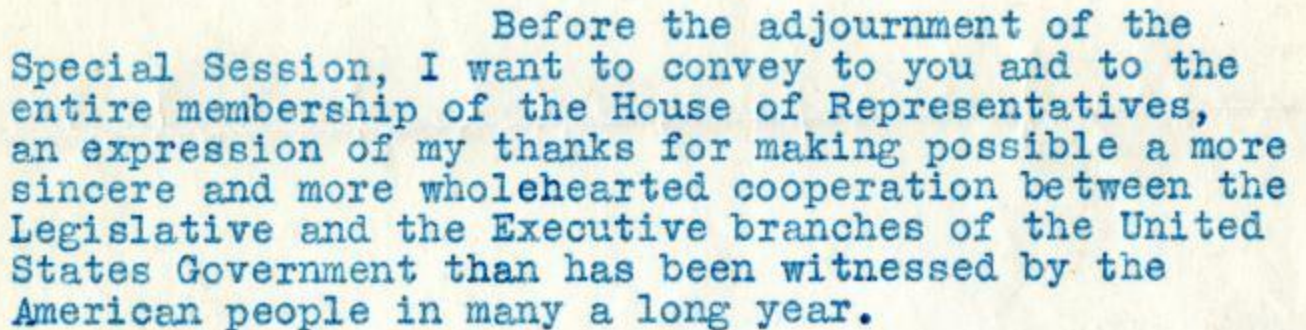
The Hundred Days and Beyond: What Did the New Deal Accomplish?

by Anthony J. Badger


Before the adjournment of the Special Session, I want to convey to you and to the entire membership of the House of Representatives, an expression of my thanks for making possible a more sincere and more wholehearted cooperation between the Legislative and the Executive branches of the United States Government than has been witnessed by the American people in many a long year.

FDR thanks the House of Representatives for their work during his first hundred days as president, June 10, 1933. (Gilder Lehrman Collection)

There wasn't anybody in that entire Brains Trust apparently that had given any thought—they had absolutely no plans—or any real study to the problem created by this banking situation.

—Walter Wyatt, Federal Reserve official, amazed at how unprepared the incoming Roosevelt administration was for the situation they faced on inauguration day, March 4, 1933.

THE HUNDRED DAYS

The Hundred Days were an accident. Roosevelt took advantage of the need to reopen the banks to ask Congress to stay in session to pass recovery and reform legislation. Much of that legislation was improvised. The haste dictated by the economic crisis profoundly shaped the New Deal response in the Hundred Days.

Despite the four months between election and inauguration, Roosevelt had few worked-out legislative or recovery plans. He certainly had no plans to deal with the rapidly escalating banking crisis. When he took office and shut the banks, he had to turn to held-over officials in the Treasury and Federal Reserve to dust off legislative proposals that they had devised in the Hoover years. The key was not more credit (the banks had had plenty of that) but recapitalization through the Reconstruction Finance Corporation buying preferred stock in the banks. It was still a tremendous gamble when the President went on the air on Sunday, March 12, to explain the crisis and make a "man-to-man appeal" for confidence when the banks reopened the next day. The gamble paid off when people deposited more than they took out. There was no Plan B if that appeal failed.

The response to FDR's inaugural and from congressional leaders to his banking proposals encouraged him to ask Congress to stay in session. Eventually Congress passed an unprecedented sixteen pieces of major legislation. In the Hundred Days, the New Deal established a farm program that told farmers what they could and could not plant (the Agricultural Adjustment Administration), created an industrial recovery program that set minimum prices and wages (the National Recovery Administration), launched the biggest public works program in the nation's history (Public Works

Administration), set up a national relief program (Federal Emergency Relief Administration), refinanced farm and home mortgages, regulated the stock market and banking, guaranteed bank deposits, and established the Tennessee Valley Authority.

There was no great federal blueprint that FDR wanted to impose on the country. He really only had definite plans for farm policy, the Tennessee Valley, and the Civilian Conservation Corps. Only when existing appropriations for relief were exhausted did he devise a temporary relief administration. Forty days into the Hundred Days there was no indication that there was to be an industrial recovery program—congressional action forced Roosevelt's hand over that and over public works spending.

There was much talk of the emergency as the equivalent of war and a justification for emergency presidential powers as in a time of war. Wartime agencies from 1917to 1918 served as models for agencies like the NRA. Many officials who had served in government then returned to Washington in 1933. But, in fact the emergency in 1933 led to constraints on rather than opportunities for federal power. The government had to act quickly but there simply was not any established "state capacity" for the government to do so. The federal government, observed one historian, "had almost no institutional structure to which Europeans would accord the term 'the State.'" It had neither the information nor the personnel to implement the policies launched in 1933. As a result, bankers themselves had to decide which banks were sound enough to reopen, farmers had to operate the crop control program, businessmen dominated the formulation and the implementation of the NRA industrial codes, existing state agencies had to administer the relief program, and the Army had to organize the Civilian Conservation Corps.

Similarly, Roosevelt and others had a fatal attraction for one-off, quick-fix solutions that would kick-start the economy into recovery without the permanent expansion of the bureaucracy and constant state intervention. Congressional "share the work" schemes, farm proposals for cost of production legislation, retrenchment, public works spending, and above all demands for currency inflation were all in this "start-up" mode. Roosevelt never lost the hope that tinkering with the currency—including the gold-buying experiment—would raise price levels, particularly of farm products and in itself bring recovery.

This concern for the domestic price level fit in with his main advisers' conviction that the depression was national in origin and would be solved by nationalist measures. These concerns finally knocked out of the reckoning an internationalist option at the London conference at the start of July. For men like FDR's budget director, Lewis Douglas, balancing the budget was one part of an international rescue package that involved exchange rate stabilization and the removal of trade barriers. Roosevelt believed that currency stabilization would tie his hands as he sought domestic recovery, so he scuppered the London conference.

Why did FDR get support for the banking bailout and for the dramatic legislation of the Hundred Days? It was not just his communication skills both personally to congressional leaders and journalists and nationally to the radio audience. He was popular, he had been elected by a large majority, and he had survived an assassination attempt. Above all, it was the scale of the Depression that made congressional leaders of both parties respond to their constituents' demands to support FDR. Unemployment was at least 25 percent, agriculture was devastated, and homeowners and farmers lost their homes and land in the thousands every month. None of the stabilizers that protect Americans nowadays were in place—almost no unemployment relief since private, local, and state unemployment welfare funds were exhausted; no guarantee of bank deposits; no unemployment or old-age insurance. FDR's opportunity lay in the magnitude of the economic downturn that led political leaders to ignore (temporarily) cherished ideological convictions against government intervention.

THE DIFFICULTIES OF MICRO-ECONOMIC INTERVENTION

The National Recovery Administration did not bring recovery. In part, its failure reflected the contradictions of the New Dealers' analysis of economic failure. In some industries they wanted to check excessive competition that relentlessly fuelled the deflationary spiral: cutting wages and prices in a vain effort to undercut competitors. But their analysis of other industrial sectors was that large firms practiced the economics of scarcity, keeping prices artificially high. The codes of fair practice, drafted largely by trade associations, which held a monopoly of information about their industries, did little to protect consumers, increase wages, or increase purchasing power. To small businessmen the codes seemed to protect their larger rivals. For industries in which a few firms already controlled most of the market, there was little incentive to concede to labor, consumers, or potential new entrants. There were more than 500 codes, which merely increased resentment of bureaucracy and efforts at code enforcement. Concentration, as originally envisaged, on codes in a few central industries would have been better. But fundamentally, there was little in the NRA that would create new jobs. It probably checked the deflationary spiral but, if the hope was that public-works spending would engineer expansion, then PWA spending could not work quickly enough. Probably the biggest mistake was not to include government loans to business in the NRA, which might have financed expansion. When the industrial recovery legislation was knocked down in 1935 it had few friends: the only attempts to sustain it were in coal mining.

The Agricultural Adjustment Administration was more politically and institutionally successful. Production control and price-support loans on stored commodities remained part of US farm programs until 1996. Agriculture was the one area where there was 'state capacity' in 1933. The government had county-by-county production records; agricultural economists had devised a production control plan that was voluntary but provided incentives to offset the 'free rider' principle; and the Extension Service provided a network of agents in each rural county could sign up millions of individual farmers to participate. The farm program operated remarkably smoothly and quickly. Critics have claimed that drought, rather than government programs, cut production, and that the AAA exacerbated rural poverty. Whatever its faults, the income it provided to farmers enabled them to survive on the land in the 1930s until non-farm opportunities arose after 1940. It eliminated many of the risks in farming and provided new sources of credit.

However, organized farm groups achieved political power in 1933 because their cooperation was essential to a voluntary farm program. This strengthening of farm interest groups meant that those groups would stand in the way in the future of plans to reorder American agriculture on a more efficient basis and in the way of solving the problems of rural poverty. New Dealers came to recognize that expanding urban consumer purchasing power, rather than supporting farm prices, was the solution to the farm problem. But by then farm pressure groups were too entrenched. Government support for agriculture became more and more generous (and less justifiable) as the number of people in farming declined.

THE LONGER-TERM NEW DEAL

The longer-term New Deal reforms produced social cohesion in the United States and a faith in the federal government that would last until the 1960s.

Financial regulation of both banks and stock market in 1933 and 1934 heralded a lengthy period of financial stability, contained stock market speculation, and largely ended the specters of bank failure.

From 1933 to 1938 the New Deal instituted reforms that would re-finance the mortgages of homeowners and farmers. They enabled debt-ridden property owners to take out longer-term mortgages and paved the way for a significant expansion of homeownership in the US, although the

construction industry did not really start to revive until the late 1930s. The new mortgage arrangements helped the United States eventually to have the highest percentage of homeownership in the world. Farm foreclosures virtually stopped after 1933.

The failure to secure dramatic economic recovery meant that the government had to stay in the business of relief. The Federal Emergency Relief Administration funded state relief programs until 1935. In poor states the federal government put up almost 90 percent of relief money. Harry Hopkins always wanted to replace the dole with jobs. The Civil Works Administration put people to work temporarily in the winter of 1933–1934. In 1935 the Works Progress Administration provided jobs for the unemployed—at its peak, 40 percent of the nation's jobless. Many WPA jobs were unskilled construction jobs, particularly on roads. They struggled to attain the legitimacy and wage rates of jobs in the private sector. But the WPA provided jobs for artists, middle-class professionals, teachers, and students. The range of construction projects from housing projects to high schools to a football stadium at the University of Arkansas created a permanent New Deal landscape at the local level. The WPA showed that government job programs could be creative and efficient. For all the limitations and conservative stereotyping, WPA jobs were the first indication for many Americans that the federal government took its responsibility for their welfare in an economic downturn seriously.

The Wagner Act of 1935 was perhaps the most remarkable piece of legislation of the whole New Deal. It is difficult to imagine another year in which such a pro-union piece of legislation could have been passed. Anti-union tactics had been largely unrestrained in the United States. The courts and local and state governments had usually sided with employers. This alignment reflected the fact that in most communities in the United States, the middle class identified with the employer rather than with local strikers. American workers had been encouraged in union organization in the early New Deal and had launched in 1934 an unprecedented, albeit mostly unsuccessful, wave of strikes. The Wagner Act, by outlawing a host of employer anti-union activities and providing for government-supervised worker elections for union recognition, provided vital protection for union leaders as they organized mass-production workers for the first time in 1936 and 1937. Unions provided the radical cutting edge of New Deal politics in the late 1930s. The decade was perhaps the only one in the twentieth century in which middle-class Americans identified with industrial workers as fellow consumers. From the 1940s onward middle-class Americans tended to view organized labor as hostile to their interests.

The final cement in a positive relationship between ordinary Americans and their government was the 1935 Social Security Act. Like the Wagner Act, the Social Security Act did not herald a "second New Deal"; rather it was the culmination of expert reform development and congressional study over a two-year period. The United States had been an "outlier," a "welfare laggard," in the western industrialized world before 1935. For all the limitations of the Social Security Act—regressive taxes, variations in state provision, lack of coverage of some of the neediest Americans, and the lack of health care—it nevertheless represented a quantum leap in social provision. The contributory taxes also ensured that its legacy was permanent. As Roosevelt rightly observed, no future Congress was going to take away benefits that their constituents believed they had paid for.

It was these measures above all that created a half-way political revolution in the United States and bound lower-income voters to the Democratic Party until at least the 1980s and made it the national majority party until the 1990s. But it was only a half-way revolution. FDR never created the unequivocally progressive party that he hoped for. In particular, the southern Democrats, who had so enthusiastically supported the emergency New Deal, survived Roosevelt's attempt to reconstruct the party in the South. They were skeptical about the non-emergency, urban, labor-oriented direction of the New Deal, which also threatened traditional patterns of racial and economic dependency in the South. They would combine after 1938 with conservative Republicans in a bi-partisan coalition that would block efforts to extend the New Deal for the next quarter of a century. This constituted a

powerful anti-statist coalition that stymied FDR's 1937–1938 hopes of a third New Deal, which would have guaranteed social minima to all Americans through social housing, extended coverage of Social Security, health insurance, a full-scale rural poverty program, and a commitment to full employment. That agenda remains unfulfilled.

INFRASTRUCTURE

The public-works programs (both the large-scale projects of the PWA and the smaller labor-intensive programs of the WPA) have tended to be treated as short-term palliatives aimed at temporary job creation. But the most recent study of New Deal public-works spending concluded that it was "an extraordinarily successful method of state-sponsored economic development."

The New Deal rebuilt the infrastructure of the United States when revenue-starved state governments could not do so. It rebuilt the road system (though FDR's dream of an interstate highway system would not be realized until 1956). It rescued American schools and universities. Long before federal aid to education, the New Deal built schools, paid teachers' salaries, invested in capital projects in the universities, and paid students to stay on at school and college. Multipurpose dams created cheap electrical power and managed water-resource development.

Nowhere was this impact greater than in the Sunbelt. A new generation of younger southern politicians like Albert Gore and Lyndon Johnson could see what the Tennessee Valley Authority had done for a river valley—it could be a model for modernizing the poorest region in the country. Like their western counterparts, they could see that abundant electrical power and readily available water could provide the key for industrial development and the diversification of agriculture. The federal government funded capital infrastructure projects in Sunbelt cities that had been funded a generation before in older northern cities by private capital. What southern and western politicians also believed was that their regional entrepreneurs need access to capital, access that an eastern-dominated financial system denied them. The Reconstruction Finance Corporation, under Texas banker Jesse Jones, provided that capital. It is difficult to conceive of the remarkable growth of the South and the West in World War II and after without that New Deal–funded infrastructure investment.

CONCLUSION

The New Deal was a "laboratory for economic learning" in the 1930s. Given the state of government economic knowledge in the 1930s it is not surprising that government employees struggled to engineer recovery through micro-economic intervention. Economic historians and right-wing commentators blame the New Deal for prolonging the Depression by deterring private investment through excessive regulation and raising prices at the expense of jobs. While it is true that Roosevelt had not secured recovery by the time of the dramatic recession in 1937–1938, it is also true that the spending afterwards did create new jobs. Government employment in the 1930s also compensated significantly for the failure to create new jobs in the private sector. Above all, it is difficult to see that a free-market solution could have been imposed without massive social and anti-democratic unrest. For all the bitterness of opposition to Roosevelt and heightened class tensions in the United States in the 1930s, the New Deal developed, especially through its welfare and jobs programs, enough social cohesion to allow its democratic institutions to survive a catastrophic economic downturn intact and to fight a world war successfully.

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