

The Great Depression, the New Deal, and how disasters change politics

April 1 2020, by Kristen De Groot



Edna Hershman paints a mural in the 1930s as part of a Works Progress Administration Program. Credit: Sol Horn/Archives of American Art

The coronavirus pandemic has the United States facing a social and economic crisis with businesses shutting down, financial markets tumbling, and millions of Americans losing their jobs.

The downturn has some economists wondering if the U.S. will face another depression, and even the president has compared the \$2.2 trillion

bailout package to the New Deal.

History professor Brent Cebul's current book project, tentatively titled "Illusions of Progress: Business, Poverty, and Liberalism in the American Century," is a history of how liberals from Franklin Roosevelt's New Deal to the New Democrats of Bill Clinton's administration tried to create a foundation for progressive governance by stimulating economic growth.

Cebul spoke to Penn Today about lessons contemporary politicians can take from the Great Depression and the New Deal and how disasters like the current pandemic can change politics.

How did FDR react to the Great Depression, as compared to how this administration is managing the current crisis so far?

One of the things that's really important to think about the New Deal as compared to the relief package Congress just passed, is that the package is a bailout, it's not a long-running agenda to implement a variety of different policies over time, which is what the New Deal was. The New Deal was many different policy ideas and agendas that unfolded and cohered over the course of a decade.

The depression started in October of 1929, so there were three solid years of worsening economic conditions before voters turned the keys of the White House over to Roosevelt, making the New Deal possible. Something the pandemic is doing is showing how interconnected the world is, and that was actually something Roosevelt featured prominently in his first inaugural, that the depression laid bare how deeply interconnected Americans were. That was one of Roosevelt's strengths; he was the narrator-in-chief. He was able to fit the crisis into a

framework for active and collective government.

How was FDR's reaction different than the approach to the crisis by his predecessor, Herbert Hoover?

To a certain degree, Hoover approached the depression in a similar way to how the Trump administration is approaching this crisis, but Hoover was far more sophisticated. Hoover didn't want the government to have to step in and mandate things. He worked with business leaders and voluntary associations, who would then set prices and determine what was needed in a given market through associational and voluntary decision-making rather than through government directive.

Hoover had used those strategies and tactics to great effect in World War I and rebuilding efforts in Europe afterwards when he created really robust voluntary and associational solutions for ensuring the food supply and fighting hunger. He was an exceedingly competent broker of private actors. But when he was trying to get volunteers to stand in for the government during the depression, it couldn't work because the scale of the crisis was far beyond what private actors could carry out.

Was the New Deal a tough sell to lawmakers and the public?

It's important to situate the New Deal at the end point of a variety of labor movements, where people were looking for a more active government in terms of moderating capitalism and securing workers against powerful corporations. There was a hunger for bold experimentation.

Some 5,000 banks failed between 1929 and 1933, and what that meant was that everyone's savings in those banks went poof. The FDIC, which

insures our savings accounts, was a product of the New Deal; it had to be invented, and that was one of the first things FDR did. He shut down the national system of banking and when it reopened the federal government began insuring savings in banks and even became a shareholder in many banks to ensure they had enough capital on hand to resume regular operations.

Another stat that gets at the scale of the crisis: Around 1,200 cities and counties went bankrupt during these years. In industrial cities like Cleveland and Philadelphia, the number working-age adults out of work approached 40 to 50% at times. Charitable approaches to poverty and hunger just were devastated. One of the really poignant stories from the era was in Detroit, where they decided that they could no longer run the zoo, so all the edible animals were killed to provide for the hungry. The scale boggles the mind today.

The baseline American standard of living had just been devastated, and so Roosevelt had a strong mandate coming in 1932, when he got nearly 60% of the vote. All this expressed a real appetite for bold policy change and a tolerance for stumbles.

Would such social programs ever be possible in today's political environment?

I do believe we are at a similar point especially given that we are more than a decade removed from the 2008 financial crisis, and we didn't get bold changes then. We got a bailout and Obamacare, which is significant certainly but not the kind of paradigm shifting policies that the New Deal brought.

The good news is where this crisis comes in, which is late in Trump's presidency. The depression started in 1929, and Hoover had a lot of

runway ahead of him. There is a real opportunity to have a change of administration. But even if Trump is voted out, there's the question of whether the Democrats will have the interest, stomach, and fortitude to build a real sustained program, which is far different than a bailout or a single policy. Could they really implement a vision, a paradigm shift in Americans' relationship with government? Certainly Bernie Sanders and Elizabeth Warren were campaigning on such ideas and they were resonating.

One major challenge facing any sustained agenda today is how short our news and political cycles are and how quickly people sour on agendas. The question would be how to sustain something like this.

In this regard, one of the real strengths of the New Deal was it harnessed the self-interest of members of Congress. Some of the classic programs, like the Civilian Conservation Corps and the Works Progress Administration, were profoundly local programs. While they were crucially important to delivering wages to out-of-work Americans, they were also a robust form of pork barrel spending. If a member needed a bridge or public library built, the New Deal was happy to subsidize that.

One challenge any president will have in the current environment is that the earmark system in Congress, which enabled members to use local pork projects as part of negotiations over broader bill, has been significantly curtailed in recent years. I think that is an overlooked cause of paralysis in Congress. Without these sorts of bargaining chips, members of Congress are forced argue about abstract ideologies and principles rather than material interests.

What lessons can today's politicians take from the Great Depression?

Make no small plans. When you have conservatives readily agreeing to a \$2 trillion bailout package, now is not the time for anybody to be negotiating against themselves. There is a window of opportunity here where politicians can make big asks. It's become apparent that service workers deserve to be paid better, that there's something peculiar about tying health insurance to a person's ability to hold down a steady job. We have very live and tragic object lessons right now of just how porous and privatized the American system of social provision is.

It was just proven by the bailout that we can afford these things, and you can look at Vermont and Minnesota which have already said child care providers, firefighters, and nurses, doctors, and others are essential employees and are entitled to state-subsidized child care. We see renewed calls for more universal health care and insurance, for government to not simply offer unemployment insurance but to guarantee that private sector employees aren't laid off in a time of crisis and continue to receive wages from government. Emergencies and emergency measures like these invite Americans to ask why wasn't that the case before? Can it be in the future?

Provided by University of Pennsylvania

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