Chapter

23

Managing the Great Depression, Forging the New Deal

1929– 1939

Annotated Chapter Outline

The following annotated chapter outline will help you review the major topics covered in this chapter.

I. Early Responses to the Depression, 1929–1932

 A. Enter Herbert Hoover

 1. The American economy went rapidly downhill between 1929 and 1932. U.S. gross domestic product fell almost by half, from $103.1 billion to $58 billion. Consumption dropped by 18 percent, construction by 78 percent, and private investment by 88 percent. Fifteen million people were unemployed by 1933, and many others took wage cuts to keep their jobs.

 2. The Great Depression was, in part, a global crisis that emerged from the aftermath of World War I. Germany’s economy, burdened by reparation payment, was shattered by 1929. The heavy cost of war prevented Britain’s central bank from resuming its role as a key manager in the international financial system.

 3. In addition, the war disrupted the international gold standard. The United States and most European nations had long tied the value of their currencies to gold. This system had worked fairly well before the crisis of World War I, but it was vulnerable during economic downturns, when foreign financiers withdrew their investments and demanded gold payments.

 4. As the depression continued, President Herbert Hoover drew upon two powerful American traditions. The first was the belief that economic outcomes were the responsibility of individual people. People’s fate was in their own hands, not in the workings of the market. The second tradition was voluntarism—the idea that the business community could regulate itself without relying on government assistance.

 5. Following these principles, Hoover asked Americans to do more with less and cut federal taxes to boost private spending and corporate investment.

 6. Faced with economic catastrophe, both Britain and Germany abandoned the gold standard in 1931; their economies recovered moderately. But the Hoover administration, not recognizing that an inflexible money supply discouraged investment, argued that such a move would weaken the value of the dollar.

 7. The United States finally left the gold standard in 1933, under Roosevelt’s administration, but by then the economy had stalled.

 8. In 1930, Republicans enacted the Smoot-Hawley Tariff; despite protests by over a thousand economists urging him to veto it, Hoover approved the legislation. The orthodoxy of high tariffs had helped protect American manufacturing during good economic times, but in 1930, Smoot-Hawley triggered retaliatory tariffs in other countries, which further hindered global trade and led to greater economic contraction throughout the industrialized world.

 9. Hoover recognized that voluntarism from corporate leaders and high tariffs might not be enough and turned to government action. He called on state and local governments to increase capital expenditures on public works. In 1931, he secured an increase of $700 million in federal spending on public works.

 10. Hoover’s most innovative program was the Reconstruction Finance Corporation (RFC), which provided federal loans to railroads, banks, and other businesses. Congress approved it in January 1932.

 11. This plan might have worked, but the RFC was too cautious in lending the money. Although Congress allocated $1.5 billion to the RFC, the agency had expended only 20 percent of these funds by the end of 1932.

 12. Compared with previous chief executives—and in contrast to his popular image as a “do-nothing” president—Hoover had responded to the national emergency with government action on an unprecedented scale. But the nation’s needs were even more unprecedented, and Hoover’s programs failed to meet them.

 B. Rising Discontent

 1. As the depression continued, many citizens came to hate Herbert Hoover. Terms, such as *Hoovervilles* (shantytowns where people lived in packing crates) and *Hoover blankets* (newspapers) reflected the growing discontent with Hoover’s failing policies.

 2. Even as some Americans were going hungry, farmers formed the Farmers’ Holiday Association and destroyed food rather than accepting prices that would not cover their costs.

 3. Bitter labor strikes occurred in the depths of the depression, despite the threat that strikers would lose their jobs.

 4. Veterans staged the most publicized—and most tragic—protest. In the summer of 1932, the Bonus Army of 15,000 unemployed World War I veterans marched on Washington to demand immediate payment of their pension awards; newsreels showing the U.S. Army moving against its own veterans made Hoover’s popularity plunge even lower.

 C. The 1932 Election

 1. As the 1932 election approached, the nation overall was not in a revolutionary mood. Many middle-class Americans had internalized the ideal of the self-made man and blamed themselves rather than the system for their hardships. Most Americans believed that something altogether new had to be tried—whatever that might be.

 2. The Republicans nominated Hoover once again for president, and the Democrats nominated Governor Franklin Delano Roosevelt of New York.

 3. In 1921, Roosevelt had suffered an attack of polio that left both his legs paralyzed, yet he emerged from the illness a stronger, more resilient man.

 4. Roosevelt won the election easily, receiving 22.8 million votes to Hoover’s 15.7 million,

 5. Elected in November, Roosevelt would not begin his presidency until March of 1933. (Ratified in 1933, the Twentieth Amendment set January 20 as the permanent inauguration day.)

 6. As FDR waited, Americans suffered through the worst winter of the depression. Nationwide, unemployment continued to climb to staggering levels of 60 percent in some cities. Public welfare institutions were totally overwhelmed.

 7. Despite dramatic increases in their spending, private charities and public relief agencies only reached a fraction of the needy.

 8. The nation’s banking system was so close to collapse that many state governors closed banks temporarily to avoid further withdrawals. By March 1933, the nation had hit rock bottom.

II. The New Deal Arrives, 1933–1935

 A. Roosevelt and the First Hundred Days

 1. Banking Reform

 a. Ideologically, Roosevelt differed little from Hoover. Both wished to maintain the American economic system and the nation’s social values, including hard work and sacrifice. Roosevelt’s charm and his willingness to experiment made him more effective and more popular than Hoover.

 b. A wealthy aristocrat from a patrician family, Roosevelt was unlikely to inspire millions of ordinary Americans. But he established a close rapport with the American people; his use of radio-broadcasted “fireside chats” fostered a sense of intimacy.

 c. Roosevelt dramatically expanded the role of the executive branch in initiating policy, thereby helping to create the modern presidency.

 d. To draft legislation and policy, Roosevelt relied heavily on financier Bernard Baruch and a “Brains Trust” of professors from Columbia, Harvard, and other leading universities. He also turned to his talented cabinet, including Secretary of the Interior Harold L. Ickes, Frances Perkins at the Labor Department, Henry A. Wallace at Agriculture, and Henry Morgenthau Jr., the secretary of the treasury.

 e. Roosevelt could have done little, however, without a sympathetic Congress. The 1932 election had swept Democratic majorities into both the House and Senate.

 f. The first months of the administration produced a whirlwind of activity in Congress known as the Hundred Days, during which fifteen major bills were enacted, targeting banking failures, agricultural overproduction, the business slump, and soaring unemployment.

 g. Derided by opponents as an “alphabet soup” because of the many abbreviations they spawned (CCC, WPA, AAA, etc.), the new policies and agencies represented the dawn of a new American state.

 h. The first problem Roosevelt confronted was the banking crisis; the president declared a national “bank holiday” and called Congress into special session. The result was the Emergency Banking Act, which permitted banks to reopen if a Treasury Department inspection showed they had sufficient cash reserves.

 i. In his first fireside chat, the president reassured citizens that the banks were safe; when the banks reopened, there were more deposits than withdrawals.

 j. A second banking law, the Glass-Steagall Act, further restored public confidence by creating the Federal Deposit Insurance Corporation (FDIC), which insured deposits up to $2,500. Roosevelt also removed the U.S. Treasury from the gold standard in June 1933, which allowed the Federal Reserve to lower interest rates. It had been raising them since 1931, which had only deepened the downturn.

 2. Agriculture and Manufacturing

 a. The Agricultural Adjustment Act (AAA) established a system of cash subsidies for seven major commodities (wheat, cotton, corn, hogs, rice, tobacco, and dairy products) to entice farmers to cut production in the hopes that prices would rise.

 b. The AAA’s benefits were distributed unevenly; subsidies went primarily to the owners of large and medium-sized farms, while renters and sharecroppers received a few dollars in relief payments.

 c. The National Industrial Recovery Act launched the National Recovery Administration (NRA), which established a system of self-governing private associations in six hundred industries.

 d. The NRA’s codes established prices and production quotas. But large companies tended to dominate the NRA’s code-drafting process, thus solidifying the power of large businesses at the expense of smaller ones.

 3. Unemployment Relief

 a. The Federal Emergency Relief Administration (FERA), set up in May 1933 under the direction of Harry Hopkins, offered federal money to the states for relief programs and was designed to keep people from starving until other recovery measures took hold.

 b. Established in November 1933, the Civil Works Administration (CWA) put 2.6 million men and women to work; at its peak, it employed 4 million in public works jobs. The CWA lapsed the next spring when Republican opposition compelled New Dealers to abandon it.

 c. A more long-term program, the Civilian Conservation Corps (CCC), mobilized 250,000 young men to do reforestation and conservation work. Over the course of the 1930s, the “CCC boys” built thousands of bridges, roads, trails, and other structures in state and national parks.

 4. Housing Crisis

 a. More than half a million Americans lost their homes between 1930 and 1932. In response, Congress created the Home Owners Loan Corporation (HOLC) to refinance home mortgages. In just two years of operation, the HOLC helped more than a million Americans retain their homes.

 b. The Federal Housing Act of 1934 extended the program under a new agency, the Federal Housing Administration (FHA). Together, the HOLC, the FHA, and the subsequent Housing Act of 1937 permanently changed the mortgage system and extended home ownership.

 c. Although these measures had halted the economic downward spiral, stabilized the financial sector, and established hope, the New Deal did not break the grip of the depression.

 B. The New Deal Under Attack

 1. Critics on the Right

 a. In order to reform Wall Street and the stock market, Congress established in 1934 the Securities and Exchange Commission with broad powers to determine how stocks and bonds were sold, to set rules for margin (credit) transactions, and to prevent stock sales by those with insider information.

 b. The Banking Act of 1935 gave the president the authority to appoint a new Board of Governors of the Federal Reserve System, placing control of interest rates and other money-market policies in a federal agency rather than in the hands of private bankers.

 c. Business leaders and conservative Democrats formed the Liberty League in 1934 to lobby against the New Deal and its “reckless spending” and “socialist” reforms.

 d. The National Association of Manufacturers combatted what its members perceived as Roosevelt’s antibusiness policies with a publicity campaign, promoting free enterprise through radio programs, motion pictures, billboards, and direct mail.

 e. In *Schechter v. United States* (1935), the Supreme Court ruled that the National Industrial Recovery Act represented an unconstitutional delegation of legislative power to the executive branch. The Court also struck down the Agricultural Adjustment Act, the Railroad Retirement Act, and the Frazier-Lemke Act.

 2. Critics on the Populist Left

 a. Citizens like Francis Townsend thought that the New Deal had not gone far enough; Townsend proposed the Old Age Revolving Pension Plan.

 b. The most direct political threat to Roosevelt came from Senator Huey Long of Louisiana who had presidential aspirations. In 1934, Senator Long broke with the New Deal and established his own national movement, the Share Our Wealth Society.

 c. The split between New Dealers and populist reformers created hope for Republicans that they might return limited government and free enterprise to political power.

 d. Roosevelt feared that Townsend and Long, along with the popular “radio priest,” Father Charles Coughlin, might join forces to form a third party. He had to act if he wanted to win.

III. The Second New Deal and the Redefining of Liberalism, 1935–1938

 A. The Welfare State Comes into Being

 1. The Wagner Act and Social Security

 a. As the depression continued and attacks on the New Deal mounted, Roosevelt—with his eye on the 1936 election—began to move to the left and construct a new coalition to broaden the scope of his response to the depression.

 b. The Revenue Act of 1935, raising taxes on corporate profits and higher incomes, evidenced the shift in policy with the Second New Deal toward social justice and the creation of a safety net. The resulting welfare state—a term applied to industrial democracies that adopt various government-guaranteed social-welfare programs—fundamentally changed American society.

 c. The first beneficiary of Roosevelt’s change in direction was the labor movement.

 d. After the Supreme Court declared the NIRA, including Section 7(a) giving workers the right to organize, unconstitutional in 1935, labor representatives demanded legislation that would protect the right to organize and bargain collectively.

 e. The Wagner Act of 1935 upheld the right of industrial workers to join a union and established the nonpartisan National Labor Relations Board to further protect workers’ rights.

 f. The Social Security Act of 1935 provided old-age pensions for most workers in the private sector to be financed by a federal tax that both employers and employees would pay; established a joint federal-state system of unemployment compensation; and offered a relief program for widowed mothers and the blind, deaf, and disabled.

 g. The Social Security Act was a milestone in the creation of the modern welfare state. Never before had the federal government assumed such responsibility for the well-being of a substantial portion of the citizenry.

 2. New Deal Liberalism

 a. The Second New Deal created what historians call New Deal Liberalism. Classical liberalism held individual liberty to be the foundation of a democratic society, and the word *liberal* had traditionally denoted support for free-market policies and weak government.

 b. Roosevelt and his advisors redefined the idea and created policy to preserve individual liberty through government assistance and guarantees for basic well-being.

 B. From Reform to Stalemate

 1. The 1936 Election

 a. Under Harry Hopkins, the Works Progress Administration (WPA) put relief workers directly onto the federal payroll; between 1935 and 1943, the WPA employed 8.5 million Americans, but it only reached about one-third of the nation’s unemployed.

 b. In 1936, new voters joined the Democratic Party, including people who had personally benefitted from New Deal programs such as the WPA, as well as organized labor, midwestern farmers, white ethnic groups, northern African Americans, middle-class families, intellectuals, and progressive Republicans.

 c. Ralph Landon, the Republican challenger to Roosevelt in 1936, accepted the legitimacy of most New Deal programs but criticized their inefficiency and expense. The Republican candidate also pointed to authoritarian regimes in Italy and Germany, directed by Benito Mussolini and Adolph Hitler, respectively, and hinted that Roosevelt harbored similar dictatorial ambitions.

 d. Roosevelt beat Landon in a landslide; there was no third-party threat, as Huey Long had been assassinated in September of 1935. Roosevelt received 60 percent of the popular vote and carried every state except Maine and Vermont.

 2. Court Battle and Economic Recession

 a. Because he believed the future of New Deal reforms might be in doubt, Roosevelt asked for fundamental changes in the structure of the Supreme Court only two weeks after his inauguration.

 b. Roosevelt proposed the addition of one new justice for each sitting justice over the age of seventy—a scheme that would have increased the number of justices from nine to fifteen; opponents protested that he was trying to “pack” the Court with justices who favored the New Deal.

 c. The issue became a moot point when the Supreme Court upheld several key pieces of New Deal legislation and a series of resignations created vacancies on the Court.

 d. Roosevelt managed to reshape the Supreme Court to suit his liberal philosophy through new appointments, including Hugo Black, Felix Frankfurter, and William O. Douglas.

 e. The so-called Roosevelt recession of 1937–1938 dealt the most devastating blow to the president’s political effectiveness in his second term. A steady improvement in the economy had caused Roosevelt to slash the budget, causing a tightening in credit, a market downturn, and rising unemployment. Roosevelt quickly reversed course and spent his way out of the downturn, boosting funds for the WPA and resuming public works projects.

 f. The Roosevelt spending programs resembled the theories of John Maynard Keynes, a British economist, who argued that government intervention through deficit spending and manipulation of interest rates could ease the highs and lows of business cycles. Keynesian economics gradually won wider acceptance as defense spending during World War II finally ended the Great Depression.

 g. Throughout Roosevelt’s second term, a conservative coalition composed of southern Democrats, rural Republicans, and industrial interests in both parties impeded further social legislation. The era of change was over by 1939.

IV. The New Deal’s Impact on Society

 A. A People’s Democracy

 1. Organized Labor

 a. The New Deal accelerated the expansion of the federal bureaucracy.

 b. Government reform inspired beliefs that the nation could, and should, become more egalitarian, and ordinary people seized the opportunity to push for change in the nation’s social and political institutions.

 c. Labor’s dramatic growth in the 1930s represented one of the most important social and economic changes of the decade. Organized labor won the battle for recognition, higher wages, seniority systems, and grievance procedures.

 d. The Congress of Industrial Organizations (CIO) served as the cutting edge of the union movement by promoting “industrial unionism”—organizing all of the workers in one industry, both skilled and unskilled, into one union.

 e. Hoping to use its influence to elect candidates that were sympathetic to labor and social justice, the CIO quickly allied itself with the Democratic Party.

 f. The labor movement still had not developed into a dominant force in American life, and many workers remained indifferent or even hostile to unionization.

 2. Women and the New Deal

 a. Under the experimental climate of the New Deal, Roosevelt appointed the first female cabinet member, Frances Perkins, who served as secretary of labor.

 b. Eleanor Roosevelt, who had worked in the 1920s to increase women’s power in political parties, labor unions, and education, as First Lady pushed the president and the New Deal to do more for the disadvantaged and served as the conscience of the New Deal.

 c. Few New Deal programs addressed the needs and concerns of women. Some NRA codes set a lower minimum wage for women than men, and the Civilian Conservation Corps (CCC) did not hire women at all. When they did hire women, New Deal programs tended to reinforce the broader society’s gender and racial attitudes.

 3. African Americans Under the New Deal

 a. Although some New Deal programs reflected prevailing racist attitudes, blacks received significant benefits from programs that were for the poor, regardless of race.

 b. The belief that the administration cared about their plight contributed in a major shift in their political allegiance from the Republican to the Democratic Party. In 1936, blacks outside the South gave Roosevelt 71 percent of their votes.

 c. Roosevelt maintained an informal “black cabinet” of intellectuals advising him on the needs of blacks and appointed several African Americans to federal office, including Mary McLeod Bethune, founder of Bethune-Cookman College, who advocated for fairer treatment of blacks in New Deal agencies.

 d. The New Deal did not change prevailing racial attitudes; CCC camps were segregated; both Social Security and the Wagner Act explicitly excluded the domestic and agricultural jobs most African Americans held; and Roosevelt refused to support antilynching legislation.

 e. The infamous Scottsboro case in 1931, accusing and convicting nine young black men of raping two white women despite inconsistencies, reflected the prevalent racism in southern society and law.

 f. Payments through the Agricultural Adjustment Act to white landowners contributed to the eviction of thousands of sharecroppers. African Americans reacted by joining the Southern Tenant Farmers Union, a biracial organization founded in 1934, but the economic and political power of landowners limited their efforts.

 g. Although creating hope, New Deal programs did not reform the nation’s racial laws and practices.

 4. Indian Policy

 a. New Deal reformers realized that the nation’s policy of forced assimilation, prohibition of Indian religions, and confiscation of Indian lands had left most tribes poor, isolated, and vulnerable to economic forces. Unemployment rates for Native Americans were three time the national average.

 b. The Indian Reorganization Act of 1934 reversed the Dawes Act of 1887 by promoting Indian self-government and granting a greater degree of religious freedom.

 c. This “Indian New Deal,” although well-intentioned, did little to improve the lives of Native Americans and did not stop the Bureau of Indian Affairs and congressional interference in tribal affairs.

 5. Struggles in the West

 a. During the 1920s and 1930s, agriculture in California became a big business as corporate-owned farms produced specialty crops—lettuce, tomatoes, peaches, grapes, and cotton—and staggered harvests, which required transient labor.

 b. Thousands of immigrant workers from Mexico and Asia and white migrants from midwestern states trooped from farm to farm, harvesting those crops for shipment to eastern markets. Some of these migrants also settled in the rapidly growing cities along the West Coast, especially the sprawling metropolis of Los Angeles.

 c. During the economic downturn, the Hoover and Roosevelt administrations supported a “repatriation” or deportation policy resulting in the movement of half a million people to Mexico, including American citizens.

 d. Under the New Deal, the situation of Mexican Americans improved as they found employment with the WPA, the NYA (National Youth Administration), and the CCC.

 e. New Deal programs did not improve the migrant farm labor system under which so many people of Mexican descent labored. But Mexicans joined the New Deal coalition in large numbers because of the Democrats’ commitment to ordinary Americans.

 f. Men and women of Asian descent—mostly from China, Japan, and the Philippines—formed a tiny minority of the American population but were a significant presence in some western cities and towns.

 g. Migrants from Japan and China had long faced discrimination. As farm prices declined during the depression and racial discrimination undermined the prospects of the rising generation for nonfarm jobs, about 20 percent of the immigrants returned to Japan.

 h. Chinese Americans were even less prosperous than their Japanese counterparts. In the hard times of the depression, they turned for assistance both to traditional Chinese social organizations such as *huiguan* (district associations) and to local authorities. Few benefitted from the New Deal because until the repeal of the Chinese Exclusion Act in 1943, Chinese immigrants were classified as “aliens ineligible for citizenship” and therefore excluded from most federal programs.

 i. Because Filipino immigrants came from a U.S. territory, they were not affected by the ban on Asian immigration passed in 1924. However, as the depression cut wages, Filipino immigration slowed to a trickle and was virtually cut off by the Tydings-McDuffie Act of 1934. The act granted independence to the Philippines (which since 1898 had been an American dependency), classified all Filipinos in the United States as aliens, and restricted immigration to fifty persons per year.

 B. Reshaping the Environment

 1. The Dust Bowl

 a. The expansion of federal responsibilities in the 1930s created a climate conducive to conservation efforts, as did public concern heightened by the devastation in the “dust bowl” of the Great Plains.

 b. Although the long-term success of New Deal resources policy was mixed, it innovatively stressed scientific management of the land, conservation instead of commercial development, and the aggressive use of public authority to preserve and improve the natural environment.

 c. Between 1930 and 1941, a severe drought afflicted farmers in the semiarid states of Oklahoma, Texas, New Mexico, Colorado, Arkansas, and Kansas.

 d. But the dust bowl was primarily a human creation. Farmers had pushed the agricultural frontier beyond its natural limits, stripping the land of its native vegetation and destroying the delicate ecology of the plains. When the rains dried up and the winds came, nothing remained to hold the soil. Huge clouds of thick dust rolled over the land, turning the day into night.

 e. This ecological disaster prompted a mass exodus. Their crops ruined and their debts unpaid, at least 350,000 “Okies” (so called whether or not they were from Oklahoma) loaded their meager belongings into beat-up Fords and headed to California. Many were drawn by handbills distributed by commercial farmers that promised good jobs and high wages; instead, they found low wages and terrible living conditions.

 f. John Steinbeck’s novel *The Grapes of Wrath* (1939) immortalized them and their journey, and New Deal photographer Dorothea Lange’s haunting images of migrant camps in California gave a personal face to some of the worst suffering of the depression.

 g. The dust bowl helped to focus attention on land management and ecological balance. Agents from the Soil Conservation Service in the Department of Agriculture taught farmers the proper technique for tilling hillsides. Government agronomists tried to prevent soil erosion through better agricultural practices and windbreaks like the Shelterbelts, the planting of 220 million trees running north along the 99th meridian from Texas to the Canadian border.

 2. Tennessee Valley Authority

 a. The most extensive New Deal environmental undertaking was the Tennessee Valley Authority (TVA). It integrated flood control, reforestation, and agricultural and industrial development, and a hydroelectric grid provided cheap power for the valley’s residents.

 b. The TVA was part of Roosevelt’s effort to keep farmers on the land by improving their quality of life.

 c. The Rural Electrification Administration (REA) accomplished the same goal by promoting nonprofit farm cooperatives that offered loans to farmers to install power lines. Electricity brought irons, vacuum cleaners, washing machines, and radios to ease farm life and isolation. Electricity also broke down the barriers between urban and rural life.

 3. Grand Coulee

 a. The West benefitted enormously from the New Deal’s attention to the environment.

 b. On the Colorado River, the Boulder Dam (later renamed Hoover Dam), completed in 1935 with PWA funds, generated power for growing cities such as Las Vegas, Los Angeles, and Phoenix.

 c. The largest project was the Grand Coulee Dam built by the PWA and the Bureau of Reclamation in 1941 on the Columbia River in Washington State. The project provided electricity and irrigation for the state’s major crops.

 d. New Deal projects affecting the environment can be seen throughout the country—CCC and WPA workers built the Blue Ridge Parkway; government workers built the San Francisco Zoo, Berkeley’s Tilden Park, and the canals of San Antonio; the CCC helped to complete the Appalachian Trail and the Pacific Crest Trail through the Sierra Nevada.

 e. Cabins, shelter, picnic areas, and lodges in American state parks are witness to the New Deal ethos of recreation coexisting with conservation.

 C. The New Deal and the Arts

 1. New Deal administrators encouraged artists to create projects that would be of interest to the entire community, not just the cultured elite. “Art for the millions” became a popular New Deal slogan and encouraged the painting of murals in hundreds of public buildings.

 2. The Federal Art Project gave work to many young artists who would become the twentieth century’s leading painters, muralists, and sculptors, like Jackson Pollock.

 3. Under the Federal Music Project and Federal Writers’ Project (FWP), over 15,000 musicians and 5,000 writers found work, including Zora Neale Hurston. The FWP also collected oral histories, including two thousand narratives by former slaves.

 4. The Federal Theatre Project nurtured such talented directors, actors, and playwrights as Orson Welles, John Huston, and Arthur Miller.

 D. The Legacies of the New Deal

 1. By creating a powerful national bureaucracy and laying the foundation of a social-welfare state, the New Deal redefined the meaning of American liberalism.

 2. For the first time, Americans experienced the federal government as a part of their everyday lives through Social Security payments, farm loans, relief work, and mortgage guarantees.

 3. The government made a commitment to intervene when the private sector could not guarantee economic stability, and federal regulation brought order and regularity to economic life.

 4. Defects of the emerging welfare system were that it intruded deeply into the lives of citizens and that it did not include national health care; welfare programs also failed to reach a significant minority of American workers, including domestics and farm workers, for many years.

 5. The New Deal completed the transformation of the Democratic Party that had begun in the 1920s toward a coalition of ethnic groups, city dwellers, organized labor, blacks, and a broad cross-section of the middle class that would form the backbone of the Democratic coalition for decades to come.