michael. *The new deal: A modern history*. Simon and Schuster, 2011.

However, despite these efforts, the New Deal was not a panacea for all the nation's economic woes. While unemployment rates dropped significantly during the Roosevelt administration, the Great Depression did not fully end until the onset of World War II, when war-related production stimulated the economy. Notably, "the New Deal did not end the Depression, but it provided a critical bridge to recovery."¹³ The New Deal helped stabilize the country in the short term, but long-term economic recovery was only achieved with the mobilization for World War II.

While immediate relief was an important aspect of the New Deal, its longer-term effectiveness is also a key point of evaluation. Roosevelt's efforts to stimulate recovery through various programs were instrumental in laying the foundation for the post-World War II economic boom. The creation of Social Security in 1935, for example, marked a turning point in the development of the American welfare state. By providing old-age pensions, unemployment insurance, and assistance to dependent children, Social Security helped to reduce poverty and provided a safety net for millions of Americans.

In addition to Social Security, the New Deal's efforts to regulate the economy and provide protections for labor were crucial for long-term recovery. The National Industrial Recovery Act (NIRA), although eventually deemed unconstitutional, sought to raise wages and improve working conditions. Roosevelt's policies also helped to establish the minimum wage and the right to unionize, which played a significant role in improving the standard of living for American workers. Needful to note, "Roosevelt's economic reforms established a new relationship between the government and the economy."¹⁴

¹³ Kennedy, David M. "What the new deal did." *Pol. Sci. Q.* 124 (2009): 251.

¹⁴ Schlesinger, Arthur M. *The Coming of the New Deal: The Age of Roosevelt, 1933–1935*. Vol. 2. Houghton Mifflin Harcourt, 2003.

Despite these successes, the full recovery of the economy was hindered by certain factors, such as fiscal conservatism within Roosevelt's administration. "Roosevelt's early commitment to fiscal conservatism, while aimed at balancing the budget, resulted in setbacks to economic recovery, particularly in 1937 when the economy dipped back into recession."¹⁵ Roosevelt's decision to reduce government spending in 1937, following signs of recovery, led to a temporary economic slowdown, a period known as the "Roosevelt Recession."¹⁶ This setback highlighted the challenges Roosevelt faced in balancing immediate relief with long-term economic stability.

Nevertheless, the New Deal's long-term effects were profound. The New Deal was instrumental in establishing the basis for a new form of economy through the development of new social programs, introduction of financial changes, and the control of labor relations. The creation of a new welfare state along with the growth of federalism influenced American political system and interaction between the state and the people for several decades.

The New Deal's impact was not only limited to the United States but also affected the rest of the world. It is important to stress that while the New Deal was mainly a domestic policy response to the Great Depression in the United States, its impact was felt internationally and created a considerable impact on the development of economic and social policies around the world. In the view of this, "the New Deal was not only an American domestic policy initiative, but also a model for global economic regulation and social welfare."¹⁷ The New Deal set a model for many countries as to how to go about economic

¹⁵ Zelizer, Julian E. "The Forgotten Legacy of the New Deal: Fiscal Conservatism and the Roosevelt Administration, 1933-1938." *Presidential Studies Quarterly* 30, no. 2 (2000): 332-359.

¹⁶ Pederson, William D., and Byron W. Daynes. *Franklin D. Roosevelt and Congress: The New Deal and its aftermath*. Vol. 2. ME Sharpe, 2001.

¹⁷ Jacobs, Meg. "Kiran Klaus Patel. The New Deal: A Global History." (2016): 1625-1627.

nationalist policies, welfare state construction, and state intervention in a troubled economy. Roosevelt's policies became a model for leaders across Europe and Latin America to emulate and derive similar measures in an effort to address economic problems and enhance social conditions.¹⁸

European countries, which also had their own economic problems, saw in New Deal-inspired programs potential solutions. For instance, the fascist regime of Adolf Hitler in Germany also undertook massive public works projects including construction of the Autobahn similar to what Roosevelt initiated through the WPA. These projects were not only intended to fight unemployment but also to restore the economic life of the country through increasing the production of industrial goods and developing the infrastructure. Likewise, in the United Kingdom, the Labor government under Clement Attlee emulated some of Roosevelt's policies to tackle unemployment and economic stagnation. This entailed the addition of welfare states and the introduction of public projects which are in tandem with the New Deal that advocated for state involvement and provisions for the vulnerable groups.¹⁹ These European adaptations of Roosevelt's ideas were instrumental in shifting the global perspective regarding the role of government in managing economy.

In Latin America, the key point of the New Deal was the state intervention in the economy which influenced many nations of the region as most of them were affected by the consequences of the Depression.²⁰ "New Deal-inspired policies were adopted by Latin American leaders in an effort to remodel their economies and to build social protection

¹⁸ Jacobs, Meg. "Kiran Klaus Patel. The New Deal: A Global History." (2016): 1625-1627.

¹⁹ Sullivan, Edward J. "FDR: Governor, President and Advocate for Youth." *Journal for Leadership & Instruction* 23, no. 1 (2024).

²⁰ Jacobs, Meg. "Kiran Klaus Patel. The New Deal: A Global History." (2016): 1625-1627.

systems.”²¹ The economic reforms witnessed in Latin America were therefore informed by the desire to break away from the dominance of external forces and establish home-grown and more sustainable economies. For example, Getúlio Vargas of Brazil and Lázaro Cárdenas of Mexico applied New Deal techniques for the building of welfare states and development.²² For example, Vargas wanted to transform Brazil into a modern industrialized country through the state-led industrialization and social reforms that were to be in the best interest of the workers while Cárdenas hoped to make a change by nationalizing the industry and passing laws to protect the workers.²³ Both leaders put in place policies that reflected Roosevelt’s New Deal state intervention, social welfare, and public works changed the economic landscape of their respective countries. As such, the New Deal policies established the framework for other countries and shifted the world’s perspective on the government’s responsibility in addressing economic issues and supporting the needy.

Of course, one of the most significant and lasting effects of the New Deal was that it shifted the role of the government in the United States. Public welfare and economic regulation were not as actively promoted by the federal government prior to Roosevelt’s administration. Up until this point, the conventional wisdom was that the government’s role should be limited to a small degree of intervention in economic affairs while the rest was left to market forces. However, the economic impact of the Great Depression called for a radical shift away from this strategy. Notably, “the New Deal signaled the dawn of a new political age in the United States, in which the federal government would assume a new role as

²¹ Jacobs, Meg. "Kiran Klaus Patel. *The New Deal: A Global History*." (2016): 1625-1627.

²² Biles, Roger. *The South and the New Deal*. University Press of Kentucky, 2006.

²³ Biles, Roger. *The South and the New Deal*. University Press of Kentucky, 2006.

manager of the nation's economic and welfare policies.”²⁴ Roosevelt's administration saw the federal government embrace a more active role in managing economic downturns, social issues, and national rebuilding.

Roosevelt's New Deal signified the beginning of the age of reform through government intervention. Measures like Social Security, establishment of the SEC and other regulatory agencies, and the public works programs informed the American people that the federal government was willing and able to protect the individual and the economy at large. This change did not only transform the domestic governance in the United States but also impacted the international politics. The governments of other countries used Roosevelt's policies as examples of how they should address the consequences of economic downturns and the strengthening of social protection systems. Hence, the New Deal doctrine of state interference and control of the economy became enshrined as a hallmark of twentieth-century political systems, impacting policy at home and abroad.

Franklin D. Roosevelt New Deal was one of the most important periods of the America history. Overnight, it helped millions of struggling Americans, laid the groundwork for economic recovery, and shifted the economy's architecture to prevent future depressions. While many of the changes brought about by the New Deal did not take place until the Second World War, it marked a turning point and made a change of the nature of the federal government in American society and the direction of governance in America. Globally, Roosevelt policies impacted other countries experiencing similar economic issues and provided a model of state involvement in the economy. New Deal is widely recognized as

²⁴ Milkis, Sidney M. "Franklin Roosevelt, the "Third New Deal," and the transformation of partisanship." *Social Science Quarterly* (2024).

one of the key examples of the governmental intervention and its effects can be observed in the current American and global politics.

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