

Franklin D. Roosevelt and the New Deal

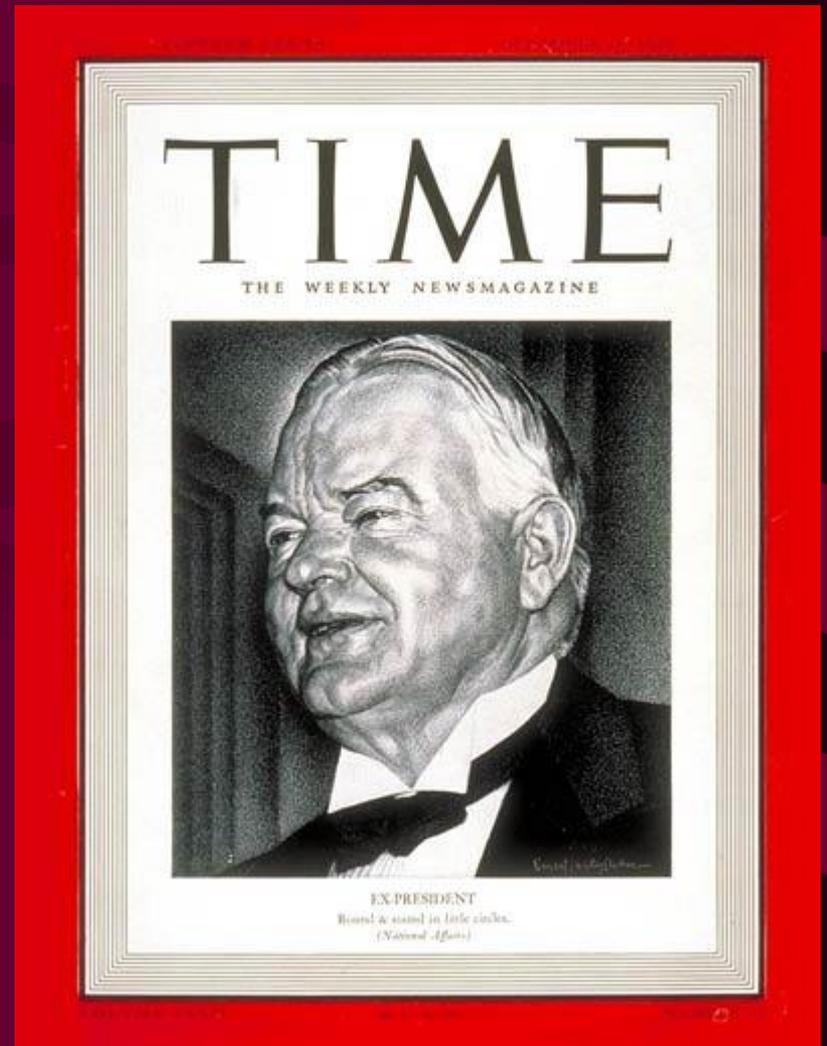


Chapter 10 Section 1

CN EQ: In your opinion is deficit spending the best option to support the countries needs?

How Herbert Hoover Dealt with the Crisis

- He played the game of confidence economics and just kept saying: “Prosperity is right around the corner.”



Voluntary Measures

- Hoover eventually established two privately-funded organizations:
 - **The National Credit Association** provided \$1/2 billion to businesses for emergency loans, but it was too under-funded to do much good.
 - **The Organization for Unemployment Relief** was a clearing house for relief agencies. However, state and local governments were already in too much debt to benefit from it.



Limited Government Intervention

- In the end, Hoover resorted to government intervention:
 - **The Reconstruction Finance Corp** gave \$1-1/2 billion in federal loans to banks, insurance companies, and industry to prevent bankruptcies, but it was too little, too late.
 - **The Home Loan Bank Act** provided federal loans to homeowners to prevent foreclosures, but got bogged down in red tape.



Reasons for Ineffectiveness

- Hoover thought business should be self-regulating.
- He had a mania for a balanced budget.
- He lacked political finesse.



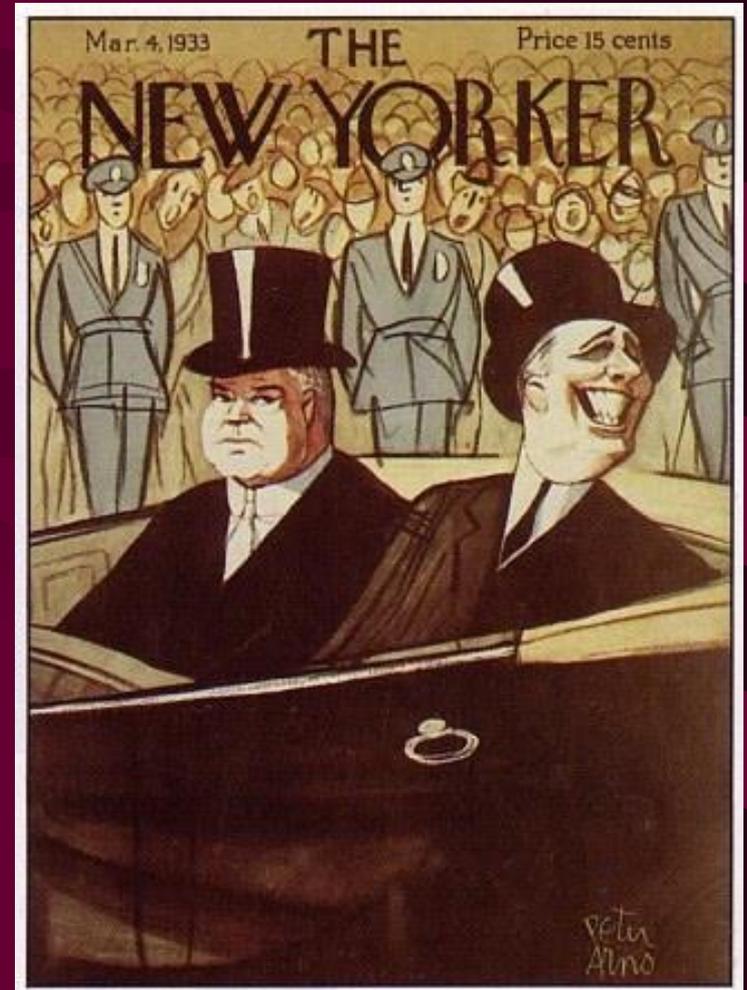
Franklin D. Roosevelt's Appeal

- In 1932 presidential election, **FDR** was perceived as a **man of action**.
- **Hoover** was viewed as a “do-nothing president.”
- **Norman Thomas**, the Socialist candidate, was viewed as a **radical**.
- Results: a **landslide for Democrats** and a mandate to use government as an agency for human welfare.



Situation When FDR Entered Office

- In March 1933, the country was virtually leaderless and the banking system had collapsed.



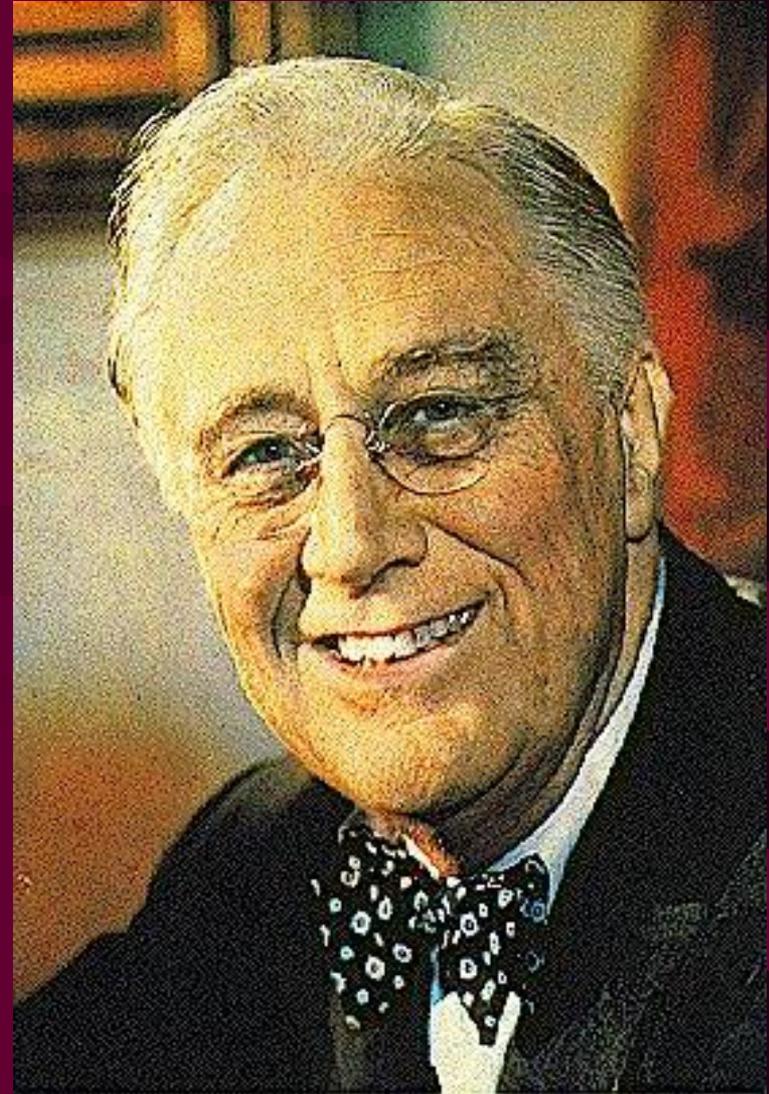
FDR Restored Confidence

- In his inaugural address, he said *“The only thing we have to fear is fear itself....”*
- He promised vigorous leadership and bold action, called for discipline and cooperation, expressed his faith in democracy, and asked for divine protection and guidance.



FDR's Personal Qualities

- He was a **practical politician** who practiced the art of the possible.
- He was a **charismatic** person who exhibited a warmth and understanding of people.
- He **knew how to handle press** by focusing attention on Washington.
- He **provided dynamic leadership** in a time of crisis.
- He was **willing to experiment**



Purposes of the New Deal

- **Relief:** to provide jobs for the unemployed and to protect farmers from foreclosure
- **Recovery:** to get the economy back into high gear, “priming the pump”
- **Reform:** To regulate banks, to abolish child labor, and to conserve farm lands
- **Overall objective:** to save capitalism



Sources of New Deal Ideas

- **Brains Trust:** specialists and experts, mostly college professors, idea men
- **New Economists:** government spending, deficit spending and public works, government should prime economic pump
- **Roosevelt Cabinet:** included conservatives, liberals, Democrats, Republicans, inflationists, anti-inflationists -- often conflicting, compromising, blending ideas



First New Deal (1933-1934)

- **Emphasis:** reform
- **Political Position:** conservative
- **Primary aim:** economic recovery
- **Philosophy:** economic nationalism and economic scarcity (i.e., raise prices by creating the illusion of scarcity)
- **Objectives:** higher prices for agriculture and business
- **Beneficiaries:** big business and agricultural business



National Recovery Act (NRA)

- **Purpose:** recovery of industry
- Created a **partnership of business, labor, and government** to attack the depression with such measures as price controls, high wages, and codes of fair competition



First Agricultural Adjustment Act (AAA)

- **Purpose:** the recovery of agriculture
- **Paid farmers who agreed to reduce production** of basic crops such as cotton, wheat, tobacco, hogs, and corn
- **Money came from a tax on processors** such as flour millers and meat packers who **passed the cost on to the consumer**



Scene in county agent's office, San Augustine, Texas. Farmer is receiving his AAA check. Photo by Russell Lee, April 1939, LOC.

Federal Emergency Relief Admin (FERA)

- Purpose: relief
- Gave money to states and municipalities so they could distribute money, clothing, and food to the unemployed



Civilian Conservation Corp (CCC)

- **Purpose:** relief
- Gave outdoor work to unemployed men between the ages of 17 and 29
- They received \$30 per month, but \$22 went back to the family

