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Study on the New Clique's View of Roosevelt's New Deal's Impact on the Great Depression in the United States

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ABSTRACT

This paper studies the overall impact of Roosevelt's New Deal on the United States during the Great Depression of the 1930s. Examines whether Roosevelt's New Deal worked in the United States at the time, whether it eased the crisis, or whether it exacerbated it. The purpose of the study is to provide a new perspective on the Roosevelt's New Deal and to correct the position of President Roosevelt in the minds of the people while gaining insight. The study is based on literature, theoretical analysis, and case studies. This paper draws the conclusion that Roosevelt's New Deal only delayed the outbreak of the crisis but did not play an effective role.

Keywords: *Great Depression, Franklin Roosevelt, New Deal, Capitalism*

1. INTRODUCTION

During the "Coolidge Boom", the United States entered a Golden Age of national economic development. While in reality， the economy was unevenly developed. In these circumstances, many people engaged in stock speculation. The typical Laissez-faire Policy of President Hoover during the Great Depression of the 1930s not only failed to save the country but also resolutely prevented the state from providing welfare compensation to deal with the crisis. As a result, Roosevelt, who advocated a capitalist economic policy of state intervention, took over as president of the United States. During Hoover's presidency, the Great Depression was in full swing in the U.S. and the U.S. economy had hit rock bottom.

President Roosevelt took office with a number of initiatives that are considered by many Americans to be the savior of the U.S. economy. Nevertheless, the facts are debatable. Some claim that Roosevelt's Government used Keynesianism to save America, but in fact, a similar Keynesian approach was used under President Hoover, for instance, the "Hoover Dam".

This paper will analyze the impact of Roosevelt's New Deal on the Great Depression in the United States from the perspective of the Modern American New Clique. The conclusion may correct the perception of Roosevelt's New Deal — Roosevelt's New Deal exacerbated the effects of the Great Depression and delayed the economic recovery.

Most studies of history and political science today agree that Roosevelt's New Deal helped the U.S. economy achieve some recovery, but whether it worked and whether it helped the U.S. economy recover or slowed it down is actually open to debate. This clique of thought criticizes the downside of Roosevelt's New Deal to the United States, the negative impact it still has on the United States today, and the fact that the financial part of Roosevelt's New Deal was a big mistake from the perspective of modern economics. At the same time, Roosevelt's New Deal reforms were a failure in this clique of thought.

The main thrust of this essay is to examine the impact of Roosevelt's New Deal on the Great Depression in the U.S. from a neocon perspective, which is overwhelmingly mentioned in the current literature as helping to alleviate the economic crisis in the U.S. This paper will look at the Roosevelt New Deal from a new perspective and help people to be more objective and rational about the impact of the New Deal on the U.S. economy and not to "mythologize" it. The essay will look at the financial, agricultural, and class issues of the Roosevelt New Deal.

2. ROOSEVELT'S NEW DEAL POLICY

In 1933, the U.S. economic system had come to the point of disintegration, and there were only three solutions in front of the Americans: 1. Socialism; 2. Pragmatism; and 3. Accepting fascism and waging foreign wars to ease domestic conflicts. In the end, the U.S. Congress chose to retain its own style but use the New Economic Model system. [2]

Against this background, Roosevelt came to power with great momentum, and it must be admitted that the American public had high expectations when Roosevelt came to power, and there was a real need for change in the United States.

In summary, history places the core of the Roosevelt New Deal period as the 3Rs: Recover; Relief; Reform; It was a radical transformation of America's original laissez-faire approach in the financial, industrial, and agricultural fields.

Some historians deem that Roosevelt was actually using the Soviet Model to save the U.S. economy.

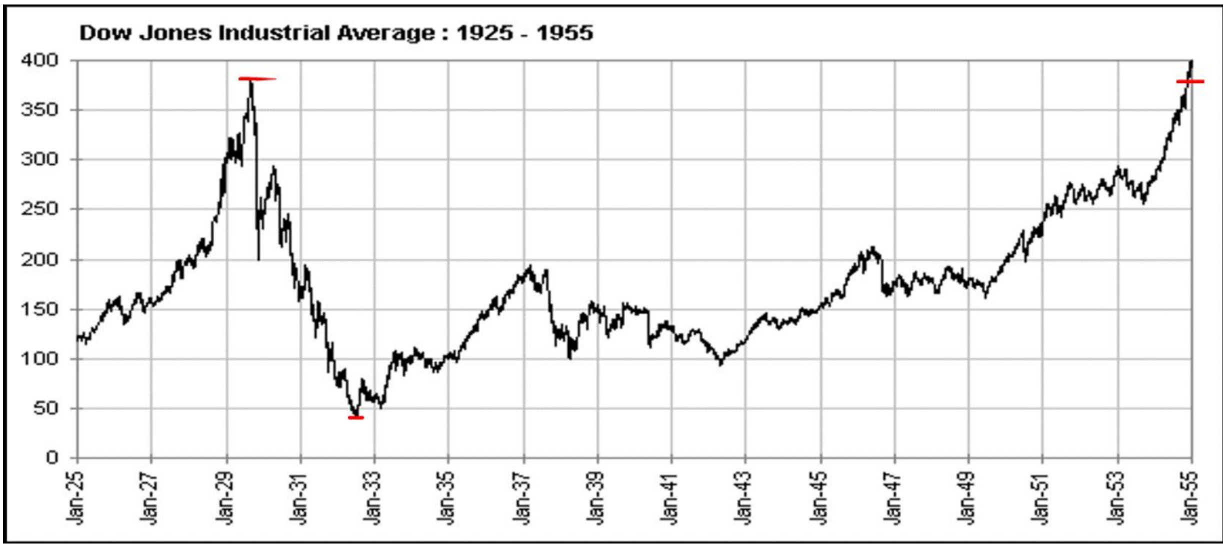

Figure 1 Dow Jones Industrial Average (1925-1955)

Firstly, the Roosevelt Administration made major reforms in the financial sector by bringing bankers under federal control through the Emergency Banking Act, and the Emergency Securities Act. All banks had to be examined by the federal government and passed before they could operate. This was undoubtedly helpful at that time, when the people felt that banks were unreliable because the money deposited in banks would not be guaranteed, leaving the people's savings gone.

Secondly, the abolition of the Gold Standard. The original gold standard was a guarantee that the government would issue money, or at least that it would be binding on the government's inflationary impulses. Because a specific amount of gold would correspond to a specific amount of U.S. dollars, it was very hard for the government to issue dollars indiscriminately. However, the Roosevelt Administration forbade people to own gold, and if someone violated the restriction, and they went to jail. [3]

After the gold standard was abolished, a lot of inflation took place in the United States during Roosevelt's New Deal. However, this point is puzzling, if inflation can also save the Great Depression, according to this reasoning that Zimbabwe is the world's first power. Therefore, the Roosevelt administration's approach to this point is controversial.

Thirdly, the Roosevelt administration imposed high taxes on the affluent. In 1921, 5% of the effluent generated 25.47% of the national income; in 1929, 5% of the effluent generated 26.09% of the national income, so it can be deduced that the income of the affluent will be a large and stable part of the national income even during the economic depression. Moreover, from the point of view of economic development, this "crazy" taxation of the affluent and enterprise taxation has forced many rich people to reduce their investments or to reduce their taxable income in order to avoid paying taxes, thus delaying the economic recovery. [4] The most intractability problem is that if the affluent do not start businesses, do not provide more jobs for the poor, and there is no urge to increase wealth to earn more money means that investment can not be expanded, no expansion of enterprises, then workers and the poor income and jobs will also be gone. The latest modern economics has shown us that such a tax policy is an utterly foolish policy, and the high tax policy was included in Roosevelt's New Deal.

Fourthly, the Work Relief. This issue is actually very controversial. The economic policy advocated by the Roosevelt administration is the same as Keynesian economics, which is to use demand to pull supply. Keynesianism believes that demand needs to be created.

Here is a superficial example: "The government organizes people to dig a hole and then let the workers fill it up, and pay the workers every day, and when the workers have money, they will go and spend, and there is such a demand that the economy will recover, which is a very rough outline of the Keynesian theory."

3. THE NEW CLIQUE'S VIEW OF ROOSEVELT'S NEW DEAL POLICY

3.1. The Introduction of the New Clique

Most studies of history and political science today agree that Roosevelt's New Deal helped the U.S. economy achieve some recovery, but whether it worked and whether it helped the U.S. economy recover or slowed it down is actually open to debate. This clique of thought criticizes the downside of Roosevelt's New Deal to the United States, the negative impact it still has on the United States today, and the fact that the financial part of Roosevelt's New Deal was a big mistake from the perspective of modern economics and caused the second depression of the U.S. economy. At the same time, Roosevelt's New Deal reforms were a failure in this clique of thought.

3.2. The New Clique's View of Roosevelt's New Deal's Impact on the Great Depression

Roosevelt's New Deal could be very limited, relying only on the construction of bridges, roads and other public projects is unable to revitalize the extremely complex economic system. The French 19th-century economist Bastiat has long ridiculed Keynesian theory in various articles, which he called the "broken window fallacy". - “A child kicks a window in a ball, and a man laughs and says, Look, it's boosting economic growth, because the owner is finally buying another piece of glass. That's why the doctrine has always been considered a fallacy.” [5][6]

In addition, the National Industrial Recovery Act. This act can be regarded as the mainstay of Roosevelt's New Deal. The most important principle of the Act was the "principle of fair competition," in which the government took the lead in setting standards for the production and sale of various industries. But this monopoly was meaningless and even hindered the recovery of the U.S. economy, because it's no longer encouraged price reductions and innovation. The example given in Folsom Jr.’s (American historian and author who has been a professor of history and management at Hillsdale College. He was also one of the historians who favored the new clique) book New Deal or Raw Deal is cited there: “Carnegie Steel in the steel industry. The uniform production and sales standards followed by the guarantee of high wages for the workers was certainly a great contradiction. In 1939, 17.2% of the total U.S. population was still unemployed, up from 16.3% in 1931.” [1]

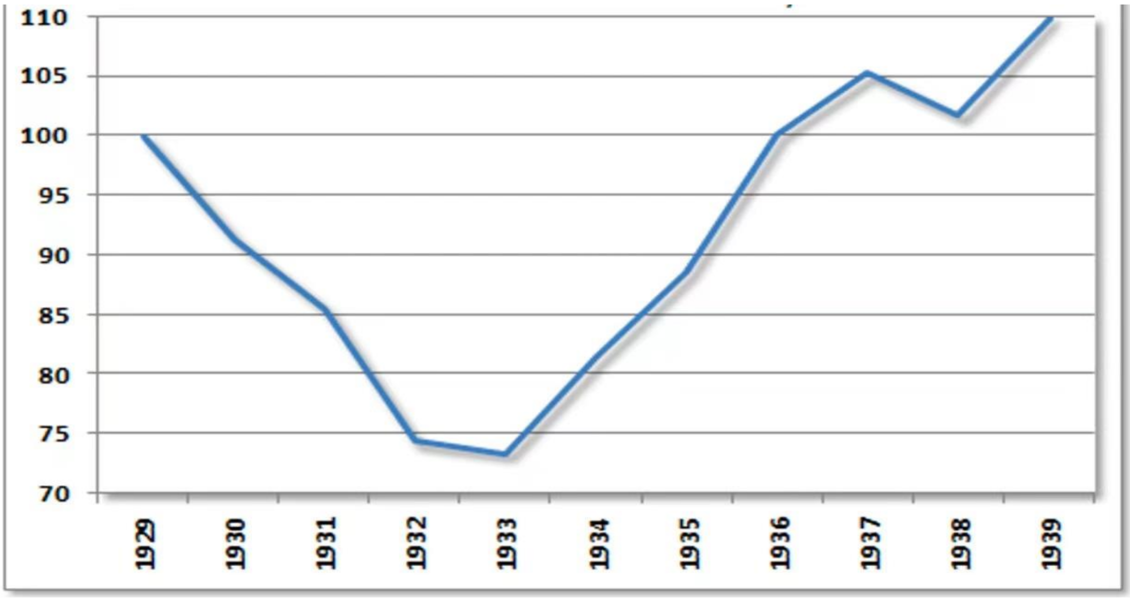

Figure 2 U.S. Real GDP 1929~1939

Furthermore, Roosevelt's reform adjustments to agriculture were very irrational. The Roosevelt administration requested farmers to reduce the amount of production or not to produce to constrain the supply, all of the loss would be subsidized by the government. So the Roosevelt administration decided to destroy a considerable amount of what had already been produced to create a shortage by which to raise the price of agricultural products. Henry Wallace, Secretary of Agriculture, described the massive destruction of crops and livestock as "the removal of the remnants of the old times of unbalanced production”. But this reduction in production led directly to the massive unemployment of tenant farmers. The higher prices of agricultural products also made it necessary for people to pay more to support their families, which directly increased the burden of living.

Finally, the author of this paper deems it is worth considering the critique of the New Deal by the modern American Left-wing historian Howard Zinn (He is an American historian, philosopher, socialist thinker, and World War II veteran. He is the chair of the Department of History and Social Sciences at Spelman College, and professor of political science at Boston University. He is also an exponent of the doctrine that Roosevelt's New Deal delayed America's economic recovery). Zinn argues that the government had to make concessions due to the presence of labor unions during the Great Depression, and that the Roosevelt administration needed to be on guard against the emergence of workers' movements in the United States during the first days of the Roosevelt administration, with the aim of preserving the American capitalist system from being broken. The Roosevelt New Deal needed to be meticulous that these worker-led rebellions would not become a real revolution. In his view, Roosevelt's New Deal did not bring any real benefits to the ordinary American people and was not able to change the ailing American social system: The ordinary working people of America remained in distress; the interests of the masses of blacks were not taken care of either, as sharecroppers, agricultural workers, immigrants or domestic workers, who were in no condition to enjoy unemployment benefits, minimum wages, social insurance or agricultural subsidies. They were always the last to be employed and the first to be unemployed; in order to get the necessary support from Southern white politicians, Roosevelt had to be careful not to offend their "cake" as much as possible, and he did not push through a bill against the lynching of blacks; in the military, segregation between blacks and whites continued to be practiced. In the military, segregation between blacks and whites continued. Zinn concludes that if the New Deal made new concessions while exhausting ways and means to control the discontent of the working class in the United States, they did not solve the fundamental problems, and for many, they did not even solve any problems. It only helped create an atmosphere of progress and improvement for many people, thus restoring some of their faith in the existing system. “The New Deal is over and the capitalist system is still intact. The rich still control the wealth of this country, but Roosevelt has become a hero to millions of people simply because of the considerable help he brought to a significant portion of the population.” [7]

4. CONCLUSION

Roosevelt's New Deal was a failure because it protected the (American capitalist) credit (system) more than it protected its people. The New Deal did not address the root causes of capitalism's ills. And it only delayed the outbreak of the economic crisis, not the recovery, but rather delayed its recovery.

But, let us look at it rationally and from a dialectical perspective, no policy is perfect. People often choose and formulate policies by weighing the pros and cons before making a decision. Roosevelt loved to quote the old Roosevelt: "If I can get 75 percent right, then I will do my best to get it right." In contrast, some of our political evaluations lack relativity, good is perfect and cannot be questioned, bad is hopeless and no to the end.

The New Deal reforms led by Roosevelt replaced the traditional laissez-faire policy with state intervention in social and economic life, which not only partially changed the relations of production in the United States, but also to some extent improved the situation of the working people and eased the class struggle in the United States. It succeeded in convincing a large number of Americans and Europeans that democratic reform could replace the totalitarian system. Perhaps in some ways it curbed the popularity of fascism in some countries.

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