

# The New Deal

Government in Everyday Life

## Learning Objectives

Describe the purpose and outcomes of the "New Deal"

Explain the purpose of each of the following:

- Social Security
- National Labor Relations Board
- Fair Labor Standards Act
- Securities and Exchange Commission
- Tennessee Valley Authority

Useful Timeline Source: <https://livingnewdeal.org/what-was-the-new-deal/timeline/>

# Timeline of the New Deal

## Timeline (1933-1934)

- |  |  |
|--|--|
| Civilian Conservation Core (CCC)   | Farm Credit Act  |
| Federal Emergency Relief Administration (FERA)   | Public Works Administration (PWA) as established by the National Industrial Recovery Act |
| Agricultural Adjustment Act/Administration (AAA)                                       | Federal Surplus Relief Corporation   |
| Tennessee Valley Authority   | Involvement of the (already established) Army Corps of Engineers                         |
| Securities Act of 1933   | Public Works of Art Project (PWAP)   |
| Home Owner's Loan Act of 1933  | Securities and Exchange Commission (SEC) as established by the Securities Act of 1934    |
| Federal Deposit Insurance Corporation (FDIC) as established by the Banking Act of 1933 |  |

**Timeline (1934-oh good heavens it just keeps going... Check the link for more:**

**<https://livingnewdeal.org/what-was-the-new-deal/timeline/>**

## **New Programs And Agencies**

FDR's Administration launched a lot of new programs and agencies. Here we focus on a few of the most notable:

Social Security

National Labor Relations Board

Securities and Exchange  
Commission

Tennessee Valley Authority

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## **Synopsis**

Social Security Act (1935)

Created a national system of pensions, unemployment insurance and aid to mothers with children, and created Social Security Administration (SSA) to administer it.

President Roosevelt signed the Social Security Act into law on August 14, 1935. The law was wide-ranging. While most Americans know Social Security for its old-age pension system, the act also addressed unemployment benefits, aid to dependent children, maternal and child welfare, public health services, and aid to the blind [1]. It launched what would be called 'the welfare state' or 'the social safety net' of the postwar era.

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## Where did the idea come from?

The social security idea had been gestating in Europe, starting with the pension system of Bismarck's Germany and many countries had introduced old age benefits before the United States. Social security in America had some precedent in veterans' benefits and state welfare payments, but there was no systematic provision for retirement, unemployment or disability [2].

As a result, the poverty rate among senior citizens was extremely high and a huge burden on state welfare funds. So President Roosevelt created the Committee on Economic Security in 1934 to study the problem and make recommendations.

Frances Perkins and Harry Hopkins led the committee's efforts and recommended a universal social insurance type program, with everyone paying in and everyone equally eligible for benefits.

They even went so far as to suggest, "...the provision of public employment for those able-bodied workers whom industry cannot employ at a given time. Public work programs...may be needed in normal times...to help meet the problems of stranded communities and overmanned or declining industries"

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## In the words of FDR:

"The civilization of the past hundred years, with its startling industrial changes, has tended more and more to make life insecure. Young people have come to wonder what would be their lot when they came to old age. The man with a job has wondered how long the job would last...

This social security measure gives at least some protection to thirty millions of our citizens....[We] have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age...

It is, in short, a law that will take care of human needs and at the same time provide for the United States an economic structure of vastly greater soundness" [4].

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## A cornerstone of American society

The Social Security Act is the most effective poverty mitigation program in the United States. "Prior to Social Security, the elderly routinely faced the prospect of poverty upon retirement. For the most part, that fear has now dissipated" [5].

As of 2009, over 52 million Americans were receiving some type of Social Security benefit [6]. Unfortunately, despite its effectiveness and popularity, Social Security has repeatedly been questioned by conservative forces that seek to cut benefits on the false argument that the Social Security Trust Fund is going bankrupt (it is not).

Wall Street financiers have long wished to privatize the system, promising higher returns if the funds were invested in capital markets [7]. This argument, too, is bogus, as proven by the massive losses suffered by private retirement funds in the market crises of 2000 and 2008.

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## That Pesky Number, Your SSN-Social Security Number

At its inception, the SSN's only purpose was to uniquely identify U.S. workers, enabling employers to submit accurate reports of covered earnings for use in administering benefits under the new Social Security program. That is still the primary purpose for the SSN.

Today the SSN may be the most commonly used numbering system in the United States. As of December 2008, the Social Security Administration (SSA) had issued over 450 million original SSNs, and nearly every legal resident of the United States had one.

Source: <https://www.ssa.gov/policy/docs/ssb/v69n2/v69n2p55.html>

# New Regulatory Agencies

Let's Look At:

National Labor Relations Board

Securities and Exchange Commission

Tennessee Valley Authority

# National Labor Relations Act/Board



## This Stuff Gets Complicated, but basically...

Congress passed the National Labor Relations Act (popularly known as the Wagner Act) in 1935 to “protect the rights of employees and employers, to encourage collective bargaining, and to curtail certain private sector labor and management practices, which can harm the general welfare of workers, businesses and the U.S. economy” [1].

It made permanent the federal protection of the right of workers to unionize that had first been signaled in the National Industrial Recovery Act of 1933. Labor Secretary Frances Perkins was the primary New Dealer behind the legislation, which was carried by Senator Robert Wagner of New York, a key ally of the administration [2].

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## Please Note:

President Roosevelt signed the Act on July 5th, 1935, stating: “This Act should serve as an important step toward the achievement of just and peaceful labor relations in industry” [3].

Roosevelt had good reason to use the words “peaceful relations.” For decades, disagreements between management and workers had flared up into violent confrontations between strikers, private security forces, police officers, the National Guard, and Army. These frequently resulted in injuries, deaths, property loss, and economic damage.

The National Labor Relations Act was strongly opposed by Republicans and big business [6], and challenged in court, but it was ruled constitutional by the U.S.

Supreme Court in 1937 [7]. Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## Fair Labor Standards Act

On a Related Note...

The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting full-time and part-time workers in the private sector and in Federal, State, and local governments.

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## Securities and Exchange Commission



## Money Makes the World Go Round (and up and down!)

Securities Act (1933) & Securities Exchange Act (1934)

Created Securities and Exchange Commission (SEC).

Allowed federal regulation of stock trading in public corporations.

The first Securities Act was signed into law by President Roosevelt on May 27, 1933. At the signing, Roosevelt stated that the law was "intended to correct some of the evils which have been so glaringly revealed in the private exploitation of the public's money" [1].

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## What did it do?

Roosevelt was referring to such things as the sale of fraudulent securities, trading on inside information, and secretive trading between small groups of investors to drive up stock prices. Many of these Wall Street misdeeds came under the public spotlight during the 1933 Pecora Commission investigations.

The Securities Act of 1933 had two main objectives: "require that investors receive financial and other significant information concerning securities being offered for public sale; and prohibit deceit, misrepresentations, and other fraud in the sale of securities" [3].

New Deal policymakers understood that the Securities Act of 1933 would not be enough to reign in Wall Street wrongdoing. Hence, they crafted the Securities Exchange Act of 1934, signed into law by President Roosevelt on June 6, 1934 [4].

The law created the Securities and Exchange Commission (SEC) and gave the SEC the power to "register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self regulatory organizations".

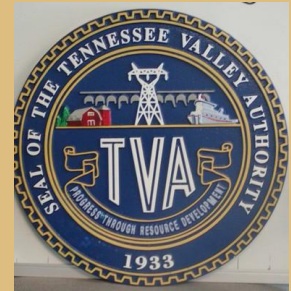
Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## And everyone loved it! Except those with a ton of money...

Most leaders of finance were opposed to regulatory oversight by the federal government, and there were some hysterical claims of such oversight being a prelude of communism [6]. They thought self-regulation was the best response to the Stock Market Crash of 1929. President Roosevelt was not impressed, writing to his Brain Truster Adolph Berle, "As you and I know, the fundamental trouble with this whole Stock Exchange crowd is their complete lack of elementary education. I do not mean lack of college diplomas, etc., but just inability to understand the country or the public or their obligation to their fellow man. Perhaps you can help them acquire a kindergarten knowledge of these subjects" [7].

The SEC still exists and believes that: "... all investors, whether large institutions or private individuals, should have access to certain basic facts about an investment prior to buying it, and so long as they hold it" [8]. Nevertheless, SEC oversight weakened from the 1970s onward, and a series of scandals hit the stock markets in succeeding years, from Michael Milken's junk bonds of the 1980s to Bernard Madoff's \$65 billion fraud in the 2000s. Many observers felt that the SEC had fallen asleep on its watch [9].

# Tennessee Valley Authority



## We've talked about this before...

Tennessee Valley Authority (TVA) (1933)

Created under the Tennessee Valley Authority Act.

Planned river basin development based on dams and hydroelectricity.

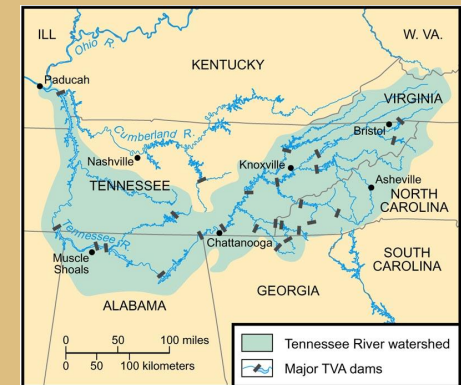
The TVA was one of several large river basin development projects launched during the 1930s, like those on the Columbia, Missouri and Colorado Rivers. It built dams up and down the river system for flood control and power generation, including the Norris, Wheeler, Pickwick Landing, Guntersville, Hiwassee, Chickamauga, Watts Bar, Kentucky, Cherokee, Fort Loudon, Ocoee #3, Chatuge, Nottely, Appalachia, Douglas, and Fontana dams [1]. The TVA engaged in many other activities, as well, such as malaria prevention, reforestation, forest fire suppression, erosion control, fertilizer development, agricultural education, advice to farmers and wildlife habitat protection [2]. CCC workers from nearly 200 camps in the region assisted TVA on many of these projects [3].

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## Today

Today, TVA provides power to over 9 million people in 7 states from its 29 dams, 11 coal-fired power plants and 3 nuclear facilities [7]. While it has had to adapt to new economic, political and environmental conditions, it remains popular.

When President Obama suggested selling TVA, Republicans knocked the proposal down as "a very bad idea" that "could lead to higher electricity rates" [8]. It is the only public works agency entirely created by the New Deal that is still in operation, though now chartered as a public corporation.



THE TENNESSEE VALLEY AUTHORITY

Source: <https://livingnewdeal.org/what-was-the-new-deal/programs/>

## Review

What was the purpose of the “New Deal”?

What were its outcomes?

What was the purpose of...

Social Security?

The National Labor Relations Board?

Fair Labor Standards Act?

The Securities and Exchange Commission?

The Tennessee Valley Authority?