

NOTES ON THE NEW DEAL

The reality of the new deal is quite different from the myth.

1. Britain, which had no new deal programme, recovered from the recession both more speedily and more completely than the United States. Between 1932 and 1937 the UK official measure of unemployment fell from 22.1% to 10.8%, whereas the United States fell from 23.6% to 14.3%. Thus the fall in unemployment was two percentage points greater in the UK than in the USA.
2. The new deal was not a high spending programme until 1938. Throughout the new deal period, the President was anxious to eliminate the budget deficit. He said "I have said fifty times the budget will be balanced for the fiscal year 1938. If you want me to say it again, I will say it either once or fifty times more. That is my intention." Up to 1938 Roosevelt thought that the amount of useful work on which the Government could spend money was small (page 50, Herbert Stein The Fiscal Revolution in America).
3. The high spending phase of the new deal did not occur until 1938. This was in response to the very sharp decline in manufacturing output (the sharpest decline ever on record was in August 1937) which persisted into 1938. But the increased spending, as a solution to the slump, was not really tested since the war overtook all these events.
4. The worst elements of the new deal were those where the National Recovery Administration (NRA) sought to "increase costs". These took the form of encouraging trade unions, introducing minimum wage legislation, erecting higher tariff barriers on the basis of the original Smoot-Hawley Act of 1930, extensive promotion of marketing restrictions and agreements, regulations on trucks etc. These regulations and restrictions were the lasting and unhappy memorial of the new deal.
5. Make-work schemes abounded. These included the Works Progress Administration which over the years 1934-40 employed 5%-7% ^{of the working population} on make-work schemes. Modern scholars agree that WPA merely crowded out regular employment and added little or nothing to the total number of jobs. Nor did they promote recovery.