

# The First New Deal

**ESSENTIAL QUESTIONS**

- Can government fix the economy?
- Is government responsible for the economic well-being of its citizens?

**READING HELPDESK**

**Academic Vocabulary**

- apparent
- ideology
- fundamental

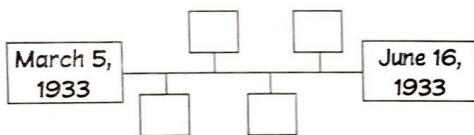
**Content Vocabulary**

- polio
- gold standard
- bank holiday
- fireside chats

**TAKING NOTES**

**Key Ideas and Details**

**Sequencing** As you read about Roosevelt's first three months in office, complete a time line to record the major problems he addressed during this time.



**IT MATTERS BECAUSE**

*Franklin Delano Roosevelt was elected president in 1932, following his promise of a "New Deal" for Americans. In his first hundred days in office, he introduced a flood of legislation designed to rescue banks, industry, and agriculture, and provide jobs for the unemployed.*

**Roosevelt's Rise to Power**

**GUIDING QUESTION** *What qualities make an effective leader?*

Franklin Delano Roosevelt, a distant cousin of Theodore Roosevelt, grew up in Hyde Park, New York. In his youth, Franklin learned to hunt, ride horses, and sail; he also developed a lifelong commitment to conservation and a love of rural areas in the United States. Roosevelt was educated at Harvard and then at Columbia Law School. While at Harvard, he became friends with Theodore Roosevelt's niece, Eleanor, whom he later married.

Intensely competitive, Roosevelt liked to be in control. He also liked being around people. His charming personality, deep rich voice, and wide smile expressed confidence and optimism. In short, his personality seemed made for a life in politics.

Roosevelt began his political career in 1910 when he was elected to the New York State Senate. He earned a reputation as a progressive reformer. Three years later, he became assistant secretary of the navy in the Wilson administration. In 1920, his reputation (and famous surname) helped him win the vice presidential nomination on the unsuccessful Democratic ticket.

After losing the election, Roosevelt temporarily withdrew from politics. The next year, he caught the dreaded paralyzing disease **polio**. Although there was no cure, Roosevelt refused to give in. He began a vigorous exercise program to restore muscle control. With heavy steel braces on his legs, he was able to walk short distances by leaning on a cane and someone's arm and swinging his legs forward from his hips.



While recovering from polio, Roosevelt depended on his wife and his aide, Louis Howe, to keep his name prominent in the New York Democratic Party. Eleanor Roosevelt became an effective public speaker, and her efforts kept her husband's political career alive.

By the mid-1920s, Roosevelt was again active in the Democratic Party. In 1928, he ran for governor of New York. He campaigned hard to show that his illness had not slowed him down, and he narrowly won the election. In 1930, he was reelected in a landslide. As governor, Roosevelt oversaw the creation of the first state relief agency to aid the unemployed.

Roosevelt's popularity in New York paved the way for his presidential nomination in 1932. Americans saw in him an energy and optimism that gave them hope despite the tough economic times. After Roosevelt became president, his serenity and confidence amazed people. When one aide commented on his attitude, Roosevelt replied, "If you had spent two years in bed trying to wiggle your big toe, after that anything else would seem easy."

In mid-June 1932, when the country was deep in the Depression, Republicans gathered in Chicago and nominated Herbert Hoover to run for a second term as president. Later that month, the Democrats also held their national convention in Chicago. When Roosevelt won the nomination, he broke with tradition by flying to Chicago to accept it in person. His speech set the tone for his campaign:

**PRIMARY SOURCE**

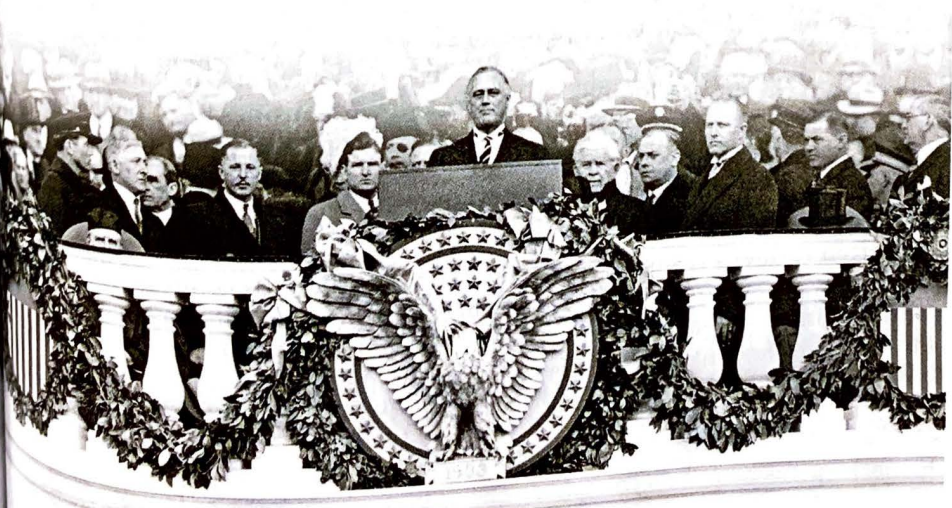
"Let it be from now on the task of our Party to break foolish traditions. . . . [I]t is inevitable that the main issue of this campaign should revolve about . . . a depression so deep that it is without precedent. . . . Republican leaders not only have failed in material things, they have failed in national vision, because in disaster they have held out no hope. . . . I pledge you, I pledge myself, to a new deal for the American people."

—speech delivered to the Democratic National Convention, July 2, 1932

From that point forward, Roosevelt's policies for ending the Depression became known as the New Deal. Roosevelt's confidence that he could make things better contrasted sharply with Herbert Hoover's **apparent** failure to do anything effective. On Election Day, Roosevelt won in a landslide, winning the electoral vote in all but six states.

**READING PROGRESS CHECK**

**Interpreting** What characteristics did Roosevelt have that made him popular with Americans?



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# The Hundred Days

**GUIDING QUESTION** *Why are the first hundred days so important for a president?*

Roosevelt won the presidency in November 1932, but the situation grew worse between the election and his inauguration. Unemployment continued to rise and bank runs increased. People feared that Roosevelt would abandon the **gold standard** and reduce the value of the dollar to fight the Depression. Under the gold standard, one ounce of gold equaled a set number of dollars. To reduce the value of the dollar, the United States would have to stop exchanging dollars for gold. Many Americans and foreign investors with deposits in American banks decided to take their money out of the banks and convert it to gold before it lost its value.

Across the nation, people stood in long lines with paper bags and suitcases, waiting to withdraw their money from banks. By March 1933, more than 4,000 banks had collapsed, wiping out nine million savings accounts. In 38 states, governors declared **bank holidays**—closing the remaining banks before bank runs could put them out of business.

By the day of Roosevelt's inauguration, most of the nation's banks were closed. One in four workers was unemployed. Roosevelt knew he had to restore the nation's confidence. "First of all," he declared in his Inaugural Address, "let me assert my firm belief that the only thing we have to fear is fear itself. . . . This nation asks for action, and action now!"

## The New Deal Begins

Roosevelt and his advisers came into office bursting with ideas about how to end the Depression. Roosevelt had no clear agenda, nor did he have a strong political **ideology**. He argued, "The country needs bold, persistent experimentation. . . . Above all, try something."

The new president sent bill after bill to Congress. Between March 9 and June 16, 1933—which came to be called the Hundred Days—Congress passed 15 major acts to resolve the economic crisis. These programs made up what would be called the First New Deal.

## A Divided Administration

Although he alone made the final decision about what policies and programs to pursue, Roosevelt depended on his advisers for new ideas. He deliberately chose advisers who disagreed with one another because he wanted to hear many different points of view.

One influential group of President Roosevelt's advisers supported the belief that if the government agencies worked with businesses to regulate wages, prices, and production, they could lift the economy out of the Depression. A second group of advisers, who distrusted big business and felt business leaders had caused the Depression, wanted government planners to run key parts of the economy. A third group of advisers supported former president Woodrow Wilson's "New Freedom" philosophy. They wanted Roosevelt to break up big companies and allow competition to set wages, prices, and production levels. This group of advisers also thought that the government should impose regulations to keep economic competition fair.

### **READING PROGRESS CHECK**

**Summarizing** What were the key accomplishments during Roosevelt's first hundred days in office?

**gold standard** a monetary standard in which one ounce of gold equals a set number of dollars

**bank holiday** closing of banks during the Great Depression to avoid bank runs

**ideology** a system of thought that is held by an individual, group, or culture



# Banks and Debt Relief

**GUIDING QUESTION** Why did Roosevelt broadcast "fireside chats"?

Roosevelt knew that very few of the new programs would work as long as the nation's banks remained closed. Before he did anything else, he had to restore people's confidence in the banking system. Within a week of his taking office, the Emergency Banking Relief Act was passed. The new law required federal examiners to survey the nation's banks and issue Treasury Department licenses to those that were financially sound.

On March 12, Roosevelt addressed the nation by radio. Sixty million people listened to this first of many "fireside chats." He said, "I assure you that it is safer to keep your money in a reopened bank than under the mattress." When banks opened on March 13, deposits far outweighed withdrawals. The banking crisis was over.

With confidence in the banking system restored, Roosevelt then proceeded to use powers granted in the Emergency Banking Relief Act to take the dollar off the gold standard. In June, Congress went further by passing a law that made all contracts payable only in legal tender. No one could demand gold in payment or use gold to pay for things.

Almost immediately, inflation began. This was exactly what the president wanted. The purpose of going off the gold standard was to cause inflation, what Roosevelt called "reflation" because he believed the dollar was overvalued from decades of deflation. Roosevelt wanted to cause inflation to help people in debt.

When money inflates, it loses value. Debts become easier to pay because the money owed is not worth as much. At the same time, inflation causes prices to go up. As Roosevelt had hoped, the increase in prices earned more money for farmers and others who were suffering from low prices for their goods. The United States stayed off the gold standard for about nine months, until the president thought the dollar's value had fallen far enough. In early 1934, Roosevelt set a new price for the gold standard, in which one ounce of gold equaled 35 U.S. dollars.

## The FDIC and SEC

Many of Roosevelt's advisers wanted to go further, pushing for new regulations for banks and the stock market. Roosevelt agreed, supporting the Securities Act of 1933 and the Banking Act of 1933, commonly known as the Glass-Steagall Act. The Securities Act required companies that sold stocks and bonds to provide complete and truthful information to investors. The Securities and Exchange Commission (SEC) was created to regulate the stock market and stop fraud. The Glass-Steagall Act separated commercial banking from investment banking. Commercial banks that handled everyday transactions could no longer risk depositors' money through stock speculation. The act also created the Federal Deposit Insurance Corporation (FDIC) to provide government insurance for bank deposits. The creation of the FDIC increased public confidence in the banking system.

In creating the FDIC and the SEC, Congress changed the historical role of state and federal governments in financial matters. Until the New Deal, the regulation of banks had been the responsibility of state governments. Today banks can have a federal charter or a state charter, and be subject to both federal and state regulations. Similarly, up until 1933, the operation of stock markets had been generally unregulated. Under the laissez-faire ideas of the late 1800s, the idea that the federal government should impose rules on a market where people met to buy and sell stocks was never seriously considered. The great crash of 1929 changed people's thinking.



The FDIC still exists today. It guarantees bank deposits up to \$250,000 for all member banks and is funded by insurance premiums paid by the banks, not by taxpayer money. The FDIC supervises the operations of over 4,500 banks nationwide making sure they are sound, and comply with all financial regulations and consumer protection laws. You can tell if a bank is FDIC insured by looking for the "Member FDIC" logo on bank windows, paper documents, and websites.

The SEC also still exists, regulating the operations of the nation's stock markets. It inspects stock brokers, investment advisors, and agencies that rate stocks. It investigates reports of fraud, insider trading, and works to prevent companies from misleading investors with false information. The SEC does not insure investments. Investing in companies always carries risk and investors can lose their money. The SEC's role is not to protect investments, but to prevent fraud and make sure investors are given correct information so they can make good investment decisions.

## Mortgage and Debt Relief

Terrified of losing their homes and farms, many Americans cut back on spending to make sure they could pay their mortgages. Roosevelt responded by introducing policies to help Americans with their debts. For example, the Home Owners' Loan Corporation (HOLC) bought the mortgages of home owners who were behind in their payments. It then restructured the loans with longer repayment terms and lower interest rates.

The Farm Credit Administration (FCA) helped farmers refinance their mortgages. These loans saved millions of farms from foreclosure. Although the FCA may have slowed economic recovery by making less money available to lend to more efficient businesses, it did help many desperate and impoverished people hold onto their land.

Both the HOLC and the FCA represented a dramatic expansion of the federal government's role in the economy. Never before had the federal government been involved in helping people with their mortgages.

### READING PROGRESS CHECK

*Summarizing* How did the government restore confidence in the banking system?

## Farms and Industry

**GUIDING QUESTION** *How did New Deal legislation try to stabilize agriculture and industry?*

Many of Roosevelt's advisers believed that both farmers and businesses were suffering because prices were too low and production too high. To help the nation's farmers, Congress passed the Agricultural Adjustment Act. The act was based on a simple idea that prices for farm goods were low because farmers grew too much food. Under this act, the government's Agricultural Adjustment Administration (AAA) would pay farmers not to raise certain livestock, grow certain crops, and produce dairy products. Over the next two years, farmers withdrew millions more acres from cultivation and received more than \$1 billion in support payments. The program met its goal, although raising food prices in a depression drew harsh criticism. Also, not all farmers benefited. Thousands of tenant farmers, many of them African Americans, lost their jobs and homes when landlords took their fields out of production.

The government turned its attention to manufacturing in June 1933, with the National Industrial Recovery Act (NIRA). Once passed, this law authorized the National Recovery Administration (NRA) to suspend antitrust laws and



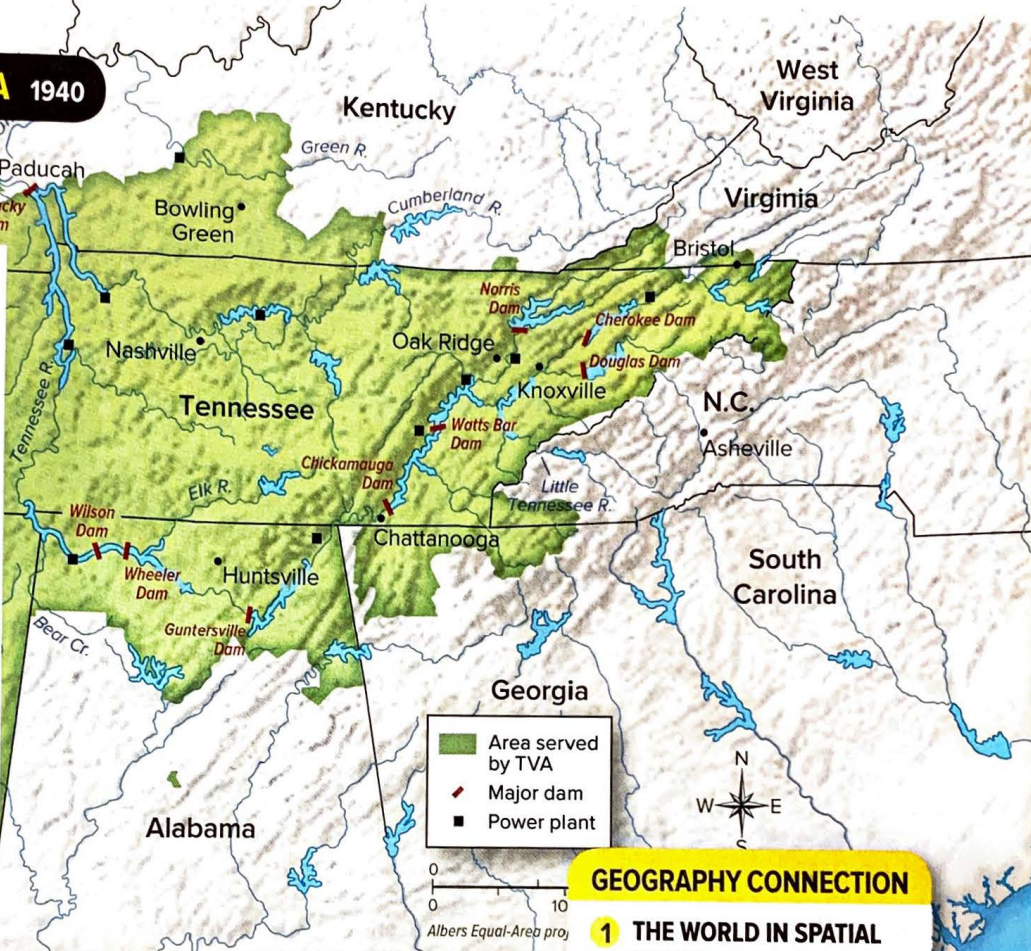


## The TVA 1940

The Tennessee Valley Authority (TVA) was a New Deal project that produced great results. The TVA built dams to control floods, conserve forestlands, and bring electricity to rural areas.

Today, TVA power facilities include 17,000 miles of transmission lines, 29 hydroelectric dams, 11 fossil-fuel plants, 4 combustion-turbine plants, 3 nuclear power plants, and a pumped-storage facility. These combine to bring power to nearly 8 million people in a seven-state region.

Since 1998, the TVA has been working to reduce air pollution. Projects are designed to cut harmful emissions released into the air. The TVA is committed to developing programs that protect the environment.



### GEOGRAPHY CONNECTION

- 1 THE WORLD IN SPATIAL TERMS** *What states other than Tennessee benefited from the TVA projects?*
- 2 PLACES AND REGIONS** *Why do you think the majority of the projects were located in eastern Tennessee?*

allowed business, labor, and government to cooperate with rules, or codes of fair competition, for each industry. Codes set prices, established minimum wages, shortened workers' hours to create more jobs, permitted unionization, and helped businesses develop industry-wide rules of fair competition. The NRA revived a few industries, but the codes were difficult to administer. Employers disliked that the NRA allowed workers to form unions. They also argued that paying minimum wages forced them to raise prices. After the NRA was instituted, industrial production fell. The NRA was declared unconstitutional in 1935.

### READING PROGRESS CHECK

**Specifying** How was the Agricultural Adjustment Act intended to stabilize the agricultural industry?

## Relief Programs

**GUIDING QUESTION** *How did New Deal programs differ from President Hoover's attempts to combat the Depression?*

Many of President Roosevelt's advisers emphasized tinkering with prices and providing debt relief to solve the Depression. Others maintained that the Depression's **fundamental** cause was low consumption. They thought getting money into the hands of needy individuals would be the fastest remedy. Because neither Roosevelt nor his advisers wanted to give money to the unemployed, they supported work programs for the unemployed.

The decision to create federal work programs marked yet another change in the historical roles of state and federal government. Before the Depression, government relief programs had been rare and, when set up, had always been funded and managed by state and local governments. The first time relief aid had been sent from the federal government to state governments to help them

**fundamental** being of central importance



fund programs for jobs was during the Hoover administration. But the New Deal went even further, creating several federally managed job programs that bypassed the state governments entirely.

### The CCC

The most highly praised New Deal work relief program was the Civilian Conservation Corps (CCC). The CCC offered unemployed young men, 18–25 years old, the opportunity to work under the direction of the forestry service planting trees, fighting forest fires, and building reservoirs. To prevent a repeat of the Dust Bowl, the workers planted a line of more than 200 million trees, known as a Shelter Belt, from north Texas to North Dakota.

The young men lived in camps near their work areas and earned \$30 a month, \$25 of which was sent directly to their families. The average CCC worker returned home after six to twelve months, better nourished and with greater self-respect. CCC programs also taught more than 40,000 of their recruits to read and write. By the time the CCC closed down in 1942, it had put 3 million young men to work outdoors—including 80,000 Native Americans, who helped reclaim land they had once owned. After a second Bonus Army march on Washington in 1933, Roosevelt added some 250,000 veterans to the CCC as well.

### FERA and the PWA

A few weeks after authorizing the CCC, Congress established the Federal Emergency Relief Administration (FERA). Roosevelt chose Harry Hopkins, a former social worker, to run FERA. Initially, it did not create projects for the unemployed. Instead, it gave money to state and local agencies to fund their relief projects.

After meeting with Roosevelt to discuss his new job, Hopkins spent \$5 million on relief projects. When critics charged that some of the projects did not make sense in the long run, Hopkins replied, “People don’t eat in the long run—they eat every day.”

In June 1933, Congress authorized another relief agency, the Public Works Administration (PWA). One-third of the nation’s unemployed were in the construction industry. To put them back to work, the PWA began building highways, dams, schools, and other government facilities.

The PWA awarded contracts to construction companies. By insisting that contractors not discriminate against African Americans, the agency broke down some of the racial barriers in the construction trades.

### The CWA

By the fall of 1933, neither FERA nor the PWA had reduced unemployment significantly, and Hopkins realized that unless the federal government acted quickly, a huge number of unemployed citizens would be in severe distress once winter began. After Hopkins explained the situation, President Roosevelt authorized him to set up the Civil Works Administration (CWA).

Hiring workers directly, the CWA employed 4 million people, including 300,000 women. The agency built or improved 1,000 airports, 500,000 miles of roads, 40,000 school buildings, and 3,500 playgrounds and parks. The program spent nearly \$1 billion in just five months. Although the CWA helped many people get through the winter, President Roosevelt was alarmed by how quickly the agency was spending money, and did not want Americans to get used to the federal government providing them with jobs. Warning that the Civil Works Administration would “become a habit with the country,” Roosevelt insisted that it be shut down the following spring. Hopkins summarized what the CWA had accomplished:

This poster for the Civilian Conservation Corps (CCC) expresses the optimism of the New Deal.

#### ▶ CRITICAL THINKING

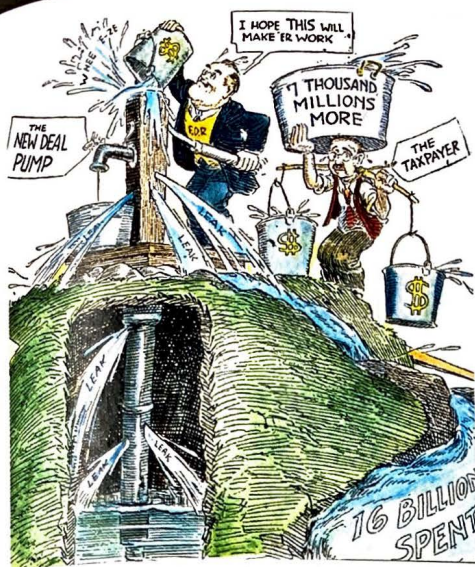
**Drawing Conclusions** How did the CCC provide opportunities for work, play, study, and health?





## THE NEW DEAL

## POLITICAL CARTOONS



This political cartoon from 1933 depicts the efforts made by President Roosevelt to end the Great Depression with his New Deal.

President Roosevelt tries to “prime” the economic pump using taxpayer dollars to get the economy going again.

- 1 Analyzing Primary Sources** How does the artist feel about the New Deal?
- 2 Analyzing Visuals** What symbols are used to convey the artist’s message?

### PRIMARY SOURCE

“Long after the workers of CWA are dead and gone and these hard times are forgotten, their effort will be remembered by permanent useful works in every county of every state.”

—from *Spending to Save: The Complete Story of Relief*, 1936

### Success of the First New Deal

During his first year in office, Roosevelt convinced Congress to pass an astonishing array of legislation. The First New Deal did not restore prosperity, but it reflected Roosevelt’s zeal for action and his willingness to experiment. Banks were reopened, many more people retained their homes and farms, and more people were employed. Perhaps the most important result of the First New Deal was a change in the spirit of the American people. Roosevelt’s actions had inspired hope and restored Americans’ faith in their nation.

#### READING PROGRESS CHECK

**Identifying** How did the relief programs help combat the Depression?

## Connections to TODAY

### Emergency Economic Stabilization Act

Government relief programs and legislation to help banks and other financial institutions are still enacted today. In 2008, the Emergency Economic Stabilization Act became law. It provided up to \$700 billion to the secretary of the treasury to buy mortgages and other troubled assets from the country’s banks “to promote financial market stability.”



- Can government fix the economy?
- Is government responsible for the economic well-being of its citizens?

## IT MATTERS BECAUSE

*Criticism of the New Deal led President Roosevelt to introduce new legislation in 1935. These laws created the Works Progress Administration, the National Labor Relations Board, and the Social Security Administration.*

## Launching the Second New Deal

**GUIDING QUESTION** *Why did President Roosevelt decide to introduce new legislation to fight the Depression?*

President Roosevelt was tremendously popular during his first two years in office, but opposition to his policies began to grow. New Deal programs had created more than 2 million new jobs. More than 10 million workers remained unemployed, however, and the nation's total income was about half of what it had been in 1929.

### Criticism From Right and Left

Roosevelt faced hostility from both the political right and the left. The right wing had long believed that the New Deal regulated business too tightly. Opponents thought that it gave the federal government too much power over the states. By late 1934, the right wing increased its opposition as Roosevelt started **deficit spending**, abandoning a balanced budget and borrowing money to pay for his programs. Many business leaders became alarmed at the growing deficit.

Some on the left, however, believed that the New Deal had not gone far enough. They wanted even more economic intervention to shift wealth from the rich to middle-income and poor Americans. One outspoken critic was Huey Long. As governor of Louisiana, Long had championed the poor. He improved schools, colleges, and hospitals, and built roads and bridges. These **benefits** made him popular, and he built a powerful but corrupt political machine. In 1930, Long was elected to the U.S. Senate. In 1934, he established the Share Our Wealth Society to "pull down these huge piles of gold until there shall be a real job, not a little old sow-belly, black-eyed pea job but a real



spending money, beef-steak and gravy. . . Ford in the garage . . . red, white, and blue job for every man." Long planned to run for president in 1936.

Roosevelt also faced a challenge from Catholic priest and popular radio host Father Charles Coughlin. Once an ardent New Deal supporter, the Detroit resident had grown impatient with its moderate reforms. He called for inflating the currency and nationalizing the banking system. In 1934, he organized the National Union for Social Justice, which some Democrats feared would become a new political party.

A third challenge came from California physician Francis Townsend. He proposed that the federal government pay citizens over age 60 a pension of \$200 a month. Recipients would have to retire and spend the entire check each month. Townsend believed that the plan would increase spending and free up jobs for the unemployed. His proposal attracted millions of supporters, especially older Americans, who mobilized as a political force for the first time. Together, Long, Coughlin, and Townsend had supporters around the country. Roosevelt faced the possibility of a coalition that would prevent his reelection.

### The WPA

In 1935, Roosevelt launched a series of programs, now known as the Second New Deal, to generate greater economic recovery. Among these new programs was the Works Progress Administration (WPA), the New Deal's largest public works program. Between 1935 and 1941, the WPA employed 8.5 million workers and spent \$11 billion to construct about 650,000 miles of roadways, 125,000 public buildings, 853 airports, more than 124,000 bridges, and more than 8,000 parks. One WPA program, called Federal Project Number One, **financed** artists, musicians, theater people, and writers. Artists created murals and sculptures for public buildings; musicians set up orchestras and smaller musical groups; playwrights, actors, and directors wrote and staged plays; and writers recorded the stories of those who had once been enslaved and others whose voices had not often been heard.

### The Supreme Court's Role

In May 1935, in *Schechter Poultry Corporation v. United States*, the Supreme Court struck down the authority of the National Recovery Administration. The Schechter brothers had been convicted of violating the NRA's poultry code. The Court ruled that the Constitution did not allow Congress to delegate its legislative powers to the executive branch, and therefore the NRA's codes were unconstitutional. Roosevelt worried that the ruling suggested the Supreme Court could strike down the rest of the New Deal.

Roosevelt knew he needed a new series of programs to keep voters' support. He called congressional leaders to a White House conference and thundered that Congress could not go home until it passed his new bills. That summer, Congress passed Roosevelt's programs.



THE TOWNSEND PLAN  
\$200 PER MONTH FOR THOSE OVER 60 YRS OF AGE - THE SPENDING OF THIS MONEY WILL PUT THE CONTROL OF CREDIT IN THE HANDS OF THE PEOPLE - PREVENTING ECONOMIC CHAOS

#### deficit spending

government practice of spending borrowed money rather than raising taxes, usually in an attempt to boost the economy

**benefit** something that promotes well-being or is a useful aid

**finance** to provide money for a project

Some, including Dr. Francis Townsend, criticized the New Deal for not going far enough to relieve the economic troubles of poor and middle-class Americans.

#### ▶ CRITICAL THINKING

##### Comparing and Contrasting

How did the political left's criticisms of the New Deal differ from those of the political right?

#### READING PROGRESS CHECK

**Synthesizing** What factors encouraged Roosevelt to introduce the Second New Deal?



# Reforms for Workers and Senior Citizens

**GUIDING QUESTION** *How did the Wagner Act and the Social Security Act affect Americans?*

When the Supreme Court struck down the NRA, it also invalidated the section of the NIRA that gave workers the right to organize. Democrats knew that the working-class vote was key to winning reelection in 1936. They also believed that unions could help end the Depression because high union wages would give workers more money to spend, **thereby** boosting the economy. Opponents disagreed, arguing that high wages forced companies to charge higher prices and hire fewer people. Despite these concerns, Congress pushed ahead with new labor legislation.

## The Wagner Act

In July 1935, Congress passed the National Labor Relations Act, also called the Wagner Act. This act guaranteed workers the right to unionize and bargain collectively. It also established the National Labor Relations Board (NLRB), which organized factory elections by secret ballot to determine whether workers wanted a union. The NLRB could also investigate employers' actions and stop unfair practices. The Wagner Act also set up a process called **binding arbitration**, whereby dissatisfied union members took their complaints to a neutral party who would listen to both sides and decide on the issues.



### The GM Strike

“Beds were made up on the floor of each car, the seats being removed if necessary. . . . I could not see—and I looked for it carefully—the slightest damage done anywhere to the General Motors Corporation. The nearly completed car bodies, for example, were as clean as they would be in the salesroom, their glass and metal shining.”

—Bruce Bliven, from “Sitting Down in Flint,” the *New Republic*, January 27, 1937

#### **DBQ** DRAWING

**CONCLUSIONS** How do the strikers seem to have acted during the strike?

**thereby** because of that

#### **binding arbitration**

process in which a neutral party hears arguments from two opposing sides and makes a decision that both must accept

#### **sit-down strike**

method of boycotting work by sitting down at work and refusing to leave the establishment

Sit-down strikers at the GM Fisher body plant in Flint, Michigan, took over the plant in late December 1936. Their action led to a national strike that lasted until February 11, 1937.

#### ► CRITICAL THINKING

##### Analyzing Primary Sources

What did the atmosphere within the GM Fisher plant seem to be during the strike?

The Wagner Act led to a burst of labor activity. In 1935 John L. Lewis, leader of the United Mine Workers, helped form the Committee for Industrial Organization (CIO), which set out to organize unions that included all workers, skilled and unskilled, in a particular industry. First, it focused on the automobile and steel industries, two of the largest industries in which workers were not yet unionized. Organizers used new tactics to get employers to recognize the unions. For example, during **sit-down strikes**, employees stopped work inside the factory and refused to leave. This technique prevented management from sending in replacement workers. It was a common CIO tactic for several years.

In late December 1936, the United Auto Workers (UAW), a CIO union, began a sit-down strike at General Motor’s plant in Flint, Michigan. Family, friends, and others passed food and other provisions to them through windows. Violence broke out when police launched a tear gas assault on strikers, wounding 13, but the strike held. On February 11, 1937, General Motors recognized the UAW as its employees’ sole bargaining agent. The UAW became one of the most powerful unions in the United States.

U.S. Steel, the nation’s largest steel producer and a long-standing opponent of unionizing, decided it did not want a repeat of GM’s experience. In March 1937, the company recognized the CIO’s steelworkers union. Smaller steel producers did not follow suit and suffered bitter strikes. By 1941, however, the steelworkers union had won contracts throughout the industry.

In the late 1930s, employees in other industries worked hard to gain union recognition from their employers. Union membership tripled from roughly 3 million in 1933 to about 9 million in 1939. In 1938, the CIO changed its name to the Congress of Industrial Organizations and became a federation of industrial unions.

### Social Security

After passing the Wagner Act, Congress began work on one of the United States’s most important pieces of legislation. This was the Social Security Act, which provided some financial security for older Americans, unemployed workers, and others. Roosevelt and his advisers viewed the bill primarily as an insurance measure. Workers earned the right to receive benefits because they paid special taxes to the federal government, just as they paid premiums in buying a life insurance policy. The legislation also provided modest welfare payments to others in need, including people with disabilities and poor mothers with dependent children.

Some critics did not like the fact that the money came from payroll taxes imposed on workers and employers, but to Roosevelt these taxes were crucial:





## PRIMARY SOURCE

“We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no . . . politician can ever scrap my social security program.”

—quoted in “Memorandum on Conference with FDR Concerning Social Security Taxation,” 1941

What Roosevelt did not anticipate was that Congress would later borrow from the Social Security fund to pay for other programs without raising payroll taxes.

The core of Social Security was the monthly retirement benefit, which people collected when they stopped working at age 65. Unemployment insurance supplied a temporary income to workers who had lost their jobs.

Social Security continues to be a part of American life today. When Americans find themselves unemployed, they can draw on their unemployment insurance from Social Security for many weeks while they look for a new job. In addition, of course, Americans who have contributed to the Social Security system are eligible for a pension benefit when they retire.

In 2013, the government paid out over \$1.3 trillion in Social Security payments, approximately 37 percent of all federal government spending that year.

Social Security dramatically changed the role of the federal government. It was the first example of what came to be called “entitlement” programs. An entitlement program is not simply a form of welfare or relief. It is a payment from the government that Americans are entitled to receive, in part because they have paid into the system regularly with deductions from their paychecks, and in part because the law imposes a requirement on the government to make the payments.

Social Security was controversial at the time it was passed, and remains a source of political debate today, in part because even though Americans are entitled to their Social Security payments, the federal government has borrowed against the Social Security fund in the past, and is now forced to borrow more money to pay its Social Security obligations. With the federal government deeply in debt and continuing to use deficit spending in almost every budget, concerns have arisen as to whether Social Security can remain solvent and the U.S. government will be able to meet its obligations. Social Security established the principle that the federal government should be responsible for those who, through no fault of their own, are unable to work.

## ✓ READING PROGRESS CHECK

**Evaluating** What were some benefits of the Wagner Act and the Social Security Act for the American public?