



Legacy of the New Deal

Objectives

1. Discover how the New Deal reformed labor relations.
2. Find out how Social Security began.
3. Identify the main arguments for and against the New Deal.

Prepare to Read

Reading Skill

Evaluate Long-Term Effects

Important historical events such as the Depression often have far-reaching effects. In fact, the Depression changed America permanently in some areas, such as its culture, political system, and economy. Read this section to identify these long-term effects. Think about how, if at all, they affect your life today.

Vocabulary Builder

High-Use Words

minimum, p. 791

fundamental, p. 793

Key Terms and People

payroll tax, p. 790

Frances Perkins, p. 791

collective bargaining, p. 791

John L. Lewis, p. 791

sit-down strike, p. 791

deficit spending, p. 792

★ **Background Knowledge** You have seen how New Deal programs tried to combat the immediate effects of the Great Depression. Here, you will look at the lasting impact of the New Deal.

Main Idea

The Social Security Act provided aid to retired people and others in need.



Social Security poster

Social Security

"Those suffering hardship from no fault of their own have a right to call upon the government for aid," FDR argued. In 1935, he signed the Social Security Act. It gave the federal government a major and lasting role in providing support for the needy.

A key part of the Social Security Act was Old-Age Insurance. It guaranteed retired people a pension. To fund the pensions, the new law imposed a payroll tax, or a tax that removes money directly from workers' paychecks. Employers were required to make matching contributions. Business leaders opposed Old-Age Insurance, arguing that matching payments removed too much money from the economy.

The Social Security Act included Aid to Dependent Children (ADC) to help children whose fathers were dead, unemployed, or not living with the family. The ADC granted federal money to states to help mothers stay home to raise their young children. The Social Security Act also provided financial aid to the disabled and gave the states federal money to make temporary payments to the unemployed.

At first, the Social Security Act excluded some categories of labor. Employers of agricultural and domestic workers were not required to pay into the system. As a result, many African Americans, migrant workers, and poor rural whites did not benefit from Social Security.

✓ **Checkpoint** How did the Social Security Act pay for pensions for retired Americans?

Lasting Labor Reforms

The committee that drafted the Social Security Act was chaired by FDR's secretary of labor, **Frances Perkins**. The first woman to serve in the Cabinet, Perkins backed major labor reforms. She said that "the ideal of government should be, through legislation and through cooperation between employers and workers, to make every job the best that the human mind can devise as to physical conditions, human relations, and wages."

New Laws Favor Workers In 1935, Congress passed the National Labor Relations Act. It became known as the Wagner Act, after the New York senator who sponsored it. The Wagner Act guaranteed workers' rights to organize into unions and prohibited unfair business practices, such as firing union members.

The Wagner Act also upheld **collective bargaining**, or the right of a union to negotiate wages and benefits for all of its members. A new National Labor Relations Board required employers to participate in collective bargaining with unions. Largely due to the Wagner Act, union membership tripled during the 1930s.

Workers gained additional benefits with the 1938 passage of the Fair Labor Standards Act. The new law set minimum wages at 25 cents per hour and maximum weekly work hours at 44. It also established time-and-a-half payment for overtime work and put an end to child labor in some businesses.

A Powerful New Union In 1935, John L. Lewis, head of the United Mine Workers, formed the Committee for Industrial Organization, later renamed the Congress of Industrial Organizations (CIO). The CIO was an umbrella organization consisting of many other unions. The CIO differed from the older American Federation of Labor (AFL).

The AFL organized member unions by their skills. However, Lewis thought that organizing unions differently would give workers more bargaining power. The CIO combined all the workers in a particular industry, skilled and non-skilled alike. This policy opened up union membership to more women and African Americans, many of whom worked in unskilled positions.

In 1936, the United Auto Workers—a member union of the CIO—launched a sit-down strike at the nation's largest auto factory. In a **sit-down strike**, workers stay in the factory but stop production. After six weeks, the strikers won their demands for higher wages and shorter hours. The Supreme Court later ruled sit-down strikes illegal.

✓ **Checkpoint** How did the Wagner Act protect workers?

Main Idea

Government reforms and a new labor organization helped unions grow more powerful.

Vocabulary Builder

minimum (MIHN ah muhm) *adj.*
smallest or least required or allowed

A Sit-Down Strike

The sit-down strike was a new labor tactic in the 1930s. These auto workers are literally sitting down on the job—on unused car seats.

Critical Thinking:

Evaluate Information Why do you think sit-down strikes were an effective means of protest?



Cause and Effect

CAUSES

- The gap between rich and poor Americans widens.
- Industries decline when people cannot afford new items.
- Margin buying leads to inflated stock prices.
- The stock market crashes in 1929.
- Banks fail because people cannot repay their loans.

THE GREAT DEPRESSION

EFFECTS

- Millions of people lose their jobs, farms, and property.
- The banking system nears collapse.
- Many businesses become bankrupt.
- FDR institutes New Deal legislation to promote economic recovery.
- The government's role in social welfare increases.

Reading Charts

Skills Activity

The economic collapse known as the Great Depression had multiple causes. Its effects reached every American.

- (a) **Interpret Charts** Identify one economic cause of the Great Depression.
- (b) **Analyze Cause and Effect** In what way are the effects of the Great Depression and the New Deal still felt today?

Main Idea

Critics of the New Deal argued that it made the government too powerful, whereas supporters claimed that it restored faith in government.

Scorecard on the New Deal

The Social Security Act and other reforms permanently enlarged the role of the federal government. However, not everyone agreed that the government should take such an active approach to social problems. The debate over the New Deal continues to this day.

Arguments Against the New Deal Since the 1930s, critics have charged that the New Deal gave too much power to the federal government. They argue that government programs threaten both individual freedom and free enterprise. Herbert Hoover warned:

“Either we shall have a society based upon ordered liberty and the initiative of the individual, or we shall have a planned society that means dictation, no matter what you call it or who does it. There is no halfway ground.”

—Herbert Hoover, speech, June 10, 1936

Such critics favor a return to the tradition of *laissez faire*, which stated that the government should interfere with the economy as little as possible.

Critics of the New Deal also worried about a massive increase in the nation's debt. To pay for his programs, FDR had resorted to a policy of deficit spending. Deficit spending is a situation in which the government spends more money than it receives in taxes.



Evaluate Long-Term Effects

Evaluate the long-term effects of the New Deal, as viewed by its critics.

Finally, critics pointed out that the New Deal failed to fulfill its most **fundamental** goal. FDR's programs did not end the Great Depression. Full economic recovery would not come until 1941, when the United States began producing goods in preparation for entering a new world war.

Arguments for the New Deal Supporters of the New Deal pointed out that FDR's active approach eased many problems. It employed millions of jobless people, ended the banking crisis, reformed the stock market, saved poor families from losing their homes, and improved working conditions. New Deal programs built dams and bridges, preserved 12 million acres of national parkland, brought electricity to rural America, and sponsored the creation of lasting works of art.

For many Americans, the New Deal restored their faith in government. They felt that their government would take care of them. Franklin and Eleanor Roosevelt received millions of letters from admirers. One writer said, "I have always felt like you and your wife and your children were as common as we were." In countless homes, FDR's picture held a place of honor.

✓ **Checkpoint** Summarize one argument against the New Deal.

★ **Looking Back and Ahead** Admirers of the New Deal said that people's faith in FDR helped American democracy survive the Great Depression. By contrast, several nations in Europe and Asia turned from democracy to dictatorship. In the next chapter, you will see how the rise of dictators led to World War II.

Vocabulary Builder

fundamental (fuhn duh MEHN tahl)
adj. basic; essential; most important



Eleanor and Franklin Roosevelt

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Comprehension and Critical Thinking

1. (a) **Identify** What were the main provisions of the Social Security Act?
(b) **Link Past and Present** Why is Social Security still important today?
2. (a) **Describe** How was the organization of the CIO different from that of the AFL?
(b) **Identify Benefits** How might the organization of the CIO have made it more effective in negotiating with companies on behalf of workers?

Reading Skill

3. Evaluate Long-Term Effects

Reread "Arguments for the New Deal" on this page. Evaluate the long-term effects of the program, as viewed by its supporters.

Vocabulary Builder

Complete each of the following sentences so that the second part further explains the first part and clearly shows your understanding of the key term.

4. Union and company representatives sit down together in collective bargaining, _____.
5. Many people fear a government might hurt the economy through deficit spending, _____.

6. Social Security was funded by a payroll tax, _____.

Writing

7. Create a two-column checklist for a multimedia presentation on a topic from this section. Insert the topic at the top of the checklist. In the left column, list three of these media types: Music; Videos/DVDs; Art; Photographs; Computer Presentations; Interviews. In the right column, describe specific materials you would explore for each type. For example: Interviews (*left column*); Talk to grandmother about Social Security (*right column*).