New Deal Readings I

**Viewpoint:** World War II, with little help from New Deal programs, brought America out of the Great Depression.

**Viewpoint:** Far from ending the Great Depression, the New Deal was an obstacle to recovery because it was not designed to restore national prosperity.

Historians have generally pointed to two different explanations for what ended the Great Depression. One is that President Franklin D. Roosevelt's New Deal programs, if they did not eliminate unemployment and spur production, at least restored the American people's confidence in the economic and political system and so kept social peace during the hard times of the 1930s. His programs, some historians argue, benefited certain segments of society and helped ease the strain of depression. When more prosperous times returned, the economic reforms Roosevelt initiated in 1933 and 1935, such as the Securities and Exchange Commission, Federal Deposit Insurance Corporation, National Labor Relations Board, and Social Security, saved the nation from ever experiencing the same kind of devastating economic catastrophe.

On the other hand, unemployment never fell below 14 percent during Roosevelt's first two administrations. Unemployment only ended when the war in Europe produced a demand for American goods—so World War 2, not the New Deal, ended the Great Depression. One of President Harry S. Truman's greatest fears in 1945 was that with peace the country would revert into depression.

Who is right here? Truman was a firm supporter of New Deal policies, but did he support them because he believed they worked or did he have other reasons? Politicians may argue on matters of policy, but historians are supposed to find objective reasons for their explanations. In these two essays, Margaret Mary Barrett and Thomas E. Woods Jr. differ on how the Great Depression ended. Barrett argues that World War II effectively stimulated production and brought the depression to an end. While the New Deal was intended to resolve these economic problems, she argues, because it was more a hodgepodge of different programs and ideas than it was a coherent economic strategy, ultimately it failed.

Woods, on the other hand, sees the New Deal as something more than a series of attempts to stimulate the economy. He offers a sophisticated economic argument that the New Deal actually hurt the economy, that the Depression might have ended sooner had Roosevelt and his advisers not enacted programs such as the Agricultural Adjustment Act or the National Industrial Recovery Act. Wood’s argument would find strong support among the Republicans of 1933. However, Woods raises some intriguing points. The New Deal was a coherent economic program, he suggests, designed to support wages and protect the rights of workers, it was not intended to restore prosperity so much as it was designed to protect some workers, particularly organized labor, and to impose regulations on business. Prosperity, Woods argues, only returned when the Republican Congress of 1947 restrained some radical features of the New Deal (notably with the Taft-Hartley Act)—and when the Eisenhower administration returned the country to what President Warren G. Harding had called "normalcy"—ending much of the regulations on business imposed by the Democrats in the 1930s.

Historians will argue over Barrett’s and Woods’s interpretations of these events. Citizens can debate the role of government regulation of the economy, whether the kinds of programs Roosevelt created were wise or beneficial, and whether the evils they were designed to prevent were greater than the inconveniences they may have created.

**Viewpoint I: World War II, with little help from New Deal programs, brought America out of the Great Depression.**

When World War II broke out in 1939, the United States was still struggling with the effects of the Great Depression. President Franklin D. Roosevelt had worked to alleviate conditions caused by the depression; however, he was unable to end the economic troubles because his policies did not stimulate enough demand on the U.S. economy. In effect, none of his programs—including the Emergency Banking Bill, the Farm Credit Act to forestall farm foreclosures, various housing acts, and the many reform measures such as the Social Security Act and the Wagner Act—permanently stimulated the economy, increased production, or alleviated unemployment. Some of Roosevelt's programs brought temporary relief and reformed several aspects of capitalism, but they did not end the depression. This feat was achieved by World War II, which stimulated the economy in several ways. Existing industries, including textiles and steel, were revived by the demands of war; new
industries, including petroleum, chemicals, aviation, and electronics, were given a large boost by government contracts. The demands of war, therefore, created a wealth of jobs and provided an economic stimulus to nearly every industry in the United States.

War demands accomplished more in the areas of finance, employment, and production than any of Roosevelt's New Deal programs. Following the stock market crash of 1929, industrial production fell by one third. Unemployment affected 25 percent of the workforce. The collapse of Wall Street devalued capital stocks and erased a large segment of national wealth. A series of bank failures erased investments and savings, as businesses failed and individual bankruptcies followed. No temporary fix could permanently repair these severe problems.

In their totality, New Deal programs were a series of haphazard attempts to repair a series of crises, ranging from bankruptcies and unemployment to underproduction in many industries. The New Deal was not pre-planned by Roosevelt as a coherent and consistent program to permanently eliminate the depression. Instead, most recovery measures were short-term responses to strong pressure groups, each demanding relief from its own plight. Consequently, because there was no cohesive plan to repair the economy with these quick-fix reforms, the New Deal was not endowed with long-term vision.

Instead of bringing stability to the people of the United States, Roosevelt's reforms brought instability. There had been steady improvement in 1935 and 1936 because of increased government spending, but there were also setbacks. In addition to relief and public-works expenditures, Congress provided for cash payment of veterans' bonuses. But in 1937, Roosevelt ordered severe cuts in spending. A series of economic fluctuations culminated in the 1938 recession within the depression, which brought the economy to a low point that nearly matched that of 1929. From spring of 1937 until spring of 1938, industrial production fell by one third and at its nadir was 30 percent below its mid-1929 level. The average unemployment rate during this recession jumped to 19 percent, as two million more people were left jobless by the end of the year.

Roosevelt's global plan to protect the domestic economy only hindered rehabilitation. During the early 1930s the United States placed a tariff on foreign goods in order to stimulate and protect domestic sales. In an effort to protect the farm economy from international competition, a series of quotas, embargoes and special import fees were put into effect. As the depression raged on, these measures only kept the United States from the benefits of international trade. As Europe came closer to World War II, many isolationists in Congress even thought that involvement in a foreign war would undercut the New Deal's attempts to recover from the depression.

This prediction proved incorrect, as World War II reopened the U.S. economy to international trade. It provided additional markets for its surplus goods. There were also increased demands for American exports and for the federal government to spend money for its growing national-defense industry. Belligerent nations that later became America's allies required more American exports to help meet their civilian and war needs, and non-belligerents turned increasingly to American exports as supplies from warring countries decreased. U.S. exports had averaged below $4.4 billion in the years immediately preceding 1940; in 1941 they were $1.5 billion higher.

War brought instant economic gain for the U.S. defense program. The expansion of defense output began in the spring of 1940 and accelerated throughout the war. In the years immediately preceding 1940, total federal expenditures for goods and services were below $5.4 billion; in 1941 they were $16.9 billion, of which nearly $13.8 billion was for national defense. Thus the government was spending for national defense alone about two and a half times as much as it Unemployment was also alleviated during the war. During the depression the average rate of unemployment never fell below 14.3 percent, in 1941 it dropped to 9.9 percent. It was not until 1943, however, two years after the United States joined the war, that the nation returned to near-full employment. Within the federal government alone the number of civilian employees quadrupled from about 950,000 in 1939 to 3.8 million in 1945.

Investment also increased as individual businesses, particularly large, established corporations, reaped big
profits during the war. Agricultural prices soared and profits increased as a powerful farm group in Congress prevented a low-price ceiling on farm goods. This action allowed them to earn higher revenues on their output. Big and small businesses in steel, copper, and manufacturing industries benefited from wartime military contracts. The automobile industry boomed as assembly lines were used to produce planes and tanks in addition to automobiles.

World War II was in many respects an economic turning point for the United States. It not only ended the Great Depression, but it also brought unprecedented prosperity to the country. Perhaps more significant than financial gains, the war restored faith in American economic and political structures. At its core the Great Depression had instilled a collective feeling of despair over the many failures of the American system. The war eliminated doubt and frustration by creating jobs and restoring, and eventually increasing, prosperity in the United States.

-MARGARET MARY BARRETT, ANN ARBOR, MICHIGAN

References
John W. Jeffries, Wartime America: The World War IIHome Front (Chicago: Ivan R. Dee; 1996);
Murray N. Rothbard, America's Great Depression, fourth edition (New York: Richardson & Sny-der, 1983);