

# Hoover, FDR and the New Deal



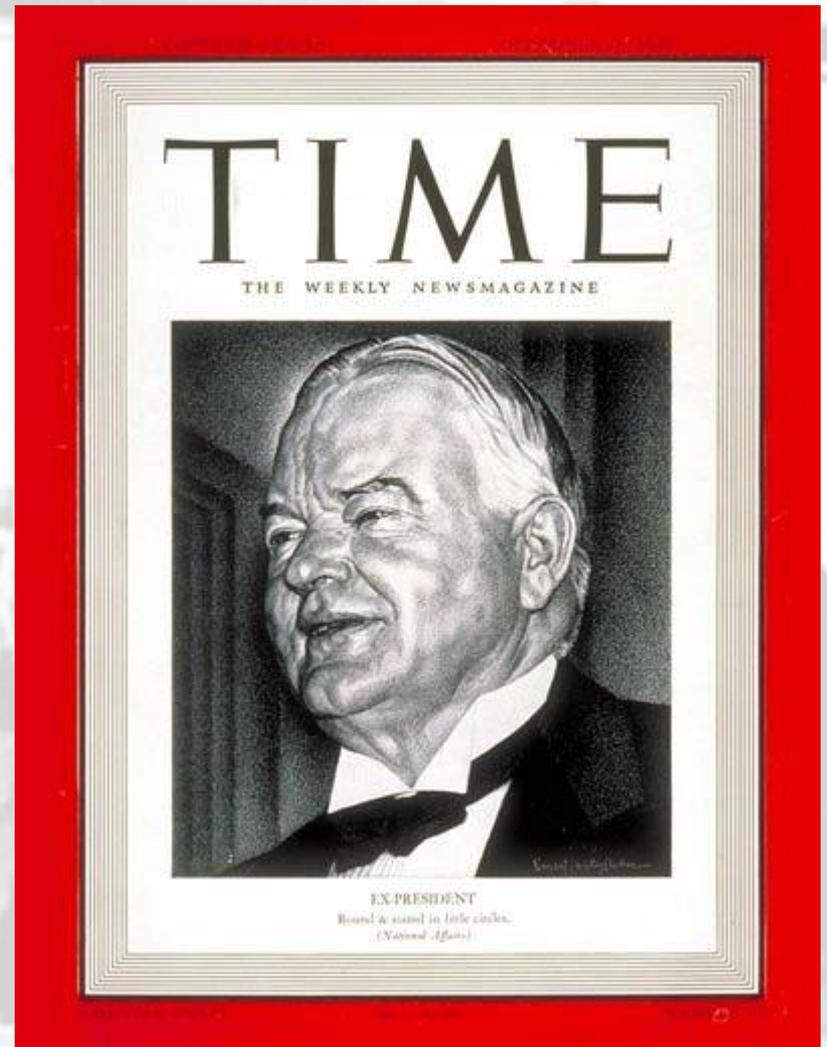
# “Hoovervilles”

- Some families were forced to live in makeshift houses
  - Shacks and tents in vacant lots
- “Hoover flag” - empty pockets turned inside-out
- “Hoover blankets” - newspapers
- “Hoover leather” - cardboard
- “Hoover wagons” - cars pulled by horses because gas was unaffordable

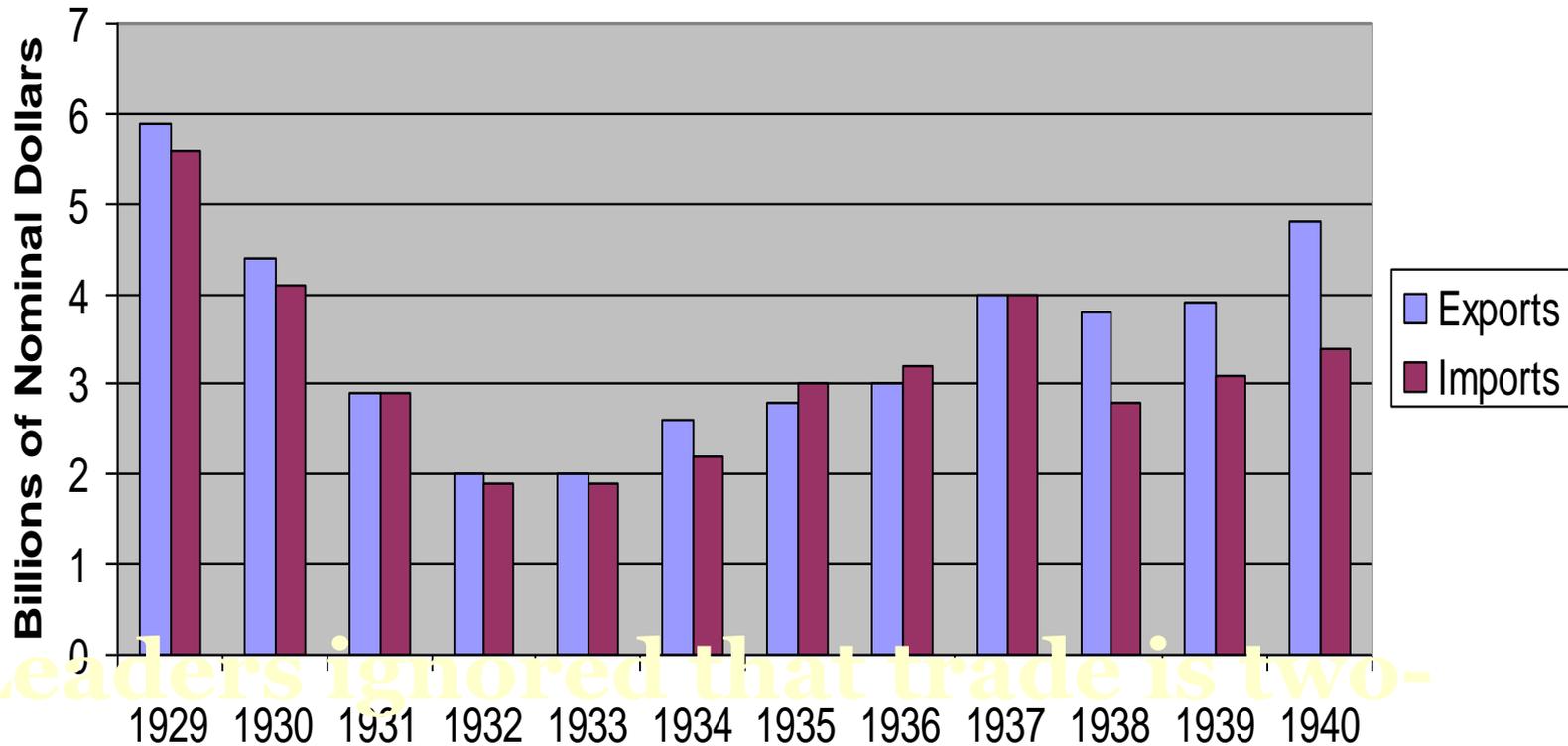


# How Herbert Hoover Dealt with the Crisis

- Played the game of “Confidence Economics”, believing “Prosperity is right around the corner”
- “Rugged Individualism”



## Smoot Hawley Tariff of 1930 and Trade Reform Act of 1934



Leaders ignored that trade is two-way street

If foreigners can't sell goods here, they will shut off our exports there

# “Volunteerism”

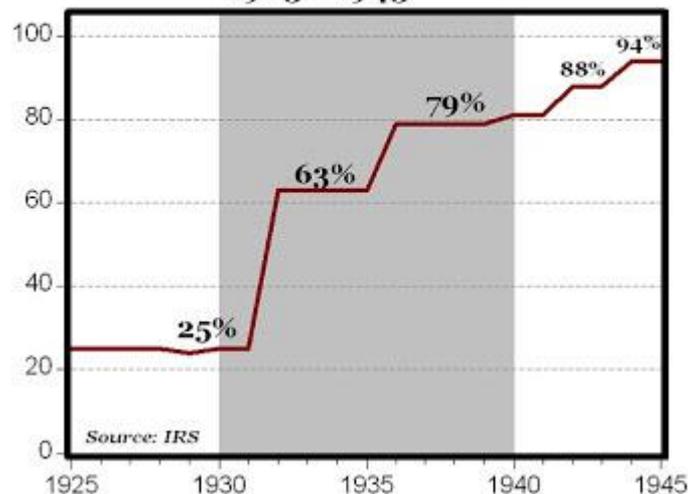
- Encouraged donations to private relief organizations: Red Cross, Salvation Army, YMCA
- Urged larger Eastern banks to provide loans to struggling rural banks
- Hoover established 2 privately-funded organizations:
  - **The National Credit Association** (1931) provided \$1½ billion to businesses for emergency loans
    - Too underfunded to do much good
  - **The Organization for Unemployment Relief** (1931) coordinated local welfare agencies without spending govt money – “Localism”
    - State and local govts were already in too much debt to benefit from it



**The Revenue Act of 1932:** increased personal income taxes dramatically, but also brought back a variety of WWI taxes of WWI taxes

Meant to balance the federal budget, instead further discouraged spending

Highest Marginal Individual Income Tax Rate  
1925 - 1945



# Limited Government Intervention

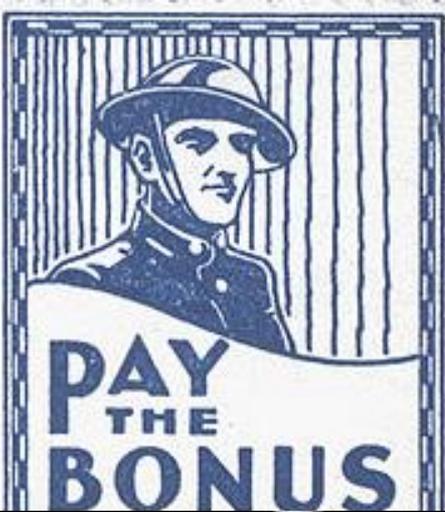
- Attempted to “Prime the Pump”
- Hoover resorted to govt intervention 1932:
  - The **Reconstruction Finance Corps** gave \$1.5 billion in federal loans to banks, insurance companies, and industry to prevent bankruptcies
    - Too little, too late
  - The **Home Loan Bank Act** provided federal loans to homeowners to prevent foreclosures
    - Too “bogged down” by red tape to be effective



Priming the old pump.

- Hoover supported a “balanced budget”
- He also lacked political “finesse” and did not give Americans confidence





## Bonus Army

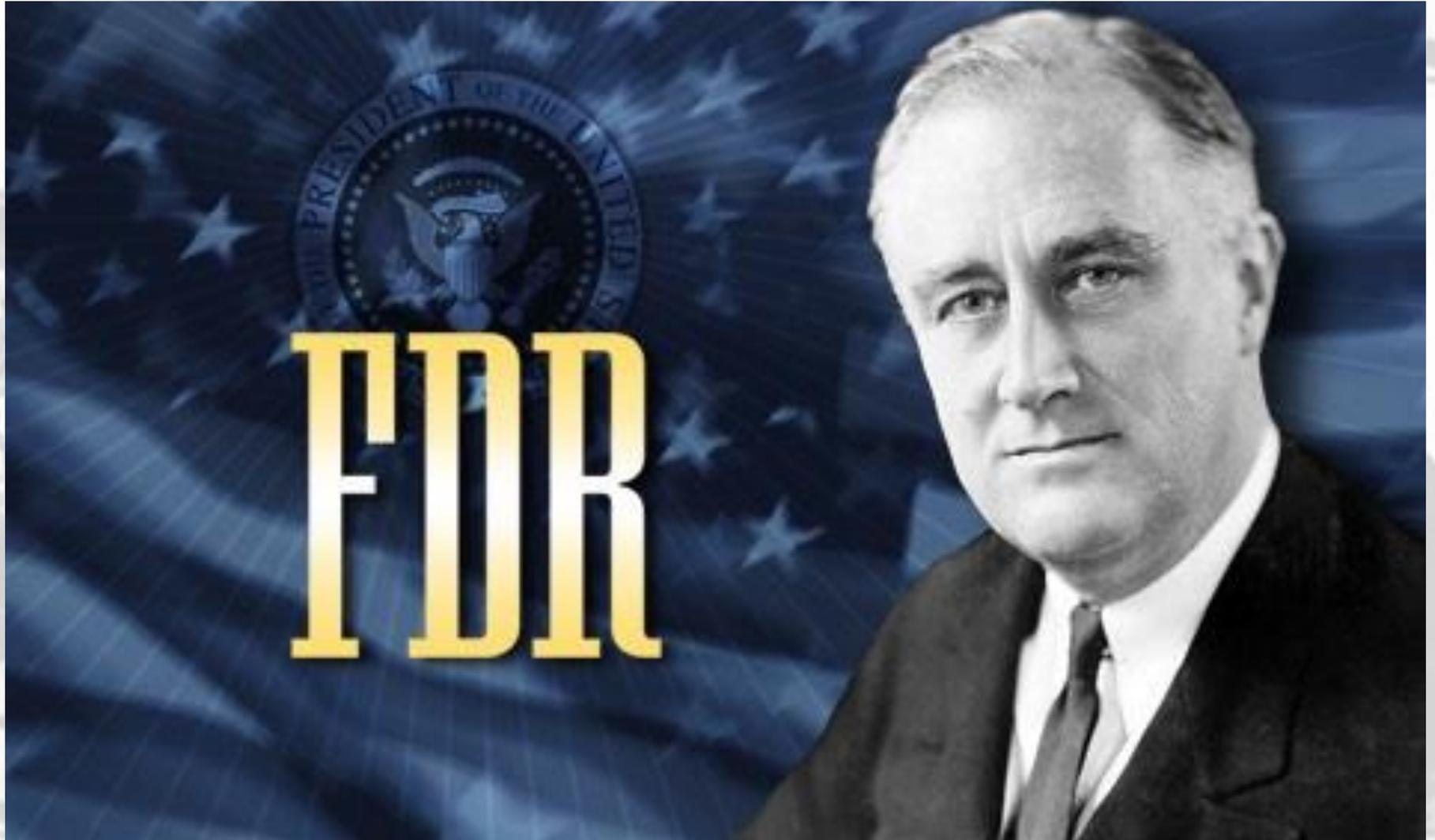
- WWI veterans were promised a bonus in 1945; veterans were asking for it to be given immediately to provide relief by 1932
- Marched on Washington, D.C. and “camped out”
- Hoover sends in U.S. Army (Led by MacArthur and below him Eisenhower)
- Tear gas and machine guns used, and ultimately the camp was burned down



Hoover received the blame for the incident, and it further cemented his unpopularity



# Franklin D. Roosevelt and the New Deal



# FDR Bio

- TR's 5<sup>th</sup> cousin
- Eleanor's 5<sup>th</sup> once removed
- Harvard educated
- Only child
- NY State Senator, Assistant Secretary of the Navy
- WWI during Wilson
- Ran for VP in '20
- Polio at 39

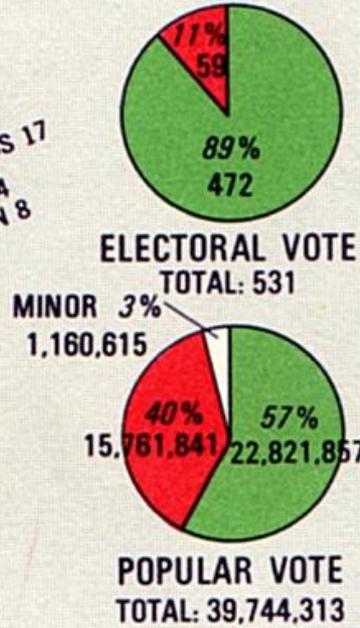
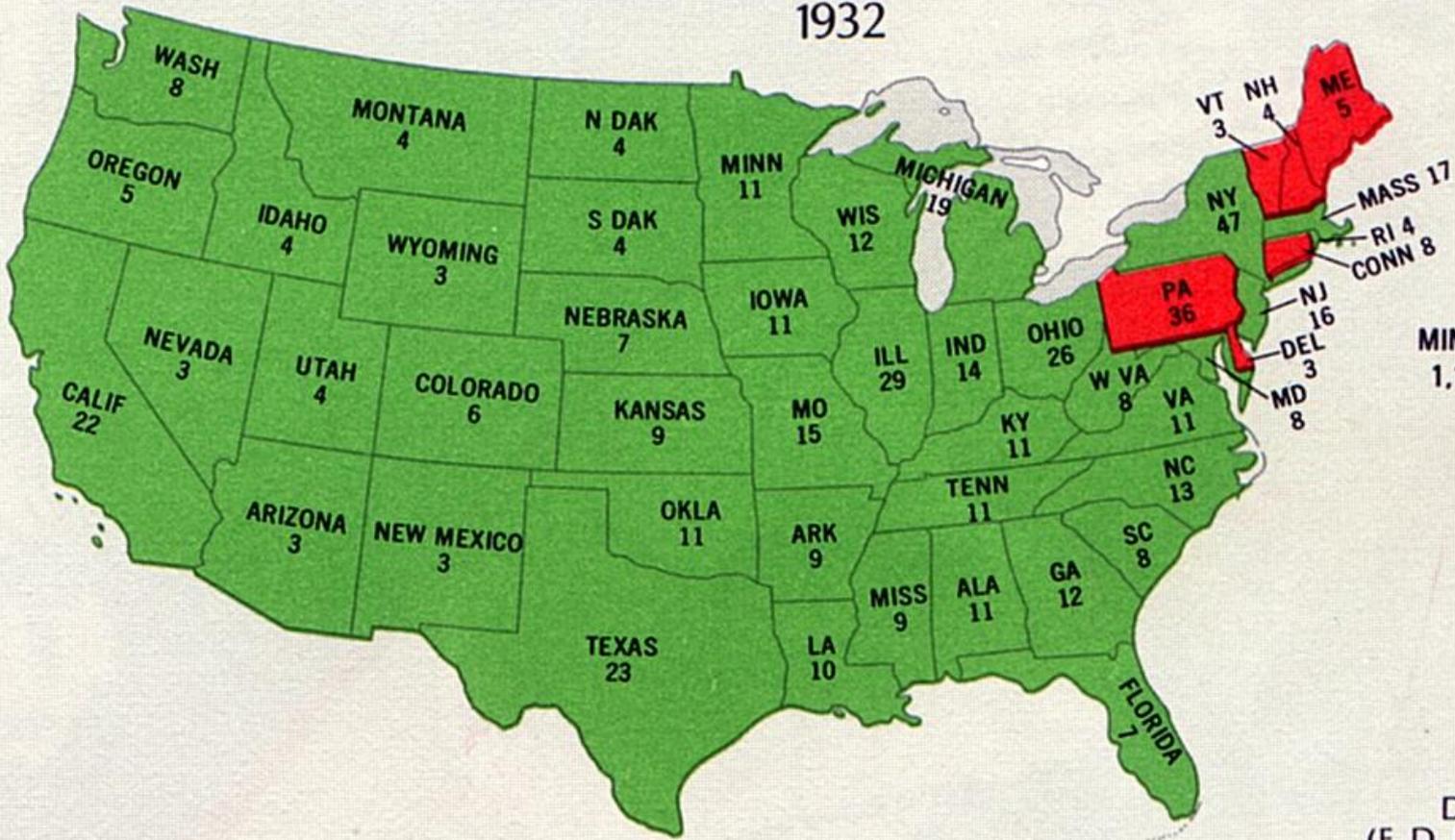


# Franklin D. Roosevelt's Appeal

- In 1932 presidential election, FDR was perceived as a “man of action”
- Hoover was viewed as a “do-nothing president,” but ran for reelection
- Results: landslide for Democrats and a “public mandate” to use govt as an agency for human welfare



1932



Democratic (F. D. Roosevelt)   
Republican (Hoover) 

# Purposes of FDR's "New Deal"

- Relief: provide jobs for the unemployed and to protect farmers from foreclosure
- Recovery: get the economy back into high gear, "Priming the Pump"
- Reform: regulate banks, to abolish child labor, and to conserve farm lands
- Overall Objective: save the free market economy



# Phases of the New Deal

1<sup>st</sup> New Deal: 1933-1934

2<sup>nd</sup> New Deal: 1935-1941



# “Hundred Days” (1933-1934)

- Emphasis:  
“Relief and Recovery”
- Political Position:  
conservative
- Beneficiaries:  
“Big Business”  
(including agricultural business)



FDR declared a “banking crisis” in March of 1933

A. Closed ALL banks for the “Bank Holiday”

B. Emergency Banking Relief Act: passed by Congress, allowed only sound banks to reopen, the rest kept closed

-Fireside Chats: informal “pep talks” on the radio;  
(30 chats during his presidency)

**The New York Times.** LATE CITY EDITION  
WEATHER—Fair today; tomorrow cloudy, with rain following. Precipitation beginning Mon. at 10 a.m.; 20.

VOL. LXXXII...No. 21,848. NEW YORK, MONDAY, MARCH 6, 1933. TWO CENTS

# ROOSEVELT ORDERS 4-DAY BANK HOLIDAY, PUTS EMBARGO ON GOLD, CALLS CONGRESS

**HITLER BLOC WINS A REICH MAJORITY; RULES IN PRUSSIA**  
Hitler bloc wins a Reich majority; rules in Prussia. Berlin, March 5. (AP)—Hitler bloc has won a majority in the Reichstag, the German parliament, today. The bloc, headed by Adolf Hitler, has 230 seats, a majority of the 528 seats in the parliament. The bloc is headed by Adolf Hitler, who is now in Prussia. The bloc is headed by Adolf Hitler, who is now in Prussia.

**JAPANESE PUSH ON IN FIERCE FIGHTING; CHINA CLOSING WALL**  
Japanese push on in fierce fighting; China closing wall. Peking, March 5. (AP)—Japanese troops are pushing on in fierce fighting against Chinese forces in the north. The Chinese government has ordered the closing of the Great Wall to Japanese troops.

**Relief Wages Will Be Paid Despite Holiday, Gibson Says**  
Relief wages will be paid despite holiday, Gibson says. Washington, March 5. (AP)—The Federal Reserve Board today announced that it would continue to pay relief wages to banks during the four-day bank holiday.

**BANKS HERE ACT AT ONCE**  
City scrip to be ready today or tomorrow. New York, March 5. (AP)—Banks in New York City today suspended operations at 12 o'clock tonight, as did banks in other cities.

**The President's Bank Proclamation**  
WASHINGTON, March 5.—The text of President Roosevelt's proclamation on the banking situation, issued at the White House at 12 o'clock tonight, was as follows:  
BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

**USE OF SCRIP AUTHORIZED**  
President Takes Steps Under Sweeping Law of War Time.  
The Proclamation Provides for Withdrawals From Banks Against New Deposits.

**CONGRESS SITS THURSDAY**  
Day of Conference With the



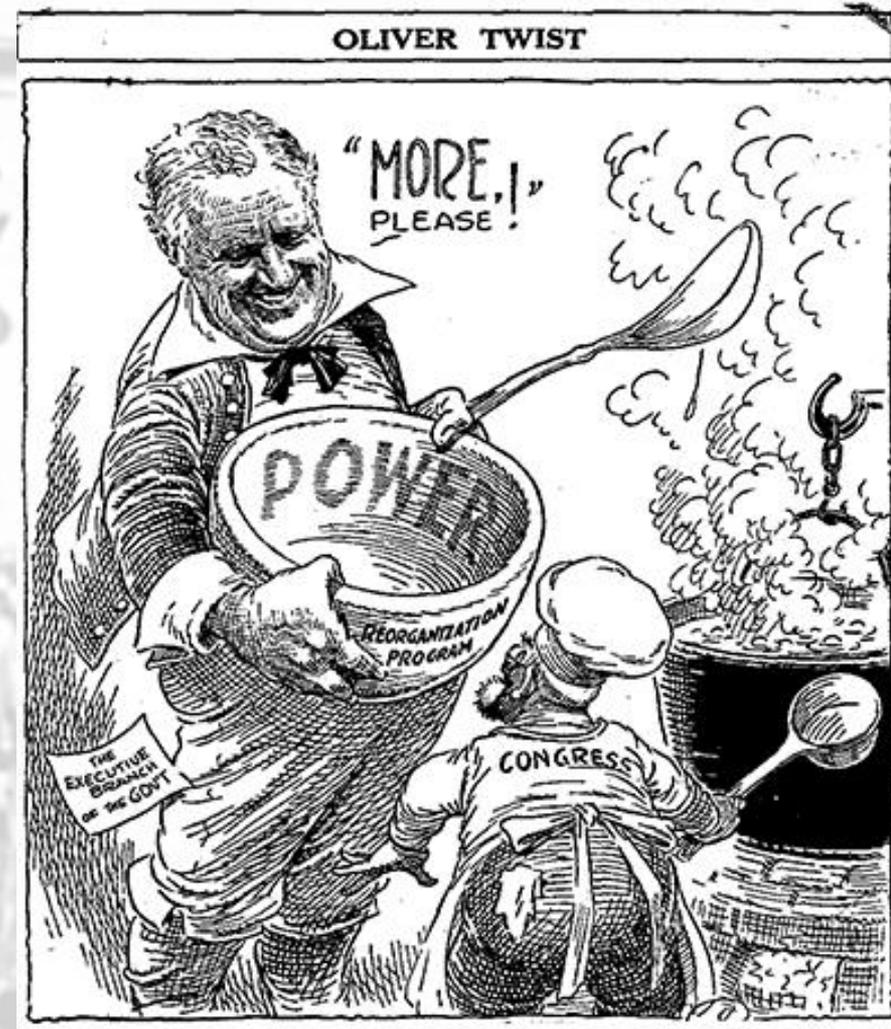
# Second New Deal (1935-1941)

- **Emphasis:** reform
- **Political Position:** liberal
- **Primary aim:** permanent reform
- **Philosophy:** international economic cooperation and economic abundance
- **Objectives:** increased purchasing power of consumers and social security for citizens
- **Beneficiaries:** small farmers and the working class



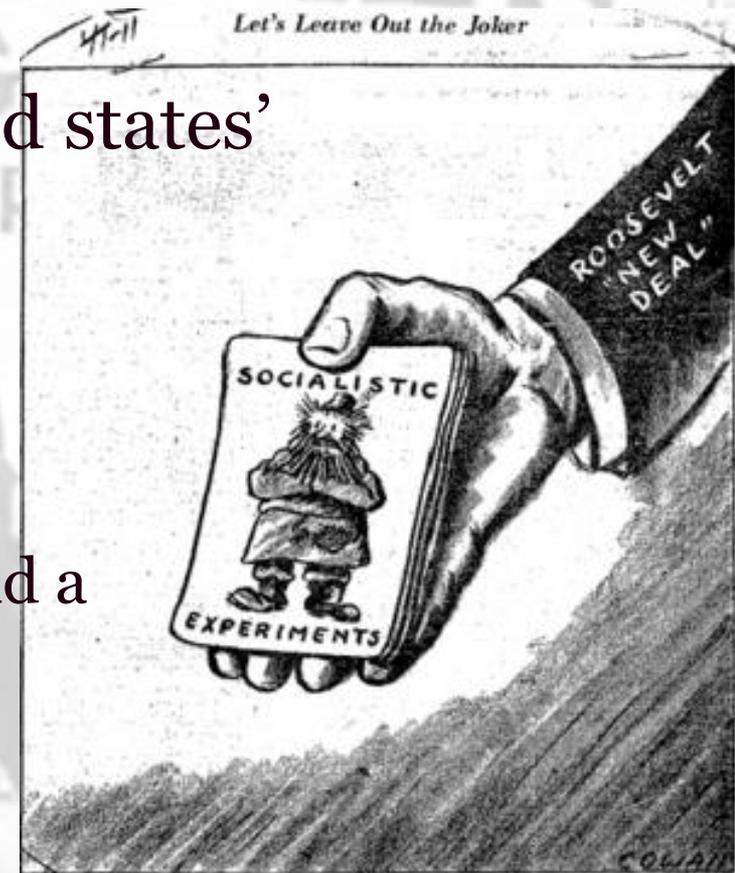
# The New Deal on Trial

- As early as 1935, political disunity was evident
- FDR's critics were on the right *and* the left



Conservative opponents said the New Deal went too far and claimed:

- It was essentially socialism (and killed “individualism”)
- It added to the national debt (\$50 billion)
- It encouraged idleness
- It was unconstitutional/violated states’ rights
- It increased the power of the president:
  - FDR was reaching toward dictatorship, Congress had a “rubber stamp”, power of judiciary threatened, separation of powers shattered

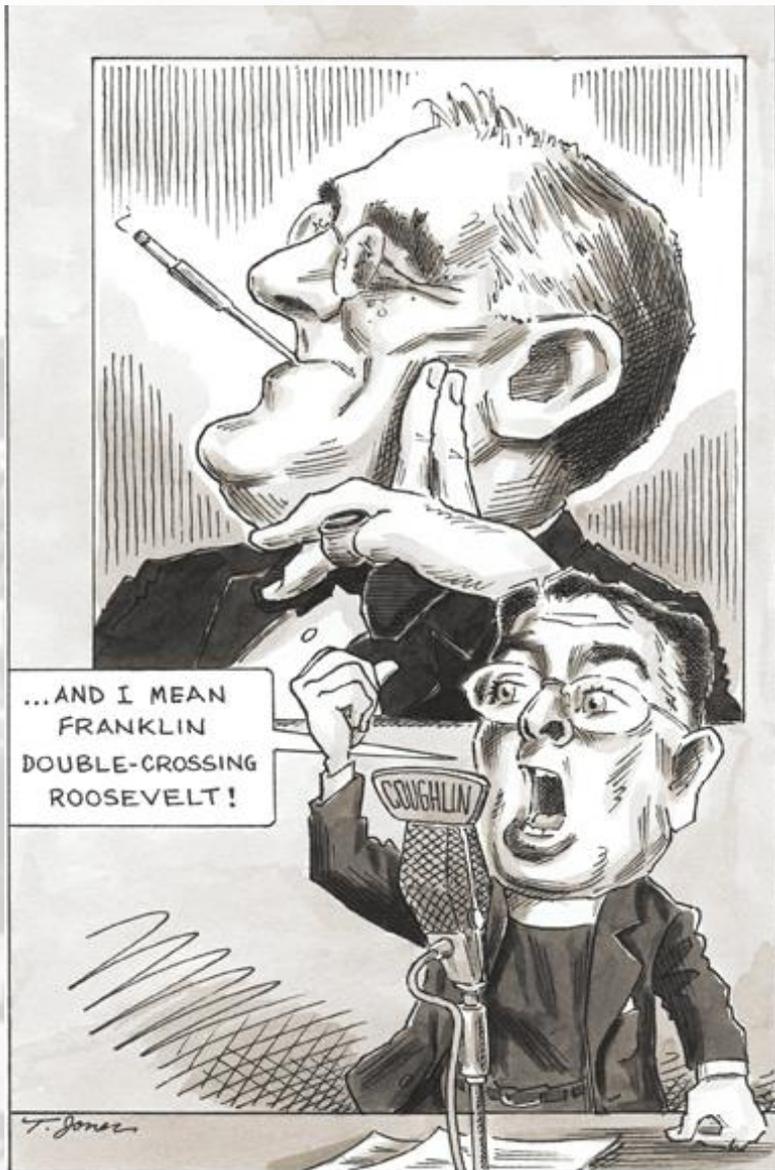


# Anti-New Deal Organization

- Conservative opponents to the ND had an organization called the American Liberty League
- They had money but were small in numbers; wealthy businessmen and politicians
- FDR didn't feel threatened
- Why?



# Criticisms of Liberal Opponents



- Liberal opponents said the ND did not go far enough
- Many of these opponents were demagogues (aka “rabble-rousers”) and had popular followings, so FDR was concerned

# Huey Long



- Senator and Governor of Louisiana
- Gained power through legal & illegal means (intimidation & bribery)
- Used his power to help the poor
- Relentlessly taxed big businesses in LA
- Used \$ to build roads, schools, hospitals
- Employed blacks with whites
- At first supported ND - later said ND too complicated & not doing enough

*“Share Our Wealth” scheme, ‘Every man a king, but no one wears a crown!’*

- Personal fortunes max @ 5 mil.
- Yearly income max @ 1 million
- Govt taxes shared w/ all Americans
- Every family gets min. yearly wage of \$2000 and \$5000 for house payment
- Pensions for those over 60 from the wealthy
- Veteran bonuses and college education
- Free washing machines & radios for everyone

FDR considered him one of the most dangerous men in America until his assassination in 1935



## Key figure: **Dr. Francis Townsend**

### “Old Age Revolving Pension Plan”

- \$200/month pensions for those over 60 years (financed through sales taxes) providing they spent it in same month → stimulate the economy



## Key figure: **Father Coughlin**

- Formed the National Union for Social Justice
- Catholic priest
- Silver inflation, nationalization of banking and currency, “Living Wage”, right to unionize
- Used his weekly radio address called “Radio League of the Little Flower” to attack FDR
- He increasingly voiced anti-Semitic and pro-fascist views
- Movement faded in early 1940s after the Vatican instructed him to stop his attacks

# Moderate Legislation

FDR sponsored moderate legislation to silence radical opposition:

- **Revenue Act of 1935** (Response to Huey Long): increased taxes on large incomes and corporations
- **Banking Act of 1935** (Response to Coughlin): extended federal control over private banking practices
- **Social Security Act of 1935** (Response to Townsend): included provisions for unemployables (dependent children, the disabled, blind), unemployment insurance, and old-age pensions



# The Roosevelt Coalition

-Democrats broadened their constituency by appealing to white Southerners, farmers, women, urban political bosses, ethnic blue-collar workers, Jews, progressives, intellectuals, and blacks

-Also known as the “New Deal Coalition”



# The Election of 1936

- Made the Democrats the majority party
- Created a new “Democrat Coalition” composed of both traditional elements and new elements
- Showed that the people rejected radical solutions to depression

**THE PEOPLE'S CHAMPION AND HOPE 1932**  
**FIDELITY IN DEMOCRACY**  
**THEIR PROVEN FRIEND AND HUMANE LEADER 1936**

**Roosevelt Appreciators' League**  
**MEMBERSHIP ENROLLMENT**  
**AND**  
**Democratic Committee's**  
**REGISTRATION DRIVE**  
**WITH**  
**ROOSEVELT**  
**ROUND-UP RALLY**

**National League Baseball Field, Boston**  
**FRIDAY, OCTOBER 30, 1936**

We invite every fair-minded man and woman who holds the future welfare of this nation above Party Politics to take an active part in the re-election of America's ablest and most humane leader since Lincoln by enlisting as a member of our League, and thus co-operate in meeting the slanderizing opposition with the League's 21 issues. In this way, the vote of November 3rd will be the greatest ever given a candidate for the office of President of the United States of America and will again deliver the state to Franklin Delano Roosevelt.

THE MOST *Stupendous and Spectacular Night Show* EVER STAGED

*Invited Honored Guest Speakers*  
President **FRANKLIN D. ROOSEVELT**  
U. S. Senator **JOSEPH ROBINSON**  
Gov. **GEORGE EARLE** of Pennsylvania  
and Entire State Tickets

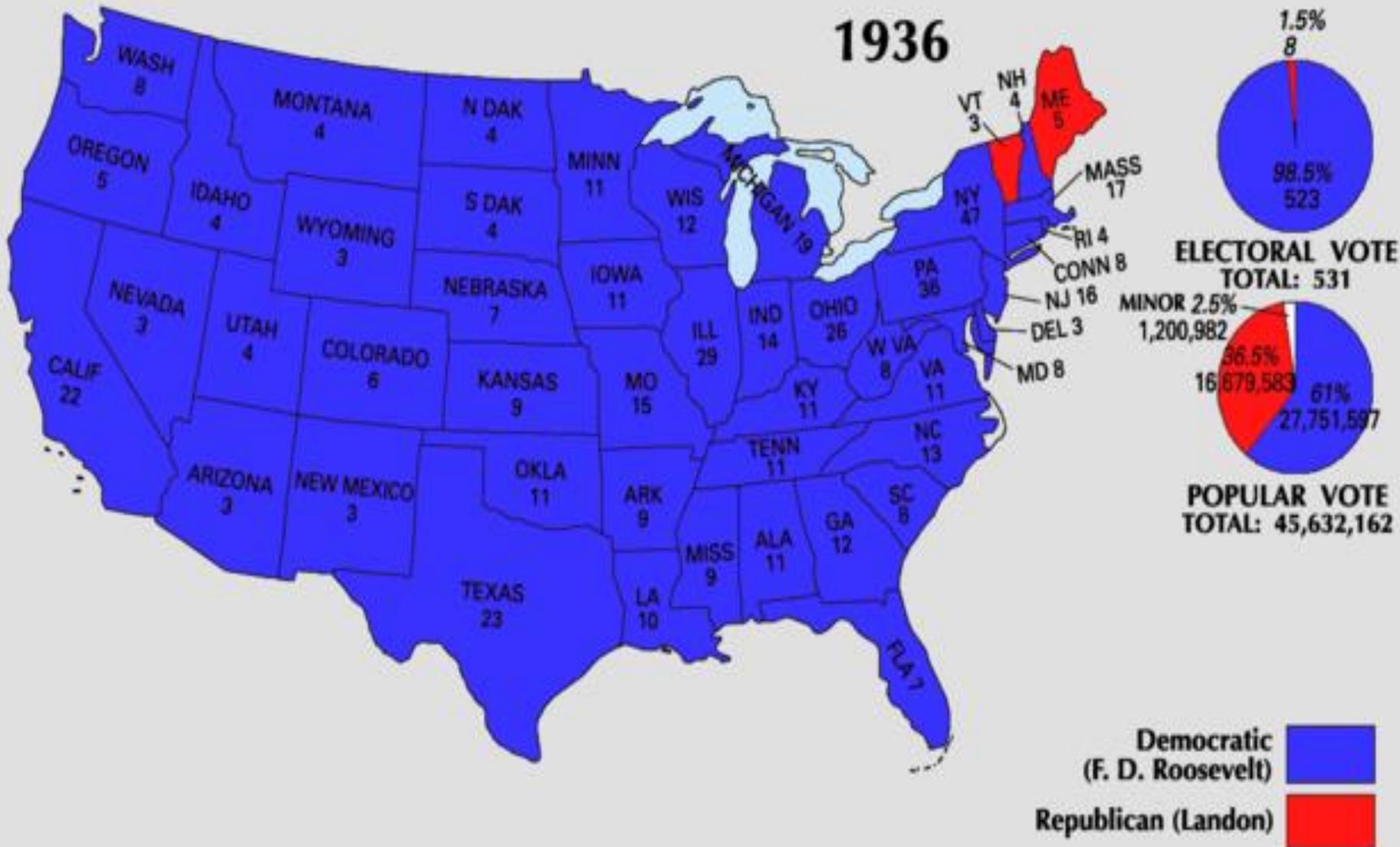
*Master of Ceremonies, EDDIE DOWLING*  
*Entertainment:*  
American Legion and Veterans of Foreign Wars **BANDS AND DRUM CORPS**  
**REVIEW AND STREET PARADE**  
**FIREWORKS WITH MAMMOTH UNIQUE CAMPAIGN SET PIECES**

★ Membership Subscription of \$1.00 includes free admission to Rally, **FREE** personal opinion ballot and picture of President **ROOSEVELT** in full color.

*Headquarters: COPLEY SQUARE HOTEL*  
Corner Huntington Avenue and Exeter Street, Boston

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**TRUTHS**  
**OPEN**



This was the first “shift” of the black voter for a Democratic candidate; then Truman; then Kennedy (71% of blacks *supported* FDR and a year later 44% considered themselves Democrats)

# Opposition from the Supreme Court

A Bad Man Perks Up In The West

Supreme Court most powerful opponent:

- Dominated by anti-ND Republicans
- Could overturn ND laws as unconstitutional

May 1935: Schechter Poultry Corp. found guilty of violating NIRA regulations (bill that gave the president the right to regulate industry - set up WPA):

- Sold diseased chickens for people to eat
- Filed false sales claims to inflate value
- Exploited workers
- Threatened govt inspectors

SC ruled in favor of Schechter on appeal:

- Fed govt had no right to prosecute company
- NIRA was unconstitutional
- NIRA took too much power away from states



# “Court Packing Plan” ‘37

← FDR asked Congress to expand SC from 9 justices to 15, the new six being pro-ND

FDR misjudged mood of Americans

- Citizens alarmed at FDR’s grab for power
- Feared FDR attacking American system of govt
- FDR had to back down

‘A switch in time saves nine’

- Less obstructionist from fall ’35 onward
- 7 justices retired allowing FDR to shape future anyway
- Most 2<sup>nd</sup> ND measures approved by SC in 1937

Do We Want A Ventriloquist Act In The Supreme Court?



# The New Deal Loses Speed

## Reasons:

- Court-packing plan irritated Congress
- Union strikes occurred much more frequently
- Criticism from women and minorities
- Recession of 1937-38 weakened confidence in ND measures; unemployment near 20%
- Conservative “Anti-ND” Democrats opposed FDR
  - Talk spread about joining ranks with Republicans to block ND legislation
- Increasing focus on foreign affairs



# “Purge” of the Democratic Party in the midterm elections of 1938; named because of the Moscow Trials:

- FDR traveled to states to campaign in support of his progressive policies
  - Failed and Republicans gained strength in both houses of Congress
  - Polls showed that in ‘38, 66% of Americans wanted FDR to pursue more conservative policies





**JOBLESS MEN**  
**WE CAN'T TAKE CARE OF OUR OWN**  
**CHAMBER OF COMMERCE**

**The Effects of  
the New Deal**

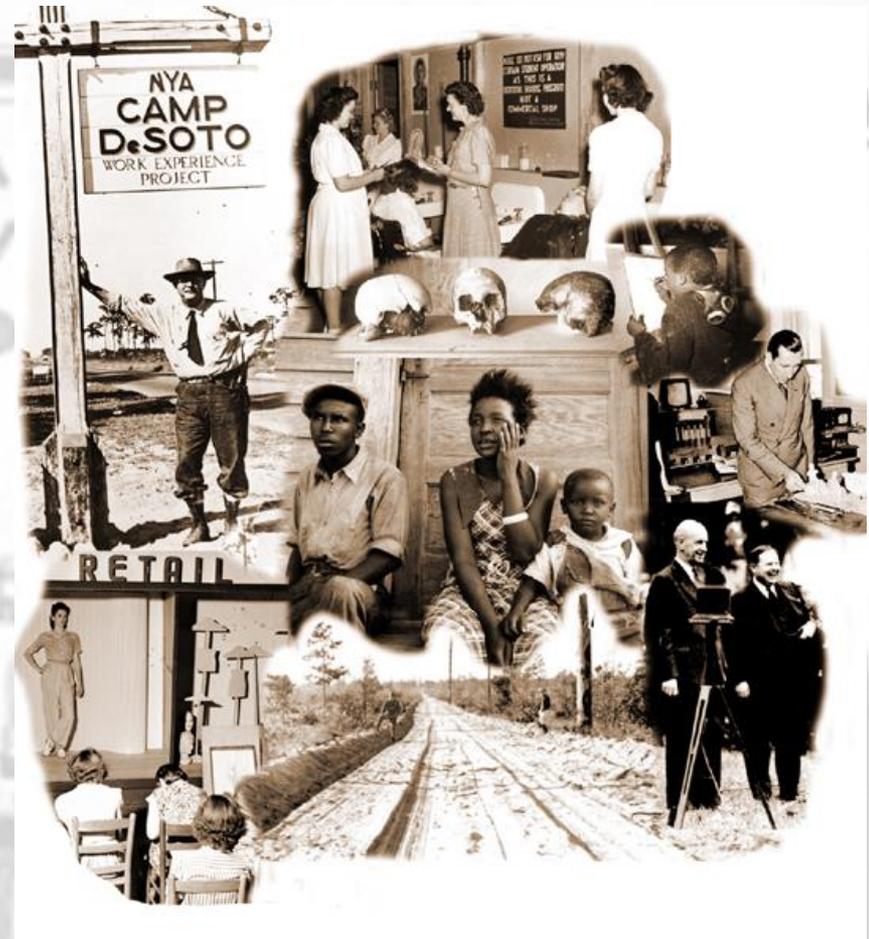
# Physically Rehabilitated America

- Attacked the issue of soil erosion
- Built dams and planted trees to prevent floods
- Reclaimed the grasslands of the Great Plains
- Developed water power resources
- Encouraged regional reconstruction projects



# Rehabilitated Americans

- Established the principle that govt has responsibility for the health, welfare, and security, as well as the protection and education of its citizens
- Addressed the need for social security, public health, housing



# Revitalized Politics

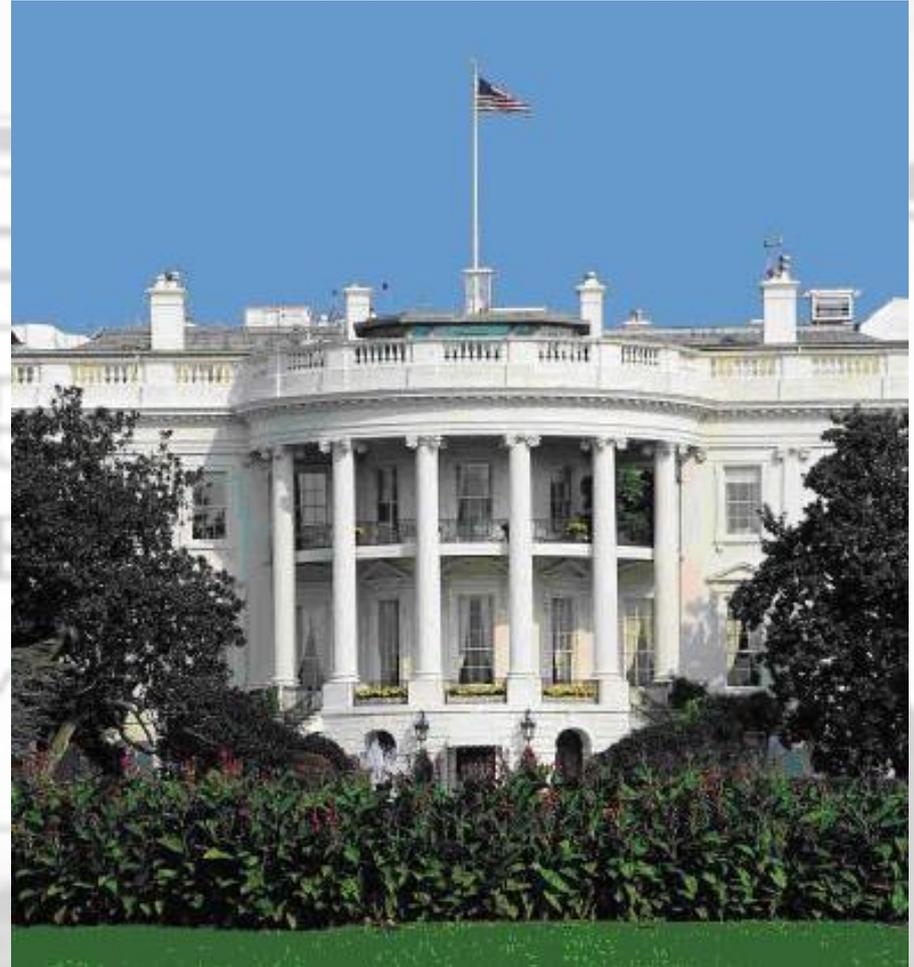
- Strengthened the power of the executive branch
- Reasserted presidential leadership
- Reminded political parties to respond to the will of the people and be an instrument for effective action





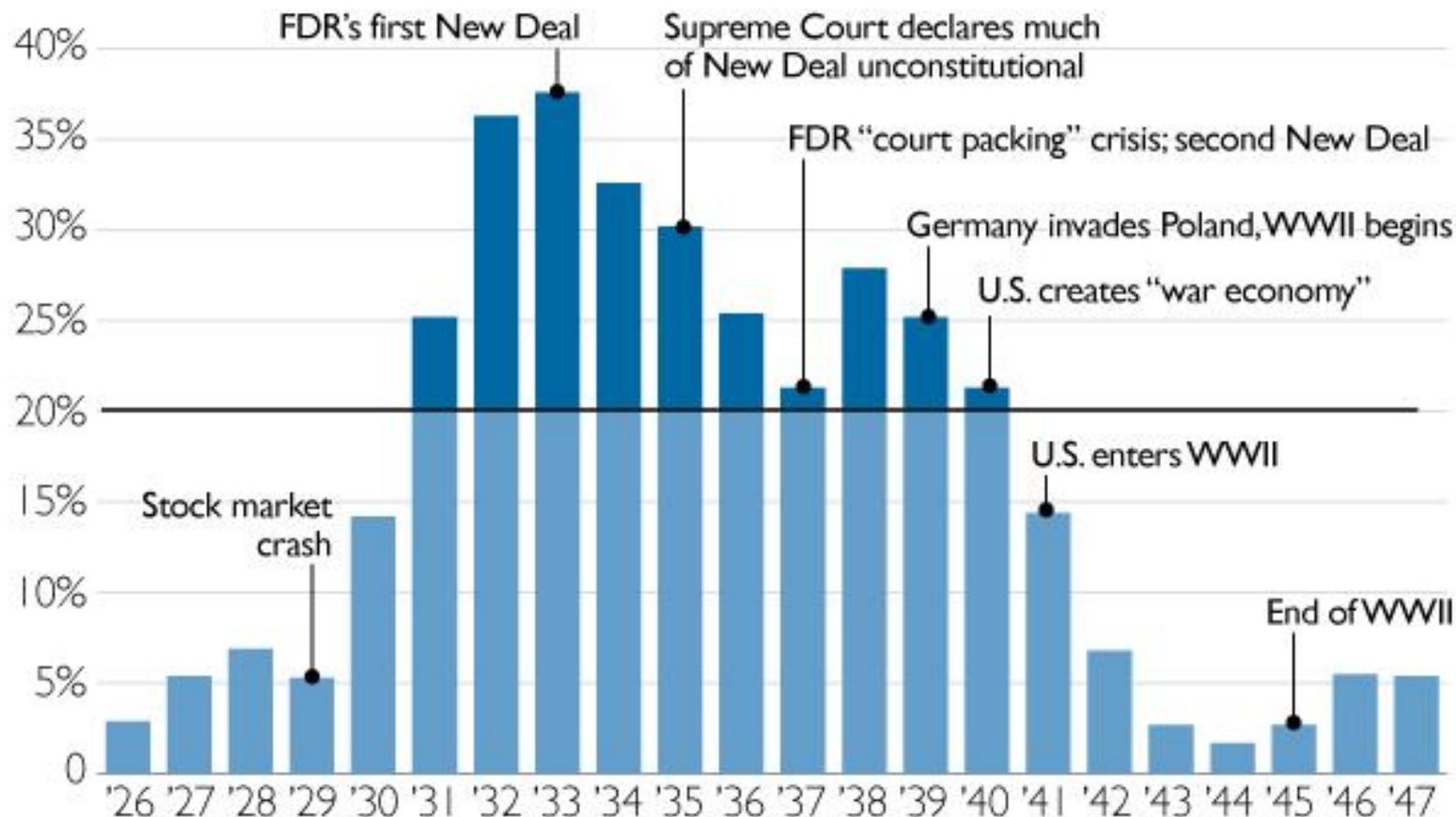
Redefined the concept of democracy to include not only securing political rights but economic security and social justice as well

- Maintained a democratic system of govt and society in a world threatened by totalitarianism
- Increased size and scope of govt
- Provided the leadership that enabled Congress to put through the necessary relief, recovery, and reform measures
  - Sponsored moderate legislation to neutralize the popularity of radical opponents



# Unemployment Rate During the New Deal

Percentage of Jobless Nonfarm Workers, 1926–1947



Source: U.S. Department of Commerce, Bureau of the Census, Bicentennial Edition Historical Statistics of the United States Colonial Times to 1970 Part I (1975) Washington D.C., Series D I-10 "Labor Force and its Components 1900-1947", p.126

## U.S. Gross Domestic Product, 1929-1941



Source: U.S. Department of Commerce and MBG Information Services

## U.S. Industrial Production, 1928-1941



Source: Federal Reserve Board and MBG Information Services

# Gross Federal Debt as a Percent of GDP with Estimates to 2015

*Presidential Parties and Control of Congress Highlighted*

