

## Investigation

# Changing Capitalism: The New Deal and American Prosperity

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In Episode 6, John and Ellen describe how Americans responded to the Great Depression by electing Franklin D. Roosevelt, who promised to combat the economic decline and hardship with a “New Deal” for American workers. Over the next several years, Roosevelt and Congress created new programs, laws, and government agencies that changed the relationship between the nation’s government and its economy.

Think about what you’ve already learned about the New Deal. (It may be helpful to listen to [Episode 6, 24:26-31:22 and 38:30-39:45](#), or skim the [Episode 6 transcript, pp. 20-24 and 30-31](#), to refresh your memory.)

Then, examine sources to consider how the New Deal changed American capitalism and how those changes may connect to the decades of prosperity that followed.

| Part                                                  | Guiding Questions                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part 1</b><br>FDR’s Views of Economic Freedom      | <ul style="list-style-type: none"><li>• According to Roosevelt, what do people need in order to be economically free, and what role should the government play in protecting this freedom?</li><li>• How does Roosevelt’s understanding of economic freedom compare with the different meanings of economic freedom explored in Episode 6?</li></ul> |
| <b>Part 2</b><br>The New Deal and American Capitalism | <ul style="list-style-type: none"><li>• How did the New Deal change the way capitalism operated in the United States?</li><li>• How did New Deal programs and laws reflect Roosevelt’s views about economic freedom and the role of government?</li></ul>                                                                                            |
| <b>Part 3</b><br>After the New Deal                   | <ul style="list-style-type: none"><li>• Taken together, what do these sources suggest about economic growth in the decades that followed the New Deal?</li></ul>                                                                                                                                                                                     |

## Part 1 FDR's Views of Economic Freedom

Examine an excerpt from a speech by President Franklin D. Roosevelt to consider how he understood economic freedom and the role of government in securing it.

### Source

**Excerpt from "Acceptance Speech for the Renomination for the Presidency," delivered by President Franklin D. Roosevelt on June 27, 1936, available via the Miller Center of Public Affairs, University of Virginia**

The text below is an excerpt from President Roosevelt's address to the Democratic National Convention upon his acceptance of the Democratic Party's nomination for the 1936 Presidential election. You can also listen to this excerpt on the [Miller Center's website \(5:55-17:25\)](#).

That very word freedom, in itself and of necessity, suggests freedom from some restraining power. In 1776 we sought freedom from the tyranny of a political autocracy – from the eighteenth century royalists who held special privileges from the crown. It was to perpetuate their privilege that they governed without the consent of the governed; that they denied the right of free assembly and free speech; that they restricted the worship of God; that they put the average man's property and the average man's life in pawn to the mercenaries of dynastic power; that they regimented the people.

And so it was to win freedom from the tyranny of political autocracy that the American Revolution was fought. That victory gave the business of governing into the hands of the average man, who won the right with his neighbors to make and order his own destiny through his own Government. Political tyranny was wiped out at Philadelphia on July 4, 1776.

Since that struggle, however, man's inventive genius released new forces in our land which reordered the lives of our people. The age of machinery, of railroads; of steam and electricity; the telegraph and the radio; mass production, mass distribution – all of these combined to bring forward a new civilization and with it a new problem for those who sought to remain free.

For out of this modern civilization economic royalists carved new dynasties. New kingdoms were built upon concentration of control over material things. Through new uses of corporations, banks and securities, new machinery of industry and agriculture, of labor and capital – all undreamed of by the fathers – the whole structure of modern life was impressed into this royal service.

There was no place among this royalty for our many thousands of small business men and merchants who sought to make a worthy use of the American system of initiative and profit. They were no more free than the worker or the farmer. Even honest and progressive-minded men of

wealth, aware of their obligation to their generation, could never know just where they fitted into this dynastic scheme of things.

It was natural and perhaps human that the privileged princes of these new economic dynasties, thirsting for power, reached out for control over Government itself. They created a new despotism and wrapped it in the robes of legal sanction. In its service new mercenaries sought to regiment the people, their labor, and their property. And as a result the average man once more confronts the problem that faced the Minute Man.

The hours men and women worked, the wages they received, the conditions of their labor – these had passed beyond the control of the people, and were imposed by this new industrial dictatorship. The savings of the average family, the capital of the small business man, the investments set aside for old age – other people's money – these were tools which the new economic royalty used to dig itself in.

Those who tilled the soil no longer reaped the rewards which were their right. The small measure of their gains was decreed by men in distant cities.

Throughout the Nation, opportunity was limited by monopoly. Individual initiative was crushed in the cogs of a great machine. The field open for free business was more and more restricted. Private enterprise, indeed, became too private. It became privileged enterprise, not free enterprise.

An old English judge once said: "Necessitous men are not free men." Liberty requires opportunity to make a living – a living decent according to the standard of the time, a living which gives man not only enough to live by, but something to live for.

For too many of us the political equality we once had won was meaningless in the face of economic inequality. A small group had concentrated into their own hands an almost complete control over other people's property, other people's money, other people's labor – other people's lives. For too many of us life was no longer free; liberty no longer real; men could no longer follow the pursuit of happiness.

Against economic tyranny such as this, the American citizen could appeal only to the organized power of Government. The collapse of 1929 showed up the despotism for what it was. The election of 1932 was the people's mandate to end it. Under that mandate it is being ended.

The royalists of the economic order have conceded that political freedom was the business of the Government, but they have maintained that economic slavery was nobody's business. They granted that the Government could protect the citizen in his right to vote, but they denied that the Government could do anything to protect the citizen in his right to work and his right to live.

Today we stand committed to the proposition that freedom is no half-and-half affair. If the average citizen is guaranteed equal opportunity in the polling place, he must have equal opportunity in the market place.

These economic royalists complain that we seek to overthrow the institutions of America. What they really complain of is that we seek to take away their power. Our allegiance to American institutions requires the overthrow of this kind of power.

## Part 2 The New Deal and American Capitalism

This timeline highlights some of the major programs and laws that made up the New Deal.

### Source

#### **The New Deal: A Timeline of Major Programs and Laws, compiled by the Kenan Institute for Ethics at Duke University**

In response to the Great Depression, President Franklin D. Roosevelt and Congress created a series of programs, laws, and new government agencies between 1933 and 1938 that became known as the New Deal.

Information in this timeline was compiled and adapted from the Library of Congress, the National Archives, the National Park Service, and Eric Rauchway's *The Great Depression and the New Deal: A Very Short Introduction* (Oxford University Press, 2008).

|      |                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1933 | <b>Civilian Conservation Corps (CCC)</b>        | A government-paid work program for unmarried, unemployed young men to maintain and improve America's public lands through conservation projects. The CCC paid workers \$30 per month (\$25 of which was sent directly to their families) and provided food and housing.                                                                                                                                                                                                                                                 |
|      | <b>Tennessee Valley Authority (TVA)</b>         | A government-owned corporation established to create jobs to build and operate dams and power plants, produce electricity, control flooding, and support economic development in the Tennessee River Valley, an area spanning seven states in the south. The TVA still exists; it is the nation's largest public utility and one of its largest electricity providers.                                                                                                                                                  |
|      | <b>Banking Act of 1933 (Glass-Steagall Act)</b> | A law that established new rules for the banking system by separating commercial banking from investment banking. Commercial banks primarily accept deposits and make loans; investment banks help businesses raise money by issuing and selling stocks. Supporters of the law believed separating these activities would reduce risky speculation and create a safer banking system. The act also created federal insurance for money deposited in commercial banks, protecting people's savings if their bank failed. |

|             |                                                  |                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1934</b> | <b>Securities and Exchange Act</b>               | Created the Securities and Exchange Commission (SEC) to oversee the stock market, enforce new rules governing the buying and selling of stocks, and require companies to provide regular financial reports to the public so investors had more reliable information about the companies they were investing in.                                                                       |
|             | <b>National Housing Act</b>                      | Created the Federal Housing Administration (FHA), which insured private mortgages by promising to repay lenders if borrowers could not pay. This helped make longer-term home loans more widely available to Americans.                                                                                                                                                               |
| <b>1935</b> | <b>Works Progress Administration (WPA)</b>       | A government-paid work program that employed millions of unemployed Americans on government-funded projects, including roads, schools, parks, public buildings, arts projects, and other public works.                                                                                                                                                                                |
|             | <b>National Labor Relations Act (Wagner Act)</b> | A federal law protecting many private-sector workers' right to form and join unions and bargain collectively with employers. It also created the National Labor Relations Board (NLRB) to enforce these protections.                                                                                                                                                                  |
|             | <b>Social Security Act</b>                       | A federal law establishing a national system of old-age benefits, unemployment insurance, and grants to states for mothers, children, and the blind.                                                                                                                                                                                                                                  |
|             | <b>Revenue Act of 1935</b>                       | A federal law that raised income tax rates on the wealthiest Americans and increased taxes on large inheritances and gifts. It also established a graduated corporate income tax, with higher rates on corporations earning greater profits. The law was intended to raise federal revenue while requiring wealthy individuals and more profitable corporations to pay more in taxes. |
| <b>1937</b> | <b>Revenue Act of 1937</b>                       | A federal law that closed several loopholes wealthy individuals and corporations had used to avoid paying taxes.                                                                                                                                                                                                                                                                      |
|             | <b>Housing Act</b>                               | A federal law providing funding for locally operated public affordable rental housing for low-income Americans.                                                                                                                                                                                                                                                                       |
| <b>1938</b> | <b>Fair Labor Standards Act</b>                  | A federal law establishing a national minimum wage, maximum workweek, overtime pay for certain additional hours, and restrictions on child labor.                                                                                                                                                                                                                                     |

## Part 3 After the New Deal

The following graphs illustrate various aspects of American economic life before, during, and after the New Deal.

### Source

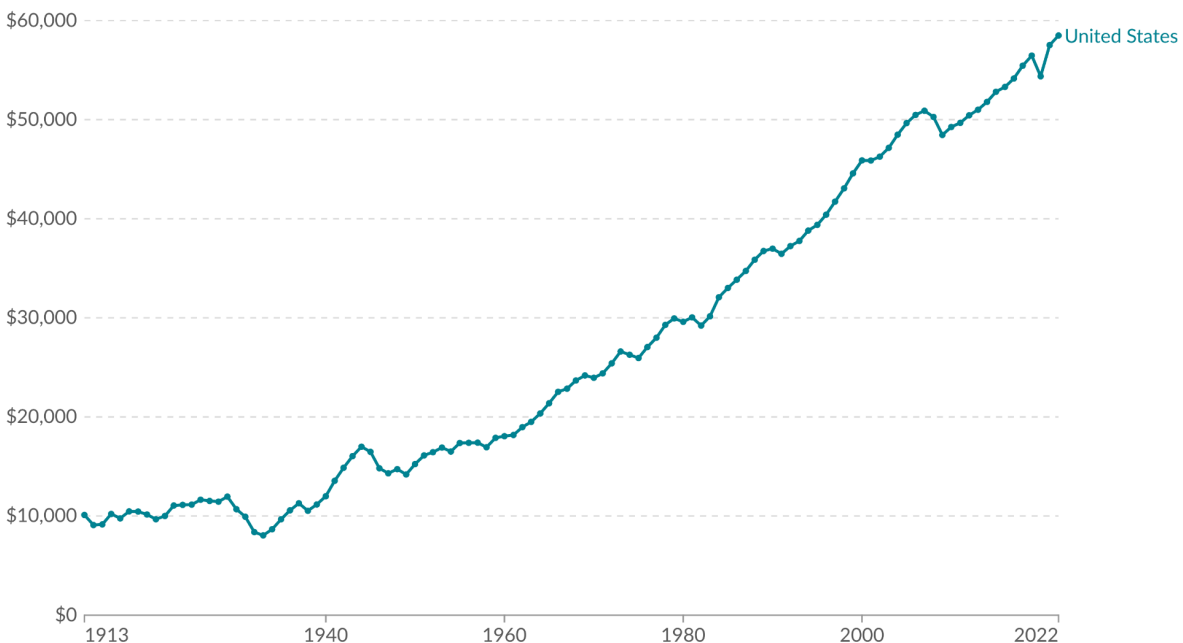
**"GDP per capita, United States, 1913 to 2022" from Our World in Data (2023; updated 2024)**

According to the organization's website, Our World in Data is "produced as a collaborative effort" between researchers at the University of Oxford and the non-profit organization Global Change Data Lab. Our World in Data was founded by Max Roser in 2011 with the aim of making data and research "accessible and understandable to empower those working to build a better world." All visualizations, data, and articles produced by Our World in Data are completely open access under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license.

### GDP per capita 1913 to 2022

Our World  
in Data

GDP per capita is a country's gross domestic product divided by its population. This data is adjusted for inflation and differences in living costs between countries.



Data source: Bolt and van Zanden – Maddison Project Database 2023

OurWorldinData.org/economic-growth | CC BY

Note: This data is expressed in international-\$ at 2011 prices.

Gross domestic product (GDP) is a measure of a country's economic performance. It represents the total monetary value of all final goods and services produced within its borders over a specific time period, typically annually or quarterly.

GDP includes consumption, government spending, investments, and net exports (exports minus imports). It can be measured in current prices (nominal GDP) or adjusted for inflation to reflect GDP in constant prices (real GDP).

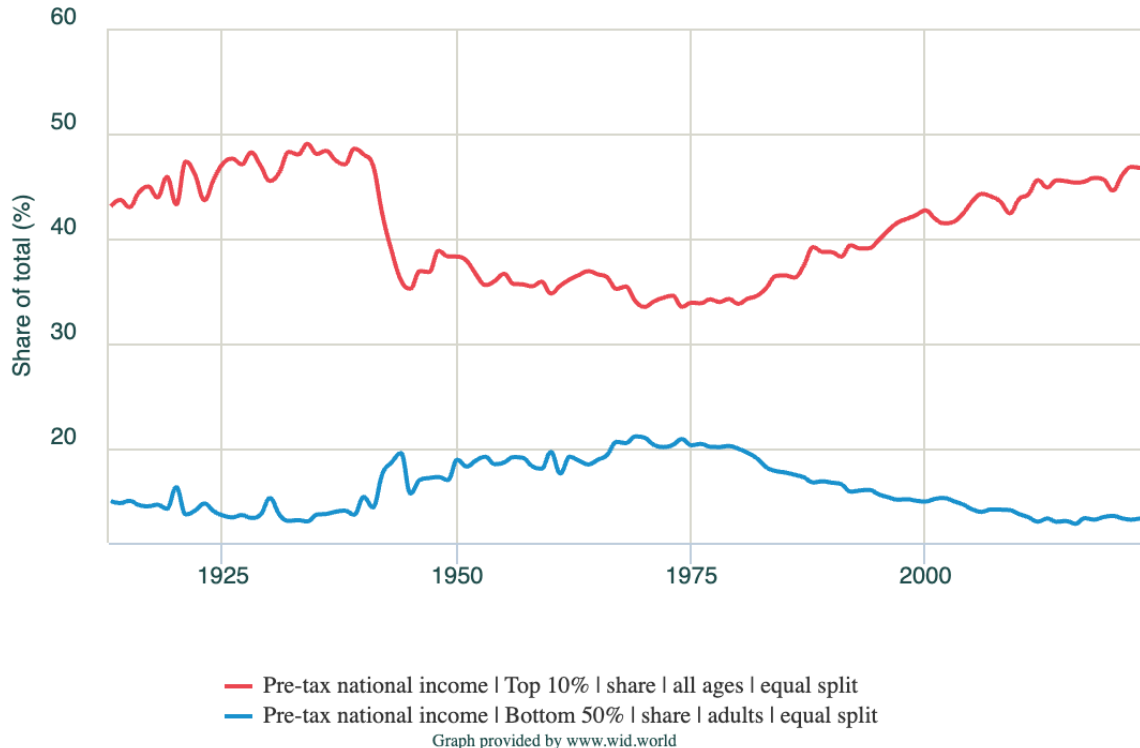
GDP is used to gauge the health of an economy, with increases indicating growth and decreases signaling contraction.

## Source

### **"Income inequality, USA, 1913-2024" from the World Inequality Database (WID)**

According to its website, the World Inequality Database (WID) "aims to provide open and convenient access to the most extensive available database on the historical evolution of the world distribution of income and wealth, both within countries and between countries." This graph is licensed under [CC BY-NC-SA 4.0](https://creativecommons.org/licenses/by-nc-sa/4.0/).

#### **Income inequality, USA, 1913-2024**



**“Union Density” from “A Brief Examination of Union Membership Data” by Paul D. Romero and Julie M. Whittaker for the Congressional Research Service (CRS) (2023)**

According to congress.gov, Congressional Research Service (CRS) “serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS’s institutional role.”

## Union Density

1880-2022

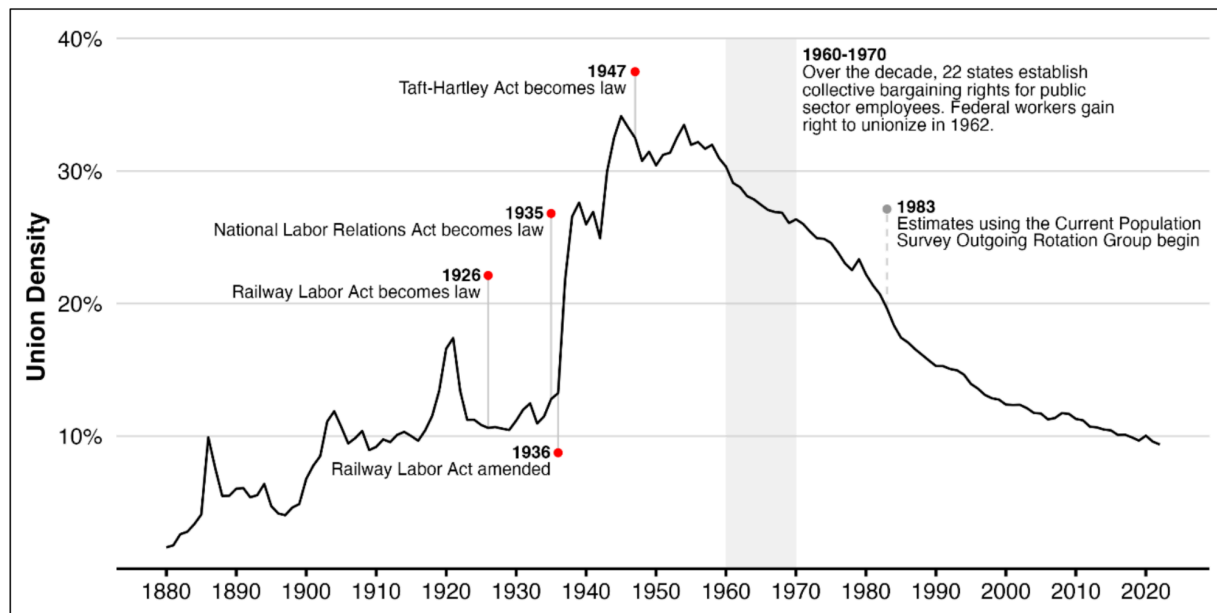


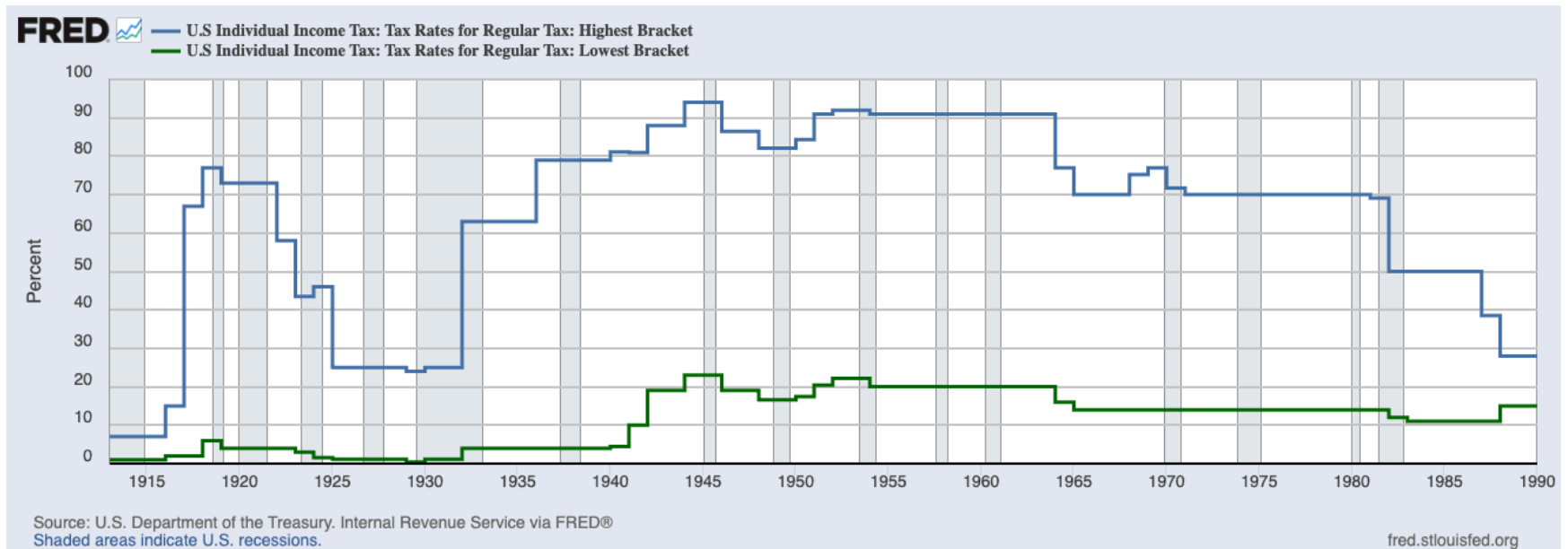
Figure created by CRS using data from the Current Employment Statistics (CES) program, the CPS, and Richard Freeman, *Spurts in Union Growth: Defining Moments*, National Bureau of Economic Research, Working Paper no. 6012, April 1997.

For this figure, union density is defined as the total number of civilian nonfarm union members divided by the total civilian nonfarm employment, which is then multiplied by 100 to obtain the percent value.

## Source

### **"U.S. individual income tax data, 1913–1990" from the U.S. Department of the Treasury, via the Federal Reserve Bank of St. Louis (FRED)**

According to its website, "FRED is an online database consisting of hundreds of thousands of economic data time series from scores of national, international, public, and private sources." FRED is created and maintained by the Research Department at the Federal Reserve Bank of St. Louis.

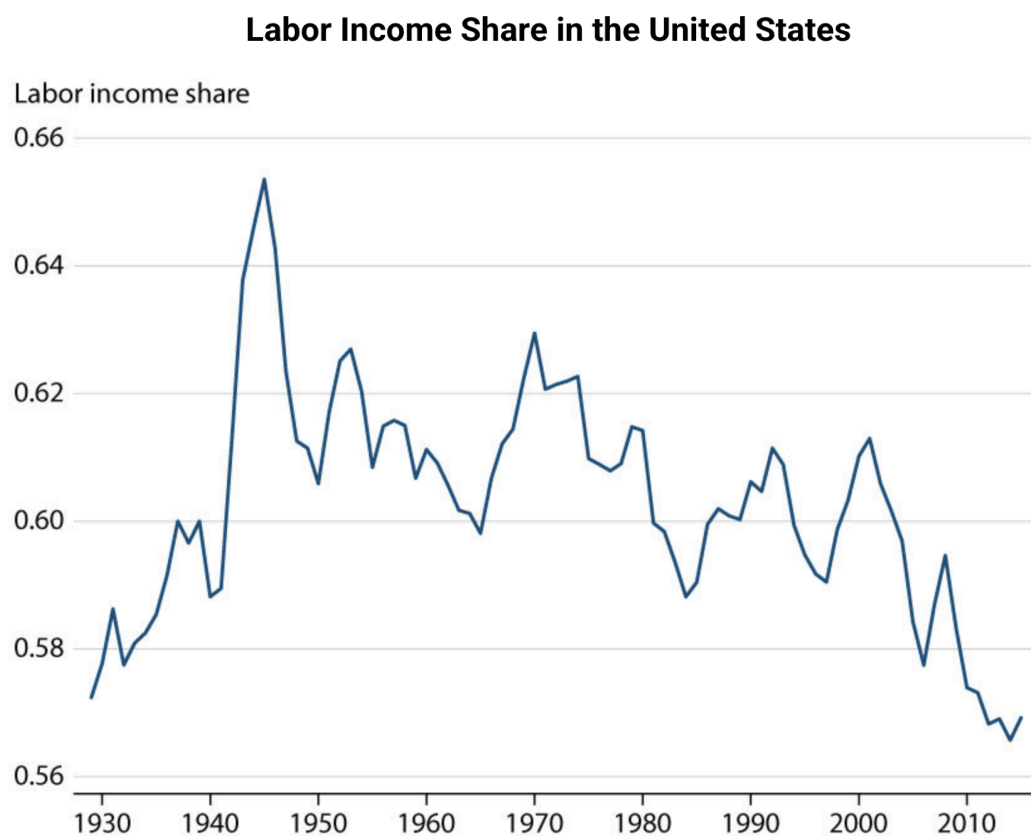


## Source

**"Labor Income Share in the United States"** from **"Why Is the Labor Share Declining?"** by **Sangmin Aum and Yongseok Shin** for the **Federal Reserve Bank of St. Louis Review** (2020)

According to its website, "FRED is an online database consisting of hundreds of thousands of economic data time series from scores of national, international, public, and private sources." FRED is created and maintained by the Research Department at the Federal Reserve Bank of St. Louis.

The labor income share measures how much of a country's income is paid to workers as wages and benefits; the remaining share goes primarily to owners and investors as profits.



In 1930, about 57% of the nation's income was paid to workers – about 57 cents of every dollar generated by their labor. The labor income share increased in the 1940s and remained relatively high until the 1980s.