

Chapter 9

Franklin Roosevelt and the Depression

Great challenges test the metal of leaders and provide the opportunities for eminence. Along with George Washington and Abraham Lincoln, Franklin Delano Roosevelt is commonly considered one of the three greatest American presidents. He successfully led his countrymen through the Depression, and World War II. This chapter tells us something about the man who rose to the challenge of his times, and how he confronted the crisis he inherited from President Hoover.

Franklin Delano Roosevelt

At 52 years of age his father was twice as old as his mother. Raised as an only child, young Franklin grew up in the lap of luxury on the family estate of Hyde Park overlooking the Hudson River, in New York State. Following a custom common to her social class, Franklin's mother Sarah kept him in a dress until he reached the age of five, and had him home-schooled by tutors till he was fourteen. Finally allowed to attend school, Franklin was sent to an elite private institution in Groton, Massachusetts where he earned mediocre grades but was instilled with an upper-class sense of obligation to those less fortunate than himself. His classmates called him "feather duster", but by the time he got to Harvard he had learned the necessary social graces and academic skills to be elected editor to the *Crimson*, Harvard's prestigious school newspaper. After graduating with a gentlemanly "C" average, Franklin attended Columbia's law school, but took and passed the bar exam without finishing the coursework. By the age of 21 he met and became engaged to a distant cousin, Eleanor Roosevelt, niece of the President with the same name, who gave the bride away three years later. Never very interested in practicing law, Franklin used his considerable charm, connections and family money to get himself elected to the New York Senate at the age of 29. The next year he supported Woodrow Wilson's bid for the presidency, and was rewarded by an appointment as Assistant Secretary of the Navy, a position once held by Uncle Teddy. During the years he spent on this job in Washington, D.C. Franklin earned a reputation as an accomplished administrator, learned a good deal about politics, and forged many valuable political friendships. He also became an ardent supporter of Wilson's programs, including the League of Nations. Roosevelt's outstanding characteristics were recognized in his nomination in 1920 by the Democratic



One of the few pictures Roosevelt allowed taken of himself in a

Party to run for the office of vice President alongside presidential candidate James Cox of Ohio. Though the Cox/Roosevelt ticket was soundly defeated, Roosevelt's political skills were widely recognized and he remained a major figure in the Democratic Party.

The next year Roosevelt was struck by two disasters. His affair with his wife's secretary was discovered by Eleanor, casting a serious rift in their marriage. Furthermore, a long and arduous sail at his family's estate, Campbello caused Franklin to contract polio and nearly ended his life. But Roosevelt's courage and determination, as well as Eleanor's devoted care, restored his health sufficiently and he was able to resume his political career. Though never able to walk again without the support of leg braces and confinement to a wheelchair, Roosevelt was at the Democratic National Convention in 1924, nominating his friend and political ally, New York Governor, Al Smith to run for President. Smith was defeated in this bid in 1924, but with

Roosevelt's support won the nomination in four years later. Though Smith, the first major Catholic

contender for the White House, was trounced by Herbert Hoover in 1928, Roosevelt carried New York State and succeeded Smith as its governor.

The Great Depression started shortly after Roosevelt became governor. During the four years he served in that office, Roosevelt pushed a variety of progressive measures through the state legislature. His success in New York contributed to his becoming a front runner for the Democratic nomination in 1932. Roosevelt was chosen on the fourth ballot, and made a dramatic appearance at the Convention to give his acceptance speech in which he promised a “New Deal” to the American people. In the campaign that followed, Roosevelt never clarified exactly what he had in mind by his new deal, but was able to make the charges stick that Hoover and the Republican policies of the last twelve years were responsible for the Depression and the President was not doing enough to end it. At the same time Roosevelt blamed Hoover for spending too much money and increasing the US debt. Roosevelt’s magnetic personality, strong speaking voice, and tireless campaigning as well as the ineffectiveness of Republican policies led to a resounding Democratic landslide in which Hoover only won six states.

The Banking Crisis

Although Hoover had been repudiated by the American people in November his term of office did not expire until March. During that period the ship of state was churning rudderless through troubled economic waters. As economic conditions continued to decline in a depression that was becoming world-wide, another serious problem presented itself in the US – the banks.

During the relative prosperity of the 1920’s, 7,000 banks failed, for a number of reasons including poor management, bad investments, and lack of adequate regulations. Between 1930-32, another 5,000 banks failed. In February 1933, the National Union Guardian, the largest bank in Michigan was on the brink of collapse. With the Federal government out of funds, President Hoover sent emissaries to convince the economic hero of the 1920’s, Henry Ford, to loan the Guardian enough money to keep it solvent. When Ford refused, the Michigan governor declared a ‘Bank Holiday’ and temporarily closed all of the state’s banks on February 14th. This induced a nation-wide panic during which \$900 million was withdrawn from US banks over the following two weeks, and another \$800 million was withdrawn over the first four days of March. By inauguration day, March 4, 1933, 21 state governors had closed the banks in their states to save the banks from panicked depositors who feared the bank would run out of money before they could withdraw their own savings.

Roosevelt Speaks

With a banking panic in process, 13 million unemployed, and national income barely half as much as four years previously, 100,000 people came to witness their new President take the oath of office on a cold and chilly Saturday. They cheered in a subdued manner as the presidential limousine passed by bearing President Hoover and president-elect Roosevelt. The ebullient Roosevelt waved in response, but the dower Hoover, knowing the cheers were not for him, remained glum and silent. He barely uttered a word during the entire ride from the White House to the Capitol steps.

The vast audience in Washington and the millions throughout the land listening on their radios anxiously awaited word from their new leader. Would he mouth more platitudes, or would he acknowledge the plight the nation faced and pledge to truly lead his country? The nation was not disappointed:

This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself – nameless, unreasoning,

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unjustified terror which paralyzes needed efforts to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days.

In such a spirit on my part and on yours we face our common difficulties. They concern, thank God, only material things. Values have shrunk to fantastic levels; taxes have risen; our ability to pay has fallen; government of all kinds is faced by serious curtailment of income; the means of exchange are frozen in the currents of trade; the withered leaves of industrial enterprise lie on every side; farmers find no markets for their produce; the savings of many years in thousands of families are gone.

More important, a host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return. Only a foolish optimist can deny the dark realities of the moment.

Yet our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply. ...

The people of the United States have not failed. In their need they have registered a mandate that they want direct, vigorous action. They have asked for discipline and direction under leadership. They have made me the present instrument of their wishes. In the spirit of the gift I take it.³

Roosevelt Reopens the Banks

President Roosevelt quickly fulfilled his promise of action. In his office early the next morning he found Hoover's aids had taken pencils and paper with them. Even the buzzer to summon his secretary was disconnected. For a moment paralysis in the president's office symbolized the paralysis of the nation. But a hearty shout brought the presidential secretary running. That day Roosevelt summoned Congress for an immediate special session. Thus began the famous "One-hundred Days," which saw more important federal legislation enacted than any similar period. On Monday, March 6, the new president proclaimed a bank holiday, closing all of the nation's banks for four days and temporarily suspending exports of gold and silver. On Thursday, Congress met and passed Roosevelt's emergency bank legislation, sight unseen. It retroactively affirmed the president's authority to close the banks and provided for reopening those judged sound. Meanwhile, Treasury and Federal Reserve officials feverishly reviewed the assets and liabilities of all the banks. On Friday, a presidential proclamation gave the Secretary of the Treasury authority to reopen solvent institutions; Saturday Roosevelt announced how these banks would be opened. And finally, on Sunday, he addressed the nation in the first of his famous "fireside" chats. From his studio in the White House, the president explained his actions of the previous week and appealed to all Americans to take money out of their mattresses and sugar bowls and return it to the banks; the government would see to it that their money would be safe. By Wednesday, March 15, \$370 million in gold coins and certificates was returned (\$50 million more than had been withdrawn since the first of the year). By the end of June more than \$2 billion was safely back in vaults.

3 Franklin D. Roosevelt, *The Public Papers and Addresses of Franklin D. Roosevelt*, ed. Samuel I. Rosenman, vol. II (New York: Random House, 1938), pp. 11, 15-16.

Further legislation established the Federal Deposit Insurance Corporation, which insured bank accounts up to \$5,000. Fewer banks failed during the remainder of the Depression than during any one year of the 1920's.

The One Hundred Days

The remainder of Roosevelt's first three months in office were spent dealing with a series of crisis brought about by the Depression and some long term problems which needed solutions. The most immediate crisis was the problem of massive unemployment. Roosevelt proposed a number of solutions. The FERA (Federal Emergency Relief Administration) was created to funnel money to the states so they could rapidly create jobs for the unemployed. The CWA (Civilian Works Administration) provided Federal jobs for the unemployed, and the CCC provided work for young men aged 16-24. The PWA authorized the government to build well-planned major projects such as the Boulder Dam. It was not until 1935 that Roosevelt's evolving strategy on providing a combination of jobs and useful projects was finally settled with the establishment of the WPA (see Chapter 12.)

Problems facing farmers were addressed by passing the AAA (Agricultural Adjustment Act) which paid farmers to hold a per cent of their land out of production, and buying up the surplus at a fair price. This increased the price of farm products and saved millions of farmers from bankruptcy (see Chapter 13.) The TVA (Tennessee Valley Authority) built twenty-one dams along the Tennessee River to provide flood control, cheap electricity, river navigation, recreational facilities, and reforestation, for the 4 1/2 million people living in that area (see Chapter 14). The NRA (National Recovery Administration) guaranteed workers the right to bargain collectively with management, and exempted businesses from anti-trust laws so they could work collaboratively to establish fair codes of competition, including fixing prices, wages, and hours. (see Chapter 16.) Additional legislation protected stockholders from price manipulation and fraud, home and farm owners from premature foreclosures, and wrestled control of the Federal Reserve System from private bankers. Roosevelt even ended prohibition, cut salaries of government employees, and reduced veterans' pensions. Altogether, President Roosevelt sent 15 messages to Congress in one-hundred days and each one of them resulted in passage of legislation he signed into law.

Conclusion

The Depression was not ended in one-hundred days. Despite the endless pieces of legislation, news conferences, and fireside chats, millions remained unemployed and the GNP failed to approach pre-Depression levels. But President Roosevelt had restored a measure of confidence in the American people, and most gave him the opportunity to continue trying to solve the nation's economic problems. His approach to these problems and the enduring questions they raise are the subject of future chapters in the unit.

Suggested student exercises:

1. Compare Franklin Roosevelt's qualifications for the office of President with the qualifications of other presidents that you know.
2. Summarize the major steps taken by Roosevelt to deal with the Depression.
- 3 Contrast Roosevelt's approach to the Depression with Herbert Hoover's.