WEP Warwick Evans Publishing

International Journal of Global Economics and Management

ISSN: 3005-9690 (Print), ISSN: 3005-8090 (Online) | Volume 7, Number 1, Year 2025
DOI: https://doi.org/10.62051/ijgem.v7n1.14
Journal homepage: https://ijgem.org

An analysis of Roosevelt's New Deal and its Implications for China's Economic Problems

Yiheng Fang [a], Yexin Chen [b], Ruoqi Shi [c]

International Department of Zhejiang Fuyang High School, Hangzhou, China
[a] m15167198229@163.com, [b] 3535893423@qq.com, [c] ruoqishi@126.com

ABSTRACT

The New Deal was a significant economic policy reform in American history, aimed at addressing the economic crisis brought about by the Great Depression. The core content of the New Deal encompassed three aspects: relief, recovery, and reform. Through state intervention in the economy, it alleviated social tensions and promoted economic recovery. This paper analyzes the background, policy impact, effectiveness, and controversies of the New Deal, and explores its implications for contemporary China's economic issues.

KEYWORDS

Roosevelt New Deal; Economy; Great Depression; Relief; Revival; Reform; Workfare; Chinese economy

1. INTRODUCTION

The New Deal, as a significant historical transformation in American history, was a series of economic policies implemented by Franklin D. Roosevelt after he assumed the presidency in 1933. Its core content is mainly divided into three aspects: relief, recovery, and reform. Relief primarily targeted the poor and unemployed, while recovery aimed to restore the economy to normal levels. The reform of the financial system sought to prevent another Great Depression. At the beginning of the 20th century, the United States rapidly rose after World War I, accumulating substantial capital and wealth. However, this was accompanied by an overlooked capital expansion that led to widening wealth gaps and supply-demand issues. Despite a productivity increase of over 40% after the war, workers' wages remained unchanged. This distorted state caused overall social purchasing power to lag far behind the rapid development of productivity, creating a stark contrast. On one hand, large amounts of surplus products were unsold and even destroyed; on the other hand, the middle and lower classes struggled to make ends meet, unable to afford basic living expenses. Against this backdrop, the New Deal emerged. Today, my country, China, after decades of rapid development, also faces high unemployment and economic difficulties compared to previous periods. This article explores and summarizes the New Deal from various perspectives, aiming to identify the theoretical underpinnings behind the New Deal and its implications for contemporary economic issues in China.

2. LITERATURE REVIEW

According to the perspective of scholar Wang Zelin in his 2011 article 'Brief analysis of Roosevelt's New Deal' [1] as a unique economic reform in American history, holds special significance. Although some overly radical policies did indeed hinder the development of the U.S. economy to a certain extent, they largely alleviated the sharp contradictions in American society and prevented further deterioration of the economy. The New Deal ushered in a new economic system in American history: state intervention in the economy. The pros and cons brought about by this reform highlight that the development of a market economy cannot do without appropriate government guidance. From his perspective, we can also gain different insights.

Drawing on the perspective of another scholar, Wan Xuemei, in her article "A Tentative Discussion on the Employment Policy of Roosevelt's New Deal" [4]: The "center-left" approach taken by Roosevelt's New Deal to address employment issues was profoundly significant for America's recovery from the Great Depression, the protection of human and natural resources, the victory in World War II, and the establishment of a welfare state with "regulated capitalism." Indeed, the measures taken by Roosevelt's New Deal to tackle employment problems significantly alleviated job pressure, stimulated economic recovery, and greatly benefited the unemployed, serving as a successful model for addressing employment and re-employment issues during economic downturns. However, the New Deal did not fundamentally solve unemployment under the capitalist system. At the time of Roosevelt's inauguration, there were 14 million unemployed people; this number dropped to 5 million in August 1937, but increased to 10 million between 1938 and 1939. "After World War II, the United States still had about 1 million unemployed annually." To this day, there remain a considerable number of unemployed individuals in the U.S. Of course, capitalists need a certain number of unemployed people as a reserve labor force. However, with the development of the world economy, issues such as severe unemployment and widening wealth gaps have become increasingly prominent. How can we explore employment and social security issues in the new era? The solutions to employment problems under Roosevelt's New Deal offer us valuable insights and ample room for further reflection and development.

3. THE IMPACT OF POLICY

(1) In the face of a sudden economic crisis, the economic situation deteriorated sharply, with an estimated 1.5 to 1.7 million people losing their jobs, most of whom were the sole breadwinners of their families. In September 1932, Fortune magazine reported that 3.4 million adult men, women, and children in the United States had no income, accounting for 28% of the total population. About one-sixth of households could barely survive on welfare. During this period, President Hoover adhered to traditional views and firmly opposed direct federal assistance to the unemployed. He believed that relief should be the responsibility of local governments and was hesitant about federal intervention. However, as the impact of the crisis grew, the traditional relief system quickly collapsed.

In May 1933, the Roosevelt administration took decisive action by enacting the Federal Emergency Relief Act and establishing the Federal Emergency Relief Administration (FERA). The agency was tasked with working in collaboration with states to provide assistance to the unemployed and alleviate their hardships. To ensure the smooth operation of relief efforts, the Federal Emergency Relief Act of May 1933 authorized the Reconstruction Finance Corporation to allocate $500 million to FERA as relief funds, effectively helping the unemployed through "direct relief." This marked the first large-scale direct aid to the unemployed by the federal government. Initially, many unemployed individuals lined up anxiously at warehouses, waiting to receive relief supplies. Within just one month of its establishment, FERA provided various forms of relief to 4 million households. From 1933 to April 1935, when the agency was dissolved, it spent approximately $4 billion. By April 1935,4.46 million people had received relief, compared to nearly 8 million households receiving aid in February 1934, which was the peak number of recipients.

(2) Shortly after taking office, Roosevelt personally planned a series of new initiatives, among which the "WPA" policy became one of the key measures to combat the Great Depression. This policy provided employment opportunities for the unemployed through large-scale public works projects while improving national infrastructure. For example, the famous Tennessee Valley Authority was launched during this period, where government relief funds were converted into workers 'wages to

fund projects needed by the government. This not only saved on government spending but also increased people's income and reduced unemployment rates.

The projects mentioned include:

1) Establishment of the Civilian Resource Protection Team (Civilian Conservation Corps, CCC)

On March 21,1933, Roosevelt submitted a request to Congress, hoping for swift authorization to establish the Civilian Conservation Corps (CCC). By April 5, the CCC had begun operations. The organization not only absorbed many homeless youth and unemployed urban youth, enabling them to earn their own living through paid labor, but also engaged them in tasks such as protecting natural resources and afforestation. The government allocated an initial $300 million to hire 250,000 young people aged 18 to 25 from relief families across approximately 1,500 camps nationwide. These young men, under the command of the Army, participated in reforestation, flood control, and soil conservation projects. Between 1933 and 1942, the CCC cumulatively absorbed about 2.75 million young people, planting over 3 billion trees and constructing 80,000 kilometers of firebreaks. Participants received a daily wage of $1 (with 25 cents sent home), which alleviated the financial burden on their families while cultivating labor skills. Outstanding performers, ranking in the top 8%, earned $36 per month; those in the top 5% earned $45 per month. Notably, the proportion of African American youth in the CCC was roughly equal to their proportion in the general population. By 1935, the CCC reached its peak with 500,000 members.

2) Public Works Agency (Public Works Administration, PWA)

Major projects: investment in large infrastructure, such as the Hoover Dam, the New York Three District Bridge, the San Francisco-Oakland Bay Bridge, etc. By 1939, PWA had funded 10 percent of the nation's new railroads, one-third of its hospitals and two-thirds of its public school buildings.

Through government investment, industrial demand for steel, cement and other industries has been driven, indirectly creating millions of jobs. The economic stimulus effect is direct and significant.

3) Agency for Project Development (Works Progress Administration, WPA)

Coverage: The WPA, established in 1935 under Roosevelt's leadership, became the largest workfare agency, employing more than 8.5 million people in construction, arts, education and other fields. The public facilities it built included:

Construct or renovate 1.05 million kilometers of roads, 125,000 public buildings, 8,000 parks and a large number of Bridges and airports.

Support artists and writers to participate in cultural projects such as mural creation and local history compilation, such as the Federal Writers' Program.

Unemployment Benefits: By the time it closed in 1943, the WPA had spent $11 billion, or 6.7% of U.S. GDP in 1963, a significant portion of the economy at the time.

4) Tennessee Valley Authority (Tennessee Valley Authority, TVA)

Integrated development: Founded in 1933, it integrated the power, shipping and agricultural resources of the Tennessee River basin through the construction of DAMS, hydropower stations and flood control projects. For example, the Norris Dam not only controlled floods but also promoted local industrial development with low-cost electricity.

The long-term impact of the project was evident: by the 1940s, the TVA had increased the rate of electricity access to households in the basin from 10 percent to 90 percent, and promoted fertilizer production to improve agriculture. This achievement was due to comprehensive planning under the TVA Act, including specific tasks such as improving navigation, providing flood control, developing hydropower, conserving water and soil, improving soil, and controlling malaria.

5) Civil Service Engineering Agency (Civil Works Administration, CWA)

Short-term emergency: established in the winter of 1933, it quickly employed four million people to build community infrastructure such as repairing schools and cleaning sewers. Although it only operated for four months, it alleviated the winter survival crisis of the unemployed.

(3) Debate on achievements and disputes

Economic and Social Impact: During the New Deal, large-scale public works projects, such as those of the Tennessee Valley Authority and the Civil Engineering Bureau, directly created about 8 million jobs, effectively reducing unemployment rates. For example, after peaking at 25% in 1933, the unemployment rate had dropped to 14% by 1937. The improvement of infrastructure laid the foundation for post-war economic development.

Limitations: Some projects failed to benefit black people due to racial discrimination, such as black women being restricted to low-paying laundry jobs rather than public works positions. In addition, the second economic recession in 1937 due to budget cuts exposed the vulnerability of relying on government spending.

4. NEW POLICIES ARE EFFECTIVE

President Franklin Delano Roosevelt's New Deal left a profound mark on history and had a far-reaching impact on the economy. These policies effectively promoted economic recovery and stabilized the financial system, preventing further collapse. One of the core aspects of the New Deal was the establishment of a series of agencies, such as the Public Works Administration (PWA) and the Civilian Conservation Corps (CCC). The creation of these agencies not only created numerous job opportunities but also further fueled sustained economic growth through these jobs. The implementation of the New Deal extended beyond the economic sector; it also involved reforms in social policies. By establishing a new social security system, the New Deal provided basic living security for the elderly, unemployed, and disabled, thus offering support to these vulnerable groups at the societal level. The transformation of government roles was also crucial in the New Deal, with the new administration strengthening the federal government's role in economic and social affairs, laying a solid foundation for the establishment of the modern welfare state. Additionally, President Roosevelt effectively rebuilt public trust in the government through communication methods like the "Radio Address," which was particularly important in the social context of the time. A series of reform measures by President Roosevelt successfully alleviated the severe impact of the Great Depression, greatly restoring economic vitality, significantly reducing poverty rates, and substantially improving the quality of life for the people.

5. THE ENLIGHTENMENT OF ROOSEVELT'S NEW DEAL TO THE DEVELOPMENT OF MODERN CHINESE ECONOMY

As a key policy to deal with the Great Depression in the 1930s, the core ideas and practices of Roosevelt's New Deal are of great significance for China's current economic transformation and development. Based on the actual situation in modern China, the following implications can be summarized:

5.1. Balance the Role of the Market and the Government, And Strengthen Macro-Control

Roosevelt's New Deal reshaped the economic order through large-scale government intervention (such as financial reforms and industrial revival programs), offering China a lesson to strengthen its ability to counteract economic cycles while adhering to market-oriented reforms. For example, precise fiscal policies can support the real economy and emerging industries, or increase infrastructure investment during economic downturns to stabilize employment and demand, thus avoiding systemic risks caused by market failures.

5.2. Build a Multi-Level Social Security System and Consolidate The Foundation of Domestic Demand

The new policy alleviates the pressure on people's livelihoods through unemployment benefits and pension systems, stimulating consumption potential. China can further improve its social security network covering both urban and rural areas, narrowing income disparities. In particular, by implementing inclusive policies (such as healthcare coverage and equal education opportunities), it can unleash the consumption power of middle-and low-income groups, promoting a shift from investment-driven to consumption-driven economic growth.

5.3. Promoting Supply-Side Structural Reform and Industrial Upgrading

Roosevelt's experience in adjusting the agricultural and industrial structure through the Industrial Revitalization Act suggests that China needs to accelerate the elimination of outdated production capacity and foster new drivers such as high-end manufacturing and the digital economy. At the same time, drawing on the "workfare" approach, public investment in areas like green infrastructure and technological research can create jobs while injecting momentum into long-term growth.

5.4. Improve the Financial Regulatory Framework to Prevent Systemic Risks

The establishment of deposit insurance system and the practice of regulating Wall Street show that financial stability is the foundation of a healthy economy. China needs to continue to strengthen penetrating supervision, prevent risks in areas such as shadow banking and real estate, and explore the formulation of rules in innovative areas such as digital currency to balance financial openness and security.

5.5. High-quality Development Driven By Scientific and Technological Innovation

Roosevelt's New Deal investment in infrastructure such as hydropower and highways, along with the application of technology (like the Tennessee Valley Project), reflects the need today to increase investment in basic research, improve collaboration among industry, academia, and research institutions, and break through "chokepoint" technological bottlenecks. By guiding policies (such as tax incentives and intellectual property protection), we can stimulate corporate innovation and achieve deep integration of technology and industry.

The inspiration of Roosevelt's New Deal is essentially the combination of crisis response and long-term reform. Modern China needs to coordinate policies with systematic thinking, which not only stabilizes the economy through short-term regulation, but also cultivates growth resilience through structural reform, so as to achieve a dynamic balance between efficiency, equity and sustainability.

6. SUMMARY

The New Deal was implemented against the backdrop of economic prosperity and widening wealth disparity following World War I, as well as supply and demand imbalances in the United States. It aimed to address unemployment and economic recession through policies at three levels: relief, recovery, and reform. During the New Deal period, the U.S. government directly created about 8 million jobs through large-scale public works projects, effectively reducing the unemployment rate. At the same time, the New Deal also involved reforms in social policy, establishing a social security system and enhancing the federal government's role in economic and social affairs.

The New Deal had profound impacts on the economy and society, but some programs failed to benefit African Americans due to racial discrimination, and its reliance on government spending exposed its fragility. The New Deal successfully alleviated the impact of the Great Depression, restored economic vitality, reduced poverty rates, and improved people's quality of life. The author believes that the New Deal holds significant reference value for China's modern economic transformation and development, including balancing market and government roles, building a social security system, promoting supply-side structural reforms, improving financial regulatory frameworks, and driving high-quality development through technological innovation. The New Deal is an important policy in response to economic crises, and its core concepts and practices offer valuable insights for China's current economic transformation and development. Modern China needs to adopt a systemic approach to policy coordination, stabilize the economy through short-term adjustments, and foster growth resilience through structural reforms, achieving a dynamic balance between efficiency, equity, and sustainability.

REFERENCES

[1] Wang Zilin. Brief analysis of Roosevelt's New Deal [J]. Public Business, 2011(11):18-18.

[2] Shu, N. Chongqing: Southwest University of Political Science and Law, (2010).

[3] Duan Xiaoya. Disputed "Roosevelt's New Deal" [J]. Heilongjiang Historical Records, 2011(13):47-48. (in Chinese) DOI:10.3969/j.issn.1004-020X.2011.13.024.

[4] Wan Xuemei. Journal of Shandong Normal University (Humanities and Social Sciences), 2004, 49(1):62-65. (in Chinese) DOI:10.3969/j.issn.1001-5973.2004.01.013.

[5] Xing Yumei. A new understanding of the evaluation of Roosevelt's New Deal [J]. Examination Weekly, 2011(91):166-166.

[6] Wan Xuemei. History Teaching, 2003, 79(11):67-74. DOI:10.3969/j.issn.0457-6241.2003.11.013.

[7] Wang Huarong, Wang Liyun. Journal of Simao Normal College, 2008, 24(2):74-77. (in Chinese) DOI:10.3969/j.issn.1008-8059.2008.02.018.

[8] William Manchester, Huang, Y. & Zhu, X. Roosevelt's New Deal. Tianya, (1):56-65 (2002).

[9] Wen Ronggang. Journal of Liaocheng University (Social Science Edition), 2007(5):92-96, 100. (in Chinese) DOI:10.3969/j.issn.1672-1217.2007.05.019.

[10] Shen, Y. Gansu: Northwest Normal University, 2010. DOI:10.7666/d.D427635.

[11] Wang Hongxia. Research on Roosevelt's New Deal from the Perspective of Economic Law [D]. Hunan: Central South University, 2010. DOI:10.7666/d.y1722299.