

Economic Impacts of the New Deal

Background: FDR's New Deal aimed at improving the economy and ending the Depression by "priming the pump"—stimulating the economy by spending government money on programs that would provide relief to individuals and businesses. Providing jobs would mean Americans would have money to spend again, which would in turn help businesses who could then hire more workers. The New Deal had mixed results, but it was not until the US entered WWII that the Depression ended.

Document 1: Taxation

Roosevelt's New Deal required money—the federal government needed to fund the programs and projects that were creating jobs and helping farmers and businesses. New Deal leaders created several new tax policies:

- A tax on liquor, cigarettes, cars and electricity
- Higher taxes on the wealthy: anyone making over \$500,000 a year (over \$8 million today)
 - Roosevelt believed that rich people should pay more than poor people, especially during emergencies
- Lower taxes on lower income families and individuals
- A Social Security Tax: the government takes a portion out of each person's paycheck for their future Social Security benefits
- Higher taxes on large corporations and businesses
- From 1933-1941, the government collected between \$2.1 billion to \$7.6 billion each year from taxes

Comprehension Questions:

1. Why might some people oppose taxes during the Great Depression? Who might they hurt and who might they benefit?
2. Were higher taxes during the Depression justified to pay for New Deal programs?

Document 2: Unemployment Rate

A large part of Roosevelt's New Deal was spending federal government money to start public works jobs programs like the Works Progress Administration (WPA) and the Civilian Conservation Corp (CCC) to provide jobs to million of unemployed Americans. FDR also spent government money helping businesses recover, which then allowed them to hire more workers. In 1937, in an attempt to reduce government spending, FDR cut some funding to New Deal programs.

***The New Deal started in 1933. The Great Depression did not truly end until 1941, when the US entered WWII, which created millions of jobs and stimulated businesses.**

Number unemployed in America per year	Unemployment rate per year (percentage unemployed)
<ul style="list-style-type: none">● 1933: 15 million● 1935: 11 million● 1937: 8.3 million● 1938: 10.5 million● 1939: 9.2 million● 1940: 8 million	<ul style="list-style-type: none">● 1932: 24.2%● 1935: 20.1%● 1937: 14.3%● 1938: 19%● 1939: 17%● 1940: 14%

Comprehension Questions:

1. What happened to the number of people unemployed once FDR started the New Deal in 1933?
2. In 1937, in an attempt to reduce government spending, FDR cut some funding to New Deal programs.
3. What happened after 1937, when FDR resumed government funding of New Deal programs?

Document 3: Help for Labor Unions

In 1935, FDR signed the Wagner Act, which gave labor unions the right to organize workers, and in 1938 he signed the Fair Labor Standards Act, which established the first ever federal minimum wage and 40 hour work weeks.

Minimum Wage under the Wagner Act

1938: \$0.25 per hour (\$4.46 today)

1939: \$0.30 per hour (\$5.43 today)

Comparison Prices: A Coke cost \$.05, a pair of shoes cost about \$6.50, a toaster cost \$10

Percentage of workers in labor unions (farmers/farm workers not included)

1930: 11.6%

1937: 22.6%

1945: 35.5%

**Agricultural workers were excluded from the Wagner Act, allowing landowners to continue taking advantage of sharecroppers and tenant farmers.*

Comprehension Questions:

1. What would be beneficial about a national minimum wage? Think about areas where there was no minimum wage, such as in the South.
2. What happened to the number of people who belonged to labor unions after the Wagner Act passed?
3. What might be the benefits of having more labor unions and labor union members? (remember, labor unions organize to try to get better wages and working conditions).
4. Who might oppose or not benefit from labor unions?

Document 4: Measures of Economic Health

The gross national product (GNP) measures the value of what is being produced in a country's economy. The higher the GNP, the healthier the economy. When Americans have jobs and money, they can spend more on nicer goods, and businesses can then make more goods and hire more workers. The more money people spend, the more the GNP increases.

America's Gross National Product 1928 to 1939:

1928	\$100 billion
1933	\$55 billion
1939	\$85 billion

Amount of consumer goods brought 1928 to 1939:

1928	\$80 billion
1933	\$45 billion
1939	\$65 billion

Comprehension Questions:

1. What happened to the GNP after the New Deal started in 1933? Why might some New Deal programs cause this change?
2. Why might Americans have started buying more consumer goods after 1933? What programs and conditions would help encourage and stimulate consumer spending?

Document 5: Impacts on Banks & Businesses

Even with corporate tax increases and greater efforts to stop corporate tax avoidance, US corporate profits began to recover during the New Deal.

1929: 9.5 billion

1930: 3.7 billion

1931: .06 billion

1932: 1.7 billion

1933: 1.3 billion

1934: 2.5 billion

1935: 3.4 billion

1936: 5.7 billion

1937: 6.1 billion

1938: 3.6 billion

1939: 6.3 billion

1940: 7.8 billion (by 1940, the US had greatly increased production of armaments & war materials to aid Britain)

1941: 11.2 billion

Number of bank failures after creation of the Federal Deposit Insurance Corporation (FDIC: insures deposits and regulates banks)

Prior to FDIC:

1932: 1,453

1933: 4,000

After FDIC:

1934: 9

1935: 25

1936: 69

1937: 75

1938: 74

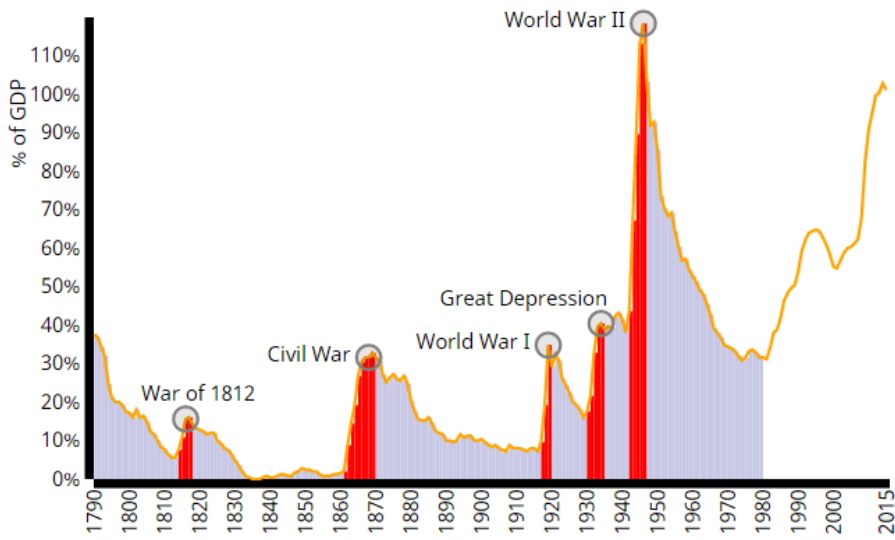
1939: 60

1940: 43

Document 6: The US National Debt

The National Debt is the amount of money the US government owes. If a government spends more than it takes in from taxes each year for multiple years, then it has a debt.

U.S. Government Debt, 1790-2015

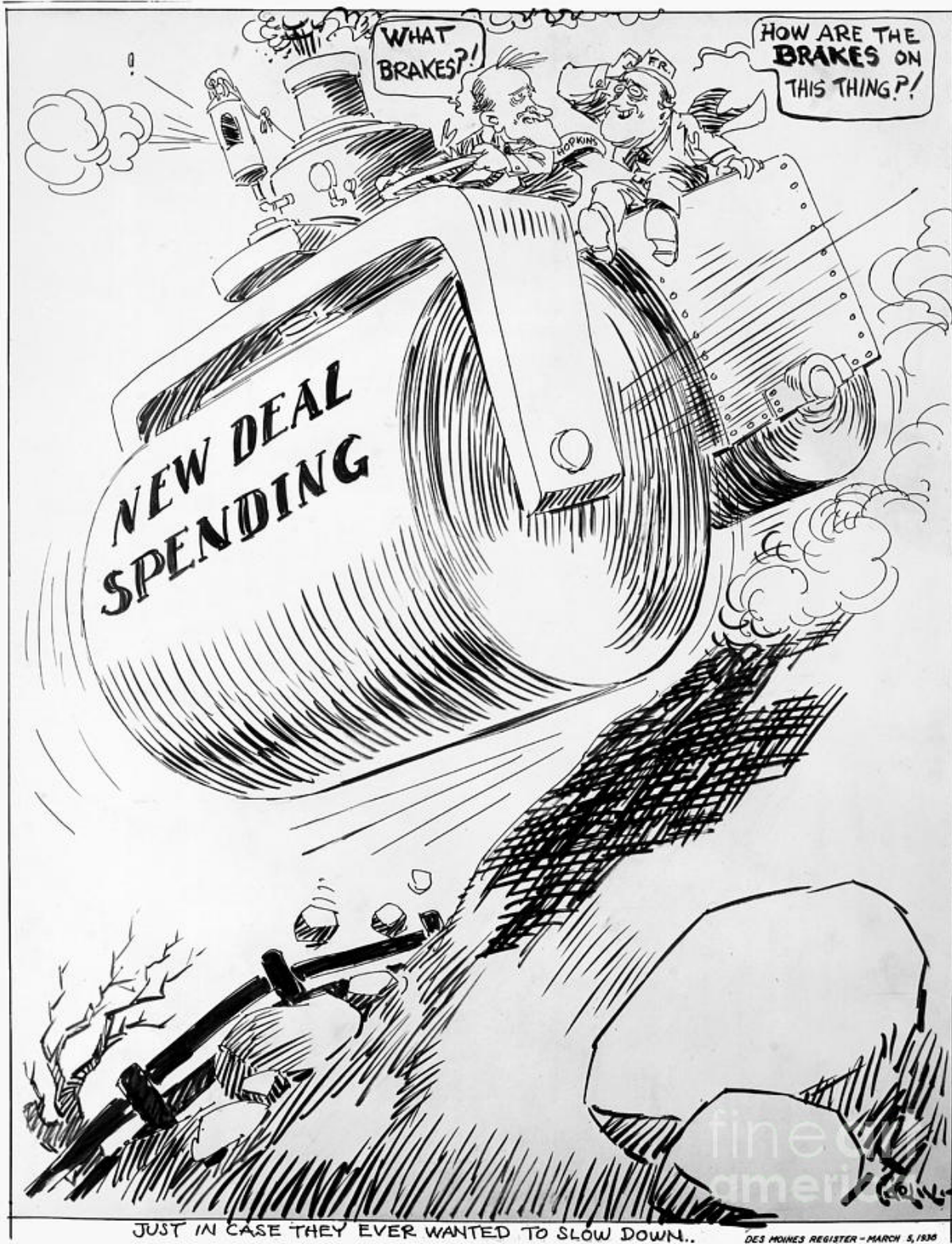


Comprehension Questions:

1. What happened to the US debt during the Depression? How does it compare to the previous US debt?
2. Why would the Great Depression and the New Deal cause the US debt to increase?

Document 7: Runaway Spending

In this political cartoon, FDR and one of his advisors drive a bulldozer labeled "New Deal Spending." FDR asks his advisor "where are the brakes on this thing?" His advisor responds "what brakes?"



Comprehension Questions:

1. What does the cartoonist think about government spending on New Deal programs? How is he critical of FDR and his administration's policies regarding the Depression?

Document 8: Old Reliable, 1937

The cartoon below is another cartoon reflecting critics of the costs of the New Deal. FDR, dressed as a magician, pulls a rabbit labeled "Spending" out of a hat and says "This is one rabbit that never failed me!"



Comprehension Questions:

1. What is this cartoonist saying about FDR's willingness to increase government spending?
2. Why might some people think spending money on New Deal programs would **not** be reliable or good?

Document 9: "FDR Priming the Pump"

Another cartoonist critical of FDR's spending during the Depression. The cartoon shows FDR dumping "\$7 thousand millions more" from US taxpayers into a "New Deal Pump" and saying "I HOPE this will make her work." The pipe leading to the pump has leaks, and the bottom reads "\$16 billion spent."



Comprehension Questions:

1. According to this cartoonist, how is the New Deal harming taxpayers?
2. Does this cartoonist seem to think increasing taxes and spending money on New Deal programs is working?