

Analysis of Roosevelt's New Deal: The Decisive Role the Government Should Play When Facing the Crisis

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Abstract: As COVID-19 spreads, there are quite a lot of disputes on what role a government should play to control the pandemic. This paper will focus on the influence of Roosevelt's New Deal and its implications to handle a crisis. This paper examines the historical background, specific measures, and effects of Roosevelt's New Deal, as well as the different views of various schools of thought on the New Deal. The main method used is literature analysis. It can be concluded that Roosevelt's New Deal is a solid example of effective government efforts to protect a country amid a crisis.

Keywords: Roosevelt's New Deal, Government, Economy, Crisis.

1. Introduction

People are living in a very challenging world: COVID-19 pandemic and local wars. When facing a crisis, different governments are following different ways out. Some choose the proactive ways to try to change their destiny, while some just adopt regular action plans. Roosevelt's New Deal was a big event in history, for many years it could still inspire the leaders to lead the nations out of hard times, including maintaining the stability of their social systems, the dynamics of the economy, and their people's confidence toward the future. This article specifically examines the background of the New Deal, the stabilization of the social economy, the policies of social security, the prolongation of monopoly capitalism, its impact on the world, and the different views of the outside world on it. This article focuses on finding and analyzing relevant literature for a more comprehensive understanding.

The New Deal's welfare system and the strengthening of state intervention in the economy are worthy of reference, especially in the light of the epidemic, the impact on economic development and social unrest, but also with reference to the actual national conditions and economic level of each country. The new deal could be a quite good example for our modern government to prevent the nations from the crisis.

2. The Historical Background of Roosevelt's New Deal

The historical background of Roosevelt's New Deal can be attributed to several reasons. The first reason was that the United States was deeply affected by the economic crisis, including the growing class and social tensions, the increasing poverty of the working and other lower classes in the United States and the decline of the major economic indicators in the United States.

The second major reason was the growth and threat of fascism in the United States. In the 1930s, fascism spread throughout the capitalist world, and the fascists in the United States who supported

Hitler's Nazi Party also organized various fascist organizations in the United States, advocating the path of Hitler.

The third major reason was that the economic policies of traditional American society were not working at that time. The collapse of the securities markets in the United States in the late 1920s was triggered by a wave of securities speculation, and the financial crisis in the United States was exacerbated by inappropriate measures taken by the Hoover administration and the Federal Reserve Board during the Great Depression. The collapse of the securities markets dealt a fatal blow to the pre-existing US financial system and the national economy as a whole.

The fourth major reason was that Roosevelt himself boldly went to challenge the new policy system and took the initiative to explore to change [1]. Roosevelt's New Deal was an attempt by state-monopoly capitalism to intervene fully in the social economy.

3. The Specific Measures of Roosevelt's New Deal

Roosevelt also implemented a number of specific measures. First on the economic front, adjusting many of his fiscal policies: because the traditional fiscal policy of balancing the budget failed to solve the economic crisis, he began to use a deficit fiscal policy [2]. He also pioneered comprehensive state intervention in the economy, and when the economic state of the market does not work, both market mechanisms and government intervention should be brought into play [3].

The Roosevelt administration also introduced many monetary policies. In the First New Deal, the Thomas Amendment was introduced to allow the president to expand the authority of currency issuance, the Emergency Banking Act to overhaul banks, the Securities Act and the Securities Exchange Act to overhaul the securities market, and the Glass-Steagall Act to separate commercial banks from investment banks. In the Second New Deal, a series of bills and administrative measures were introduced, including the Tax Act of 1935, which reformed the tax system, and the Banking Act of 1935, which restructured the federal reserve system. While the first New Deal was mainly about first aid, the second New Deal was mainly about innovation and the gradual expansion of one's rights. Capital operations and infusions of capital also helped society to accumulate capital and establish new market norms [4].

He also took a number of measures to adjust industrial and agricultural production. First, agricultural production was restricted, and in May 1933, Congress passed the Agricultural Adjustment Act. In May 1933, Congress passed the Agricultural Adjustment Act, which established the Agricultural Adjustment Administration to produce, process, manage, and market agricultural products, and to provide hundreds of millions of dollars in subsidies from processing fees to allow farmers to reduce farming. By the end of 1935, U.S. net farm income was \$3.378 billion higher than in 1932. In June 1933, Congress passed the National Industrial Recovery Act and established the National Commission for Industrial Recovery, which provided loans to large capitalists to tide them over the economic crisis and supervise production. The national economy was fully controlled by the 200 largest non-financial corporations and 50 financial corporations, which accounted for 50% of the total corporate assets of the country [5].

The Roosevelt New Deal also regulated labor-management relations. The Roosevelt administration introduced a wide range of labor legislative measures in the United States. The legislation stabilized society, eased the crisis, and influenced the pattern between management, labor, and government, paving the way for modern labor-management relations in the United States, increasing the power of labor relative to the power of management and increasing the socialization of government [6]. There are two main features of the labor legislation during Roosevelt's "New Deal" period: firstly, there were both anti-trust and labor policies. Secondly, it had an internal corporatist spirit [7]. Then, it comes to the Political measures.

The New Deal established social security policies. By introducing social security policies such as the Federal Emergency Relief Act, the Emergency Relief Appropriations Act, and the Social Security Act, a major social crisis was averted. Both economic and social security were ensured [8]. In the face of poverty and unemployment, the Roosevelt administration took three measures: direct relief for the unemployed, the creation of social security laws to protect the unemployed, and food for work to expand employment. The Roosevelt Administration enacted the Federal Emergency Relief Act in May 1933 and established the Federal Emergency Relief Agency (FERA) at a cost of about \$4 billion, with about 8 million families receiving benefits at the peak of the period. The government also launched a massive public works effort to promote employment. In 1935, the Social Security Act was established, enabling at least 30 million U.S. citizens to receive various benefits to protect them from unemployment and old age.) Thus, most American historians believe that the Social Security Act was the most important of all New Deal legislation, putting the United States on the path to a welfare state [9].

The Roosevelt New Deal also adapted to the needs of the development of American monopoly capitalism in the 1930s, and made internal improvements that partially changed the relations of production, eased the class struggle to a certain extent, improved the lives of working people, and strengthened the American monopoly capitalist system. The New Deal did not transform society and could not eliminate the old social system, which was full of crises. It could only limit individual bad and extreme aspects, but in general, it was a progress of history [10].

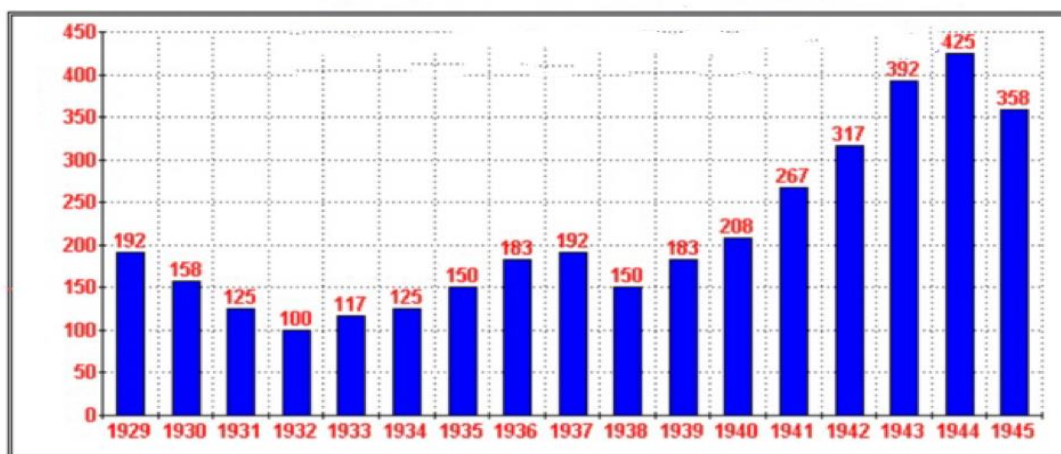


Figure 1: US production recovery histogram from 1932 to 1945.

4. The Effects of Roosevelt's New Deal

The Roosevelt New Deal had many effects. First of all, it was the impact on the United States itself. Roosevelt's New Deal was the starting point and the attempt of the state monopoly capitalism to fully intervene in the social economy. By directly intervening in the economy, the state adjusted the price difference in production, suppressed or fostered the role of some monopoly capital, provided employment opportunities, deepened reforms, promoted economic growth and laid the material foundation for the defeat of fascism in World War II, restored people's confidence in the American bourgeois democratic system, tided over the economic crisis, and prevented the United States from going down the path of fascism. However, it cannot completely transform society and eliminate the old system, but only restrict part of it [10].

Roosevelt's New Deal also had a huge impact on the world, as state and fiscal intervention spread through Keynesianism, influencing the economic life of capitalist countries and effectively

preventing the turmoil of the Great Depression, but also bringing hyperinflation and a stagflationary crisis in the capitalist economy [11].

5. Comments on Roosevelt's New Deal

In the world, there are also different views on Roosevelt's New Deal. Liu Xuyi's view that the New Deal 'provided a pattern of development of state-monopoly capitalism that Lenin did not foresee' is the most enlightening, while Hu Guocheng's view that 'it is not the New Deal that continues to this day, but the American state monopoly capitalist economic system that began with the New Deal' is the most convincing view of the longevity of the New Deal. Hu Guocheng's view that "it is not the New Deal but the American state monopoly capitalist economic system that continues to this day, with the New Deal as its beginning" is the most convincing view on the longevity of the New Deal. As for the guiding ideology of the New Deal, some thought that it was the Keynesian doctrine, some thought that it was merely influenced by it, some thought that it "adopted the views of the Chicago School", and some simply thought that the New Deal did not present a complete theoretical basis, but "reflected the present transition from modern private monopoly capitalism to state monopoly capitalism". Some simply argued that the New Deal did not have a complete theoretical basis, but was merely an "emergency measure" that "reflected the general trend of the transition from modern private monopoly capitalism to state monopoly capitalism", and so on [12].

6. Conclusion

The Roosevelt New Deal did have great significance in history. The Roosevelt administration took proactive actions via adjusting policies, reforming economic structure, and many other aspects to mitigate the risks to the country. It well illustrated a fact how a government could conduct decisive actions to allocate public resources to alleviate a crisis with minimum loss. Naturally, not 100% of Americans were satisfied with the New Deal at that time in the States, but it really protected most people's benefits and prevented the U.S. economy from collapsing. Also, this case could be a good reference to all the people in the world, that during a crisis, trusting the government and getting united to follow the government decisions could be the most effective way. The relevance of the New Deal should be explored in depth by combining it more closely with the epidemic and the resolution of the crisis. Future research could focus on the links between Roosevelt's New Deal and government regulation and economic recovery.

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