

# **Franklin D. Roosevelt and the New Deal, 1932-1940 Study Guide**

**Franklin D. Roosevelt and the New Deal, 1932-1940 by  
William E. Leuchtenburg**

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# Plot Summary

Franklin D. Roosevelt and the New Deal by William E. Leuchtenburg is the story of the series of programs that were implemented between 1933 to 1938 for the purpose of bringing the economy out of the Great Depression. The Great Depression was the biggest economic slump this nation has ever experienced and the traditional economic theories and policies did not work. This meant that new policies and theories were called for. These were basically the theories proposed by John Maynard Keynes that called for massive deficit spending to cure the economy's ills.

Roosevelt stepped into a situation after the stock market crash wherein there were millions of people that were unemployed and homeless and a large number of bank failures. The new president walked into a situation that required emergency measures to help a suffering nation, and he began to take those emergency measures right away. Since the traditional policies had been based on a balanced budget, people were afraid to deviate too far from this policy. But a balanced budget was the last thing that the economy needed at the time, since that just pushed deeper into the depression.

Franklin D. Roosevelt and the New Deal is the story of the first two presidential terms as Roosevelt and his advisors grappled with the situation of the depression. The President's way was to allow dissension among his advisors and to let them debate the issues. None of them was sure what to do even though they eventually implemented programs based on deficit spending.

The programs of the two Roosevelt administrations are divided into periods called the Hundred Days and the Second Hundred Days. In each of these periods, legislation was enacted to deal with the problems in different sectors of the economy. Much of this legislation proposed radical measures, many of which were found to be unconstitutional by the Supreme Court. All of these different programs and policies are what is referred to as the New Deal.

Leuchtenburg is a historian and expert scholar on the New Deal. Most of the material for the book comes from a collection of eight essays and an interview with Roosevelt. This book discusses the economic and living situations of the public and what their problems were and the program that was implemented to alleviate that situation. Different views are discussed as the officials try to figure out the best approach. The benefits of the programs are described as well as their legal ramifications.

This book is quick and interesting reading. There is not much theory or jargon in the book, so it is easy for everyone to understand.



# The Politics of Hard Times

## The Politics of Hard Times Summary and Analysis

Signs of the Great Depression were staggering in 1932. Steel plants were operating at a fraction of capacity and industrial construction had declined by over 90%. Thirteen million people were unemployed and people were living in tents or in shantytowns called Hoovervilles. Almost every city had at least one. People could not find jobs because there were none. People looking for food were fighting over the contents of garbage cans. This was the Great Depression. It was also an election year. President Hoover was running for re-election and was looking to a certain defeat due to the economic situation in the nation.

In Congress there was an attempt to balance the budget and impose a federal sales tax. The congressional democrats broke with their own party and instead supported an income tax and the estate tax. The democrats wanted to nominate a liberal candidate. The only serious candidate they had was Franklin D. Roosevelt. Other candidates appeared before the Chicago convention and there were four roll-calls. On the fourth, California switched its delegates to Roosevelt. Other states followed and Roosevelt became the nominee of the Democratic Party.

Roosevelt flew to Chicago to accept the nomination. This was also a break with tradition. Usually the candidate was notified by the Party after the convention. Roosevelt's point of view was that they nominated him, he knew they nominated him, and he came to accept the nomination and thank the convention. He felt that it was a foolish tradition that should be broken and said they should go on to break other traditions.

In his speech to the convention he used the term "new deal". This term was picked up by the press, even though Roosevelt had meant nothing significant by the use of the term at the time. It was to become the name used to designate the programs of his administration. In spite of this, the political platforms of both parties were almost identical in terms of economic programs. They did differ a little in terms of welfare programs. They were both very similar to platforms of earlier years. Most of the convention delegates were more interested in the issue of prohibition than they were in economic issues. Roosevelt himself straddled the liquor issue.

In the campaign, Roosevelt presented himself as vacillating on various issues. He attacked Hoover on the issue of centralism and the belief that Washington ought to have control of just about everything. At the same time, he supported programs and policies that would extend the breadth of the federal government. The two candidates had similar views on the tariff issue, and farmers weren't sure what Roosevelt's farm policy was. Fiscal policy was another issue that he went back and forth on. He supported the regulation of Wall Street and a new era of cooperation between government and business. None of the things mentioned by Roosevelt in the campaign pertained to the



programs that were eventually implemented during his administration. Roosevelt had not even thought of anything like the programs his administration became famous for. These are the programs that became known as the New Deal.

Roosevelt appealed to the voters and to a group of Republican progressives who basically deserted their party to support Roosevelt. Many of the progressive senators who bolted expressed bitterness at Hoover, who basically projected the aura of defeat around himself. Roosevelt acted like a winner. Hoover was also plagued by the Bonus Army issue. Many World War I veterans marched on Washington and took up residence there because they had not received the bonuses they had been promised. Many camped out or stayed in government buildings because they could not afford the price of hotel rooms. Aides convinced Hoover that the movement was Communist-inspired, and Hoover order the Army to clear the protesters. The attack on the Bonus Army was not well received by the public. Many held Hoover personally responsible for the incident. He was jeered in many places where he went.

Roosevelt overwhelmingly won the presidential election, having a victory in every state that was south and west of Pennsylvania. It was the worst defeat a Republican candidate had ever had up until this date.



# Winter of Despair

## Winter of Despair Summary and Analysis

Roosevelt won the election in 1932 and took office four months later in 1933. Those were four long, hard months of the Great Depression that Americans lived through. Hoover had ordered an investigation of Wall Street that had uncovered irregularities among the leading financial houses. The investigation was conducted by Ferdinand Percora. The social irresponsibility of leading tycoons became obvious as they shunned responsibility and concern for the jobless. Many business publications tried to portray businessmen as suffering more than the unemployed and starving workers. The businessmen who were viewed in a favorable light in the Roaring Twenties were now looked down upon.

As the depression went on, there were also questions about capitalism itself. Many people sensed intuitively that there was something wrong with the way the system was functioning. Farmers couldn't harvest or market their goods while people were starving. Clothing and shoe factories were idle when people didn't have adequate clothing. Farmers were losing their land because they couldn't pay their bills or taxes. There were violent protests by farmers who couldn't cover their costs of production. Coal miners began selling bootleg coal. There were protests about foreclosures in various states.

Some thought that the country was on the verge of revolution because of the economic conditions and the protests and the violence. Most people were interested in their economic situation, not the political state of the nation. The Communists and Socialists did not do well in the elections. People lost faith in Congress, which did not pass any kind of economic relief or aid programs during the period between the election and the swearing in of the new administration.

It appeared to many that the long period of economic growth in America was at an end. Even the growth of the population was leveling off. Some believed that the only answer was a new leader with almost unlimited powers, those approaching that of a dictator. Roosevelt didn't have any more authority than any other president and he had no clear cut policies when he took office. Roosevelt and his people did their homework in the months before he assumed office. They studied different political and economic theories. They drifted away from the laissez-faire economics of Adam Smith in the belief that the competitive nature of the economy could never be restored.

Roosevelt's new administration had advisors that were called the Brain Trust. They believed in some form of cooperation between government and business. They did not have a single unified view on what they meant by cooperation. Some favored planning and most did not place much faith in financiers. Roosevelt himself accepted the economic viewpoint that underconsumption was the cause of the depression and he was looking for a way to support wages and prices. The Roosevelt people were studying various theories, including those of British economist John Maynard Keynes.

Bank failures and runs on banks continued. Bank holidays were being called in various states in attempt to cool the tense situation. Banks in every part of the nation were being affected. The situation continued after Roosevelt was inaugurated. By March, the situation was so severe that trading had to be suspended on the nation's various financial markets.



# The Hundred Days' War

## The Hundred Days' War Summary and Analysis

When Roosevelt took office, he had very little that was new in his Inaugural Address. He was more or less vague, but he gave hope to the people, and that is what was important at the time. Roosevelt began to deal with the problems from his first day in office. He ordered the drafting of an emergency banking bill. In the coming weeks he also ordered an emergency session of Congress, halted trading in gold, and called a national bank holiday. This gave the nation a breather.

The special session of Congress began on March 9. The proposed banking bill basically offered government aid to banks and was immediately passed. On March 12, after the first fireside chat, banks reopened in an atmosphere of calmness with people making deposits. He also signed legislation making beer legal. "Yet what had Roosevelt done? He had pursued a policy more ruthlessly deflationary than anything Hoover had dared. With \$4 billion tied up in closed banks, he had embarked on a retrenchment program which still further eroded purchasing power. In his circumspect treatment of the banks, in his economy message, in his beer bill, Roosevelt had summed up the program of the arch-conservative du Pont wing of the Democratic party, the very men who had fought him so bitterly in Chicago. Under the leadership of John Raskob, they had proposed to bring the budget in to balance by cutting federal spending and by creating new sources of revenue from legalized sales of liquor. Now Roosevelt had done for them what they had been unable to achieve themselves" (Chap. 3, pp. 47-48).

Roosevelt was looking for a way to induce inflation in the economy without increasing the level of government debt. The next bill presented to Congress was the farm bill. The farm bill was defeated, but there was mounting pressure for inflation. By taking the US off the gold standard, Roosevelt hoped to gain more latitude in domestic policy. The Agricultural Adjustment Act was passed in May in an attempt to head off a farmers' strike. This put price supports in place for farm products. The Farm Credit Act, passed the following months, kept farms from being foreclosed on. A year and a half later, the Farm Credit Administration was formed to provide loans for farmers.

The National Industrial Recovery Act (NRA) was passed in the spring of 1933. This agency provided funding for public works projects. The Civilian Conservation Corps was enacted right before the NRA. Under this legislation, people were given jobs in the national forests. In June, the Home Owners' Loan Act was passed to help bail out mortgage companies and home owners. The entity made home refinancing possible for one out of five home owners. The Tennessee Valley Authority was created by the act of the same name to build dams and generate electricity.

There was also pressure on the government to suspend the anti-trust laws to allow for industry planning. Many members of industry felt that this was necessary to allow the industries to stabilize. Roosevelt felt that if industry was to have this concession, then



labor must be guaranteed the right to engage in collective bargaining. In order to bring bankers under control, Congress enacted the Glass-Steagall act, which separated investment and commercial banking. They went on further to provide for depositor insurance so the bank's customers were protected during a bank closing.

# Over the Top

## Over the Top Summary and Analysis

The New Deal programs were very popular and attracted many people from academia. Their major task in the summer of 1933 was to negotiate the code of fair practice agreements with the various industries. As this was happening, there was an increase in factory production and then in stock prices. As the codes were written, they had to be accepted by the industry that they applied to. After the codes were in place, there were complaints about the functioning of the markets under these codes since they basically allowed price fixing. One of the problems with these codes is that they tried to apply them to too many smaller industries. By spring of 1934, they found they had to exempt the peripheral industries.

Many people considered this part of the NRA to be a failure. There were problems with the pricing policies and the degree of concentration in industries that resulted from the program, even though the program succeeded in jobs for two million people and halted the deflationary spiral that the nation had been in. The program basically prevented the deepening of the depression. The codes gave authority over prices and competition to trade associations which were dominated by the industry leaders who were profitable due to price raises instead of industry expansion.

The Reconstruction Finance Corporation was more successful than the NRA. Roosevelt named Jesse Jones to head the agency, and he was more interested in expansion of the industry than in having the existing holdings protected. This program was a part of the industrial recovery program just as the NRA and PWA were, but many of the administration advisors felt that the success of the New Deal depended on the farm program.

The farm program was headed by the Secretary of Agriculture, Henry Agard Wallace. Wallace implemented a policy of crop destruction. There was too much product and the world market was saturated. Agents visited farms, trying to talk farmers into destroying some of the crops and livestock. This caused outrage in the nation and the nation had to shift its policy to restricting output. After 1933, the Commodity Credit Corporation would only lend money to farmers who agreed to keep land out of production. This was a form of price support designed to help farmers obtain a livable income and to keep the market from being glutted, which would force down prices. These output restriction programs were a form of long-range planning in the attempt to alleviate problems in the farm sector.

The farmers wanted immediate relief. When it didn't happen, the strikers destroyed dairy and other products. Even with the restriction imposed on output, the farm yields in 1933 were larger than in 1932. By this time, even many of the farmers favored programs that restricted crops and programs were being enacted for the different crops. In spite of the various problems, the farm program was rather successful. Farm incomes and prices



increased after the first year of the program and there was a decrease in the level of farm debt.

One of Roosevelt's goals during this time was to achieve stability of the dollar on world markets. "On October 19, the President decided to brush aside the objections of Under Secretary of the Treasury Dean Acheson and embrace the Warren-Pearson tactic of gold buying. The economists contended that if the government purchased gold at increasing prices, not only would the country win a greater share of the world's trade, but domestic commodity prices would soar as the gold value of the dollar fell. Devaluing the dollar would restore the balance between the prices of consumers' goods and raw materials. Their larger ambition was to achieve a commodity dollar - one which would have a constant buying power for all commodities - by keying the dollar to the price index through manipulating the gold content" (Chap. 4, p. 79).

Every day Warren, Jesse Jones, and Henry Morgenthau, Jr. would meet with the president and set the price of gold. They always set the price a little above the market price. The program didn't work as they had expected and farm prices began to fall. The gold buying program ended at the beginning of 1934 and the Gold Reserve Act was passed on January 30. This set the price of gold at \$35 and ounce and gave the dollar a fixed value. Silver, at this time, was not important, but a block of lobbying managed to get a silver price support bill passed. The Treasury would purchase silver until it reached a certain price and would issue silver certificates.

Since most the deficit spending policies are based on what is now known as Keynesian economics, the theory at that time was new and unproven and against the grain of the classical theory. Because of this there was dissension in the Roosevelt administration over the various policies. Roosevelt tolerated the dissension because of the newness of the theories. Even though Roosevelt personally favored a balanced budget, he refused to limit spending for the New Deal programs, figuring they would balance the budget after the depression ended.

The administration also set up procedures for the different interest groups to express their views. This became known as grassroots democracy and it, in a way, hindered the decision making of the administration because any decision they made upset one group or another.

The Securities and Exchange Act was passed in June 1934 to prevent manipulation in the financial markets. The Act also required registration and disclosure for all traded securities and it regulated margin requirements to deter excessive speculation. Further regulation resulted from the Communication Act in 1934, which brought various kinds of broadcasting under regulation. By mid 1934, Roosevelt was supporting massive spending programs, which resulted in the resignation of some administration members who supported a balanced budget.

By mid-1934, the nation appeared to be pulling out of the economic low point it had been in. Then the recovery stalled for a year. Conditions didn't worsen, but they didn't

improve. There were still many people suffering and the nation had not achieved its conditions of prosperity.



# Waiting for Lefty

## Waiting for Lefty Summary and Analysis

The stalling of the recovery in 1934 led to some radical movements. There were marchers, mobs, and riots in different cities. There was a lot of questioning of Roosevelt policy and many critics claimed that the New Deal was a failure. One of the major critics was Governor Floyd Olson of Minnesota, who believed that key industries should be taken over by government.

Another critic was Senator Huey Long of Louisiana. Long had been a Roosevelt supporter at the convention in 1932, but now had his own national aspirations. His break with the president occurred during the president's first month in office and centered around the New Deal programs. Even though Huey Long, nicknamed the Kingfish, favored massive public spending, he had disagreements with the president over the New Deal programs. He also favored the redistribution of wealth, with the dissolved fortunes of the upper class being given to the lower classes and founded an organization called Share Our Wealth. This program had a lot of national support and Huey Long garnished a lot of national support, so much that the Democrats feared he would run as a third party candidate in 1936.

Another critic of the time was the Reverend Charles Coughlin. The Royal Oak, Michigan parish priest was a popular speaker who had his own radio program called by CBS. He offered lukewarm support to the president and promoted the use of silver instead of gold. He began denouncing some of the New Deal programs at the end of 1934 and supported what he called social justice, with was surprisingly close to the corporatism of Mussolini.

Eventually, General Hugh Johnson, one of the members of the Roosevelt administration, began to verbally attack both Coughlin and Long. This drove the two critics closer together and the thought was that if they joined forces with Dr. Francis Townsend and Milo Reno they could spit the Democratic vote in 1936, which might let the Republicans in. Townsend was leading a movement for pensions for the elderly and Reno was a leader of rebellious farmers.

Townsend had a following of the elderly that expected to receive pension checks from the government, based on Townsend's plan. His plan basically redistributed wealth from the young to the poor and was not looked upon favorably by the administration, but many elderly were buying items on credit based on the monthly pension checks they expected to receive.

At the same time, the labor movement was growing and its leaders were gaining support all over the country. There was rapid growth in the United Mine Workers and the Industrial Union of Marine and Shipbuilding Workers, as well as the auto workers, steel workers, and other unions. There were strikes taking place, even in industries that had

signed a code. These strikes did not sit well with the Administration, since they were viewed as impeding the recovery of the economy.

The labor movement had focused on the organization of craft unions. Now there was a massive pool of industrial workers that needed organization and recognition. The unions' bureaucracy was slow in giving charters and recognition to these industrial unions. Eventually, the Congress of Industrial Organization was formed and headed by John L. Lewis. There were many violent labor strikes during this period, many of them influenced by Communists and Socialists. Many of these strikes were recognition strikes.

The elections of 1934 reflected the mood of the country. The off-year elections, which usually resulted in gains for the opposition party, resulted in substantial losses for the Republicans. The election represented a personal victory for Roosevelt. The new Congress was spending happy and the results were even more new programs.



# One Third of a Nation

## One Third of a Nation Summary and Analysis

Employment takes its psychological toll on those who are unemployed. This was no different during the Great Depression. The unemployed eventually lose their confidence at their ability to find a job; some just give up looking. The New Deal programs resulted in the formation of the Federal Emergency Relief Administration (FERA), which was headed by Harry Hopkins. When he was appointed, he knew that he had to do something quickly to help alleviate the conditions in the country. The president gave him the authority to establish the Civil Works Administration (CWA).

The CWA was an emergency program. The people who staffed the program were unemployed workers. They built schools, roads, playgrounds, airports, and other buildings. The CWA helped a lot of people, but it was very costly so Roosevelt ended it very quickly. FERA picked up the unfinished CWA projects with the new agency named the Works Progress Administration (WPA). The WPA could not compete with private firms or work on projects that required a lot of supplies. Given these restraints, their workers still managed to complete hospitals, schools, airport landing fields, and playgroups.

There were also a Federal Writers' Project and a Federal Art Project, which extended jobs to unemployed people in those occupations. Young people were helped out by the National Youth Administration. There were also other programs whose purpose was to provide some measure of economic security. The result was the eventual passage of the Social Security Act of 1935, which provided retirement benefits for those sixty-five and older. The law also established an unemployment benefits program as well as providing benefits for mothers with dependent children, or what is commonly referred to as welfare. Some people opposed the bill due to the requirement of employee contributions, but this design gave the program a social insurance nature that people who contributed to had the moral, legal, and political right to collect benefits.

At the same time the Public Works Administration (PWA) was a rival of the WPA and had to fight for survival. Between the years 1933 to 1939, they built hospitals, schools, courthouses, and other public buildings, among other projects. They worked on some low income housing projects, but not many. Another agency that came into being in 1934 was the Federal Housing Administration, which helped home owners by guaranteeing mortgage loans. The United States Housing Authority was created in the late 1930s to provide loans for low-cost housing. Rural poverty was dealt with by the Resettlement Administration, which helped out with subsistence homestead projects: farmers were moved to sites with better land with equipment and advisors. This agency was replaced with the Farm Security Administration in 1937.



# The Second Hundred Days

## The Second Hundred Days Summary and Analysis

One of the fears that went along with the New Deal programs was that they would be found to be unconstitutional by the Supreme Court. "If the Court pursued the line of reasoning it had followed for much of the past decade, all was lost. The administration hoped it would be open to a different conception: that the depression constituted, in Justice Brandeis' words, 'an emergency more serious than war.' Consequently, New Deal lawyers festooned early legislation with 'emergency clauses.' When the Court in January, 1934, in a 5-4 decision written by Chief Justice Hughes, upheld a Minnesota moratorium on mortgages, it indicated it might be receptive to such a view of the depression" (Chap. 7, p. 143).

There were several ruling applying to New Deal programs. In 1935, the Hot Oil provision of NRA was invalidated and the gold clause in government bonds was ruled unconstitutional. After that, so was the Railroad Pension Act. The NRA was found to be unconstitutional on May 27, 1935.

Things were not going well for Roosevelt. Even though the Democrats had been successful in the 1934 elections, the Congress had passed only a work relief bill. The New Deal was even denounced by the US Chamber of Commerce. Roosevelt began to change the direction of his programs right around the time of the NRA ruling. He and his advisors drew up the plans for the Second Hundred Days of his administration, and in the end, Congress passed every program he wanted.

The Wagner Act was passed in 1935. This established the National Labor Relations Board to handle issues regarding bargaining units and unfair labor practices. This act provided drastic measures at the time to legitimize the collective bargaining process. In June, Roosevelt proposed a bold new tax measure in a tax that had the ability to redistribute wealth. The program was obviously controversial, especially with the upper classes. The final measure that was passed imposed an estate and gift tax, a capital stock tax and an excess profits tax. It also raised the surtax. This led to a lot of resentment by business.

The next issue Roosevelt tackled were the combines, or large holding companies. The bill Roosevelt proposed was not popular. In spite of the opposition to the bill, it passed both houses of Congress. The resulting law was the Wheeler-Rayburn Act, which required registration with the SEC and dissolved all layers of the holding companies beyond the second. Many of the big dam projects had the president's support, like the Grand Coulee and the Tennessee Valley Authority (TVA). May of 1935 marked the creation of the Rural Electrification Administration. This program brought electricity to many rural areas.



The last major legislation of this period was the Banking Act of 1935, which increased the centralization of the banking system. It required the establishment of a Federal Reserve Board of Governors and specified the mechanism for their appointment. The bill also increased the Fed's control over the discount rate, the reserve ratio, and open-market operations.

The Congress adjourned, having passed every major piece of legislation that Roosevelt wanted. Some have referred to the Second Hundred Days as a Second New Deal. There was no truth in critics' claims about Roosevelt pursuing a planned economy. The closest they came to planning was the TVA.

# The New Deal at High Tide

## The New Deal at High Tide Summary and Analysis

Roosevelt seemed to enjoy his first term in office. He always projected a happy and confident image. There were problems that he encountered with his legislation along the way. In 1936, the Supreme Court ruled that the processing tax of the AAA was unconstitutional. This was known as the Butler decision, and it was followed by a sharp decline in farm prices. Roosevelt's plans to balance the budget were disturbed, but there was a need for revenues. The result was the Revenue Act of 1936, which levied a mild tax on undistributed earnings.

A new farm law had to be passed. The Soil Conservation and Domestic Allotment Act paid farmers for not planting certain crops. There had been many dust storms in the 1930s and the nation was concerned with soil conservation. The Civilian Conservation Corps was also active in this area. Much of their work involved the planting of trees.

In the 1936 campaign, Alf Landon opposed Roosevelt in the election. Landon didn't do well in the election, but he did offer people a way of expressing their displeasure with Roosevelt and the New Deal policies. The wealthy were not happy with the tax policies of the Roosevelt administration and Landon drew support from them. It didn't seem that Roosevelt could lose the election. The only hope was that dissidents like Long, Coughlin, and Townsend could draw enough votes away for the Republicans to win. Then Long was killed in Baton Rouge. The Long apparatus was dismantled and his supporters switched to supporting the president. That left Townsend, who had the support of many people who did not think that social security provided enough coverage for them.

Roosevelt did not pay much attention to Landon during the campaign and easily won the election. The number of Democrats in the Congress also increased.



# A Farewell to Arms

## A Farewell to Arms Summary and Analysis

The day after Roosevelt's inauguration, Hitler took power in Germany. "During the Hundred Days, while Congress debated farm subsidies and banking legislation, Jews were being beaten on the streets of Germany. While Roosevelt's 'forest army' planted trees on western hillsides, Hitler was rebuilding the Reichswehr. All of the New Deal was to be carried on under the shadow of the menace of fascism" (Chap. 9, p. 197). There was the possibility of war and many felt that the only way to avoid war was to accommodate Hitler.

There was dissension in the administration over what to do with tariffs. The Secretary of State Cordell Hull wanted trade barriers lowered. Others didn't agree with him. They believed that the reasons for the depression were within the nation's borders and could only be solved in the nation's borders. This view was not totally accepted by Roosevelt. At a conference in early 1933, a conference was held in London to address the issue of world trade, which was negligible due to the depression.

At the conference, the US and England, which had gone off the gold standard, had problems with France who was on the gold standard and favored it. When the rumors of talks of stabilizing currencies reached New York, the result was a fall in securities and stock prices. That ended the discussions on currency stabilization. Roosevelt was opposed to any attempts to stabilize currencies prematurely. In 1934, Roosevelt looked at the tariff issue again and the Trade Agreements Act of 1934 was passed. This gave the president the authority to negotiate tariff rates fifty percent higher or lower than their existing rates. Tariffs could be lowered only if the other country reciprocated.

The United States negotiated eighteen tariff agreements with other nations. There was some good that came out of them. There were discussions as to whether the US should enter into trade agreements with the Soviet Union. The two nations held meetings in November and re-established diplomatic relations. Many people later blamed Roosevelt for the whole international spread of communism because of establishing diplomatic relations with the Soviets.

There were also problems with the Good Neighbor policy. At a 1933 conference in Montevideo, Hull had announced that the US did not favor the intervention in the affairs of one state by another state. Problems arose in 1938, when Mexico nationalized the oil industry. The problem was solved in a friendly manner in 1941.

There were problems in Europe over Nazism, as Germany was annexing various countries. Roosevelt was trying to find a peaceful solution to the German expansion problem and finally said they would not interfere if there was a reduction of arms. The proposal was not accepted. When the Japanese invaded Manchuria in 1931, Hoover's Secretary of State, Henry Stinson, delivered what as called the Stinson doctrine. This



basically said that the US wouldn't acknowledge the legality of the situation if it might affect the treaty rights of the US or Pact of Paris. This was basically a policy of non-recognition.

Things were quiet in the East until 1934, when Japan denounced the Washington Naval Treaty and claimed special rights for Japan. In 1936, Japan signed an anti-Comintern pact with Germany. The United States basically expressed its intention to stay out of the Far East when, in 1934, it granted the Philippines independence in ten years.

During this time, there was an investigation into the armaments committee by Senator Gerald Nye of North Dakota. The Nye Commission looked into charges that the armaments manufacturers were engaged in prolonging the war and disturbing the peace in World War I. The 1934 hearing were fresh in the administration's minds when, in 1935, Hitler announced plans to rearm and Italy invaded Ethiopia. There was talk of an American embargo, but this idea was opposed by Congress. The Neutrality Act of 1935 had the US trying to remain neutral.

Roosevelt and Congress battled back and forth for control of foreign policy until 1936. When the Spanish Civil War broke out in 1936, Roosevelt still tried to remain neutral. He was trying to prevent the outbreak of war. There was an embargo of arms and munitions to Spain. There was fear of being dragged into another war. The hostilities and expansion continued.



# A Sea of Troubles

## A Sea of Troubles Summary and Analysis

When Roosevelt began his new term in 1937, he was looking for reform of the Supreme Court. "In the field of labor relations, the Court seemed to have created, as President Roosevelt protested, a 'no-man's land, where no Government - State or Federal' could function" (Chap. 10, p. 231). It was felt that the Wagner Act would be found unconstitutional.

The Court was said to suffer from a personnel shortage that required it to deny eighty-seven percent of its petitions. He felt that there should be an age limit at which time a justice should retire. Critics replied that inefficiency was a ruse. The real issue was that Roosevelt wanted the Court to be more responsive. The new court reform bill was killed even though a lesser bill with procedural reform measures was enacted.

By this time, vacancies had occurred on the Court and Roosevelt was able to appoint Hugo Black to fill the vacancy. In the next two and one half years he appointed four others, and the Court became known as the Roosevelt Court. Roosevelt obviously wanted a Court that would approve his legislation.

At this same time the nation was experiencing many labor strikes, which some felt were intended to detract from the attempt at Court reform. There was a six week sit-down strike at the Fisher Body plant in Flint, Michigan. Other strikes were more violent, and General Motors finally accepted the union's demands. US Steel also granted its workers' union recognition. By the end of 1937, all of the auto manufacturers had accepted the unions. Recognition of unions also occurred in other industries, and most of this was accomplished without the use of violence. Even though the sit-down strikes weren't violent, they scared many people.

By the spring of 1937, the economy was finally showing some economic gains. The output level exceeded that of 1929 for the first time. Just as people began to think the economy was recovering, problems occurred when there was a sharp decline in industrial output. All of the economy's gains were wiped out in a three-month period at the end of the year. There were more stock sell-offs and business failures and increased unemployment. The government had been worried about inflation that might be caused by the deficit spending and had therefore cut spending programs. There was no business investment to compensate for the cut in government investment.

There was dissension in the government over economic policy. Some felt they should return to a balanced budget and let business take up the slack. Many felt that the high spending programs would lead to high taxation. This view was mainly expressed by Secretary Morgenthau. Other administration officials and many economists pointed out that the economic problems occurred when spending was slashed and that the spending programs should be reinstated to stimulate the economy. When there was a



drop in private sector business spending, it had to be offset by public spending, which is deficit spending. This is the typical Keynesian approach to macroeconomic problems.

Others in the administration, mainly some of the Justice Department attorneys, blamed the existence of monopoly for the economic problems. Their pricing policies lead to such high prices that many industries had priced themselves out of the market. Some in the administration, including Roosevelt, were viewing the economic problems as part of a conspiracy, since this was the time of fascism's popularity. Roosevelt began to make anti-monopoly speeches. He too did not know what policy to follow. Because of this he allowed and encouraged debate within his administration over the proper policies to follow.

Roosevelt did not get many of the programs he wanted from Congress at this time. When Congress adjourned, he called them back into special session to pass the legislation that he wanted. "The session proved an almost total washout. Congress adjourned a few days before Christmas without passing a single bill the President requested, although some measures advanced toward final passage. A year after his overwhelming triumph in the 1936 election, Roosevelt appeared to be a thoroughly repudiated leader" (Chap. 10, p. 251).

# Stalemate

## Stalemate Summary and Analysis

By 1937 there was more organized opposition to the New Deal. While the Congress and the president were jockeying for position, the farm bloc decided to promote its cause and try to get some of the programs that it wanted. Roosevelt finally agreed to reverse his spending policies and began to propose more spending programs. Some hoped he would go further and support the anti-monopoly proposals. There was a Temporary National Economic Committee (TNEC) ,and this group's inquiry lasted for three years. They conducted an extensive inquiry into business conduct and practices.

When Roosevelt appointed Thurman Arnold as Assistant Attorney General in charge of Antitrust, the trust-busting activities began. Arnold brought many anti-trust cases against business during the next five years, more than had been undertaken since the passage of the Sherman Act. Another issue was the Revenue Act of 1938, which was almost vetoed by Roosevelt. It lowered the capital gains tax and abolished the undistributed profits tax.

Roosevelt managed to get Congress to pass wages and standards legislation. There was opposition to this bill, especially in the South which wanted to be allowed to pay lower wages than other sectors in the economy. They bantered back and forth about the bill for a year and a half before passing the Fair Labor Standards Act. The bill was not very strong because of all the exceptions it allowed. By the end of 1938, it was looking like there were no more stimulative effects in the New Deal programs.

There were problems with corruption. It was charged that the WPA was being used to manipulate elections. The resulting investigations proved that the charges were untrue, but it led to the passage of the Hatch Act. This Act prevented federal employees from taking part in political activity. During the elections of 1938, the Republicans gained a few of the seats and positions that they had lost in 1936. It seems that many of the middle-class had lost their faith in the New Deal programs and in the administration. In addition, Roosevelt faced re-election in 1940 if he opted to run.

By 1939, Congress was beginning to abolish some of the New Deal programs by cutting their appropriations.



# The Fascist Challenge

## The Fascist Challenge Summary and Analysis

The Nazi expansion continued in Europe, with the fascist nations not suffering the same kind of depression as the others. Some people began to be attracted to fascism for this reason. Various hate groups became popular. "Spawned by the anxieties of a depression that it seemed might never end, many of the hate groups took a particularly ugly character" (Chap. 12, p. 276). Antisemitism increased and many viewed Roosevelt as a problem. Some dubbed his attempts at reorganizing government and the agencies as attempts at subversion.

This all led to the creation of the House Committee on Un-American Activities in 1938. The Chairman of the committee was Martin Dies, a Texas Democrat. HUAC was more concerned with communists than with fascists. During this time, the Spanish Civil War continued and Germany continued its expansion into other countries. Roosevelt was still trying to maintain an isolationist policy and wouldn't make any promises in case war broke out.

Many Jews fled Europe and sought refuge in the United States. By 1939, Roosevelt was growing away from his isolationist views. A quiet movement toward rearmament and training of Europeans was underway. When Hitler invaded Czechoslovakia on March 15, 1939, the outbreak of war appeared to be inevitable. Japan, Italy, and Germany continued to expand. In 1939, Roosevelt drew up a list of thirty-nine nations and asked if Hitler and Mussolini would promise not to attack them. He was more or less laughed at by the Nazis.

The Japanese expansion in the Pacific brought them within four hundred miles of the Philippines. Roosevelt wouldn't impose a trade embargo against Japan, despite pressures to do so. Americans remained committed to neutrality.



# An End to Isolation

## An End to Isolation Summary and Analysis

The Nazis invaded Denmark on April 9, 1940 and had control of the country within a few hours. A few weeks later they took Norway and moved through Europe. France capitulated to the Germans on June 22, 1940. America stepped up their armaments production. They hadn't moved into Great Britain, but Hitler told the Latin American governments that Britain would fall by autumn. Events continued to worsen in the world and the Burke-Wadsworth bill was passed by Congress on October 16. This required men between twenty-one and thirty-five to register for the draft.

Japanese militancy continued as they invaded Indochina. This caused Roosevelt to impose a trade embargo on September 26. The next day Japan signed an alliance with the Rome-Berlin Axis. This was called the Tripartite Pact. "There was not only one war, Roosevelt concluded, and the democracies had to unite against a common peril, worldwide in its scope" (Chap. 13, pp. 309-310).

Since 1940 was an election year, the battle was heating up. It was assumed that Roosevelt would run for a third term. Wendell Wilkie was gaining strength for the Republican nomination as the Nazi expansion continued in Europe. The Democratic convention nominated Roosevelt on the first ballot. Wilkie's problem during the campaign was that he could not find a good issue to excite the populous. Roosevelt won the election by basically capturing the city vote.



# The Roosevelt Reconstruction: Retrospect

## The Roosevelt Reconstruction: Retrospect Summary and Analysis

"In eight years, Roosevelt and the New Dealers had almost revolutionized the agenda of American politics. 'Mr. Roosevelt may have given the wrong answers to many of his problems,' concluded the editors of 'The Economist.' But he is at least the first President of modern America who has asked the right questions" (Chap. 14, p. 326). He recreated the presidency from the unprestigious and lackluster position it had been when he took over from Herbert Hoover. His policies restored the people's faith in the position.

Some people felt that Roosevelt was incompetent when it came to administration. He procrastinated about decisions at times. He wouldn't fire those who were incompetent and he confused the workload by giving conflicting assignments. He invigorated the government with his new programs. There was excitement about his programs and he was frequently in the papers. He was the first to use the radio to address the people directly and the people trusted him, especially during his first administration.

The New Deal represented massive federal involvement in the economy. It was a break with the policies and practices of the past. Many of the New Deal programs were based on Keynesian economics and the need for deficit spending. These programs were implemented over a five year period from 1933 to 1938.



# Characters

## Franklin D. Roosevelt

Roosevelt was the democratic candidate in 1932. Roosevelt had been governor of New York and had created programs like unemployment relief and welfare. A popular view of the man was that he lacked conviction. He straddled the issue of liquor and gave in to William Randolph Hearst about opposing US acceptance of the League of Nations. In spite of this, Roosevelt won the biggest victory any candidate had had at that time in history. In many situations, he may have appeared uncertain, but he knew what he wanted and that is what he worked for.

Roosevelt became president at the worst time in US history. The Great Depression was more severe than any the country had had. The traditional programs were ineffective and Roosevelt embarked on a new kind of program, known collectively as the New Deal. These programs resulted in massive deficit spending, which pumped money into the economy and helped it recover from the Great Depression. Roosevelt and his administration were feeling their way with these programs and trying to cure a desperate situation. There was no economic blueprint or proscribed method for dealing with these problems.

Roosevelt was bold enough to try something new, which turned out to be the deficit spending programs recommended by Keynes. Roosevelt is remembered for being the president who brought the nation out of the Great Depression with his New Deal programs.

## Huey Long

Huey Long was a senator from Louisiana. He had supported Roosevelt at the convention in 1932, yet he was not trusted by the president, who had described him as one of the two most dangerous men in the country. Long split with Roosevelt a month after the inauguration. He disagreed with the New Deal programs. He believed that Roosevelt's programs were a front for a wealthy national ruling class. Long favored both a shorter work day and a shorter work year. He did favor massive public spending, even though he disagreed with the president over the New Deal programs. He was also in favor of a distribution of wealth through the dissolution of fortunes above a certain amount; these dollars would then be given to poorer families to allow them to buy homes and cars. He founded the organization Share Our Wealth for this purpose.

Long's style was based on humor and the use of barb as he was nicknamed the Kingfish and developed a following based on his brand of humor. Long was a lawyer by profession. He was shrewd and intelligent, but he preferred to project the image of an ignoramus. This was his modus operandi, and lampooned them with his barbs. His popularity in Washington and on the international scene detracted from the attention



paid to the president. His popularity was so great that the Democrats feared he would run on a third party ballot in 1936.

## **John Maynard Keynes**

Keynes was a British economist who disagreed with the classical economists over the role of government spending and government intervention in the economy. He felt that fiscal policy, or government spending, was necessary to stimulate the economy and pull it out of a depression. In other words, Keynes proposed deficit spending as the solution for the economy's problems.

## **Reverend Charles Coughlin**

Reverend Coughlin was a Catholic parish priest from Royal Oak, Michigan. The Canadian-born priest was a popular speaker and had his own national radio program carried by CBS. In his addresses he blamed the bankers for the depression and talked about a bankers' conspiracy. He provided Roosevelt with light support until late 1934, when he began to expound a program called social justice which was close to the corporatism of Mussolini.

## **John L. Lewis**

John L. Lewis was a labor movement leader of the time. He had organized industrial workers into unions and couldn't gain charters or recognition from the American Federation of Labor. This led him, with various garment unions and coal miners, to form the Committee for Industrial Organization, which became the Congress of Industrial Organization several years later, when the AFL expelled the industrial unions.

## **Herbert Hoover**

Herbert Hoover was the President of the United States when the Great Depression began. He was basically doomed in the 1932 presidential elections no matter what he and the Republicans did. Hoover himself projected a defeatist attitude. Hoover could not overcome the economic problems of the Great Depression and could not convince the people that he cared about their suffering.

## **Henry Agard Wallace**

Henry Agard Wallace was the Secretary of Agriculture in the Roosevelt administration. Wallace was a geneticist who experimented in the breeding of hybrid corn. He was also an economist who investigated farm problems.



## **Floyd Olson**

Floyd Olson was the Governor of Minnesota and a major critic of the New Deal programs. He believed that the only way to achieve security was for government to take over key industries. He is a self proclaimed radical.

## **Alf Landon**

Alf Landon was the Republican governor of Kansas who was the Republican Presidential nominee in 1936.

## **Cordell Hull**

Cordell Hull was Secretary of State in the Roosevelt administration. The Tennessean favored a lowering of world tariffs as a way of stimulating international trade.

## **Harry Hopkins**

Harry Hopkins was appointed to head the Federal Emergency Relief Administration.



## **Objects/Places**

### **Chicago, Illinois**

Chicago is the site of the Democratic convention in June, 1932.

### **Washington DC**

Washington DC is the location of the United States government.

### **Atlantic City, New Jersey**

Atlantic City was the site of the 1935 convention of the American Federation of Labor, and where the rift between John L. Lewis and his industrial unions brought about a separation from the AFL.

### **San Francisco, California**

San Francisco was the site of a general strike in 1934. It was eventually settled through the use of arbitration and the recognition of several unions.

### **Albany, New York**

Albany is the capital of New York. It is where many of the Roosevelt administration members worked when Roosevelt was governor of New York.

### **Germany**

Germany is the nation in Europe where Adolph Hitler gained power and his policies resulted in World War II.

### **Japan**

Japan was one of the principals involved in the Axis of World War II.

### **Italy**

Italy, under Mussolini, was one of the principal nations involved in the Axis in World War II.

## **England**

England was a major ally of the US in World War II.

## **France**

France was a major ally of the US during World War II.



# Themes

## Economics

One of the major themes underlying the book is that of economics. The prevailing economic theory up until the Great Depression was called Classical Theory. This was based on balanced budgets and very little government intervention in the economy. The economy was believed to be self-correcting in that wages and prices would automatically adjust to eliminate any problems in terms of unemployment or inflation. No government policy action was required.

The problem was that wages and prices don't adjust automatically to eliminate economic problems. Some sort of government intervention in the form of deficit spending is a requirement to stimulate an economy in recession, and this was the viewpoint of the British economist John Maynard Keynes.

Franklin D. Roosevelt and the New Deal is basically William E. Leuchtenburg's recount of the first two years of the Roosevelt administration and the deficit spending programs they implemented trying to bring the economy out of the Depression. All of the programs had an economic impact on the economy and this was the purpose of the programs.

## New Approaches

A second underlying theme is what can be called new approaches. The Great Depression represented a situation where the traditional approaches had failed. This meant that the government policy makers had to first realize that the traditional way of doing things wouldn't work and that they had to be willing to explore new methods of dealing with the situation. This means that they had to get away from the practice of a balanced budget.

This book shows what happens as new approaches are tried. Trying a new approach implies a willingness to admit that the old approaches were wrong and not working and that the people are willing to try a new approach. Trying a new approach means that they were willing to take a chance. Much of this book looks at the approaches they took with the various New Deal programs. Some of these programs were deemed to be unconstitutional by the Supreme Court.

## Problem Solving

The fact that Roosevelt took over when there was a severe economic crisis meant that some sort of problem-solving had to be used. An underlying theme of this book is how the problems were solved and the approaches the policy makers took. The first thing the policy makers had to do was to identify the problem. For example, the farming



sector was plagued by falling prices, which led to falling farm prices. This in turn led to farm foreclosures.

What was the problem in the farm sector? The falling farm prices were caused by overproduction. The farming sector was too efficient and produced more output than the market could observe. This resulted in falling prices. What was the solution? It was to, in some way, curb production of farm output. This is what many of the New Deal farm programs were aimed at.

Problem solving meant that policy makers had to admit that the traditional approaches didn't work and that they had to find an approach that did work. They were willing to try new policies because of the desperation of the situation. If they hadn't been willing to analyze and discuss different solutions, they wouldn't have been able to devise policies to solve the problems.

# Style

## Perspective

This book is written from the third person point of view and that is that of the author, William E. Leuchtenburg. The book tells the story of the first two years of the Roosevelt administration. This is the period of the programs of deficit spending that became known as the New Deal Programs. These are the programs that were implemented to solve the economic problems of the nation.

Leuchtenburg's purpose is to present the programs that were considered and those that were implemented and why. He presents the problems that were involved and who the different personalities in the situation were. There are many quotes in the book.

Leuchtenburg is an appropriate source to present this story since he is a well qualified historian. These programs are put in the proper historical perspective of the time and in the proper economic context. In economic terms, it was a period of transition from classical economics to Keynesian economics.

## Tone

The tone of the book is objective. The author does not try to impose his own views on the reader or make moral judgments. He basically tells the story of what happened in terms of the problems, the personalities, and the programs. There is no attempt to "paint" people in any kind of light or to lay the blame on any particular individual. The author does not blame the Republicans or the Democrats for the situation. He just presents the facts as they occurred.

The objective nature of the book has to make an impression on the reader. The author leaves the reader to make his own value judgments about the value of the different programs and the positions of the different people. The book is not wordy: it is direct and to the point and would be of interest to many students of history, economics or political science.

## Structure

The structure of the book is quite simple. The main body of the book consists of fourteen chapters. Each of these chapters concerns a specific issue or topic. The chapters are more or less chronological, but not strictly. There is a lot of jumping around within each chapter.

There is an Editors' Introduction and Preface as well as a List of Illustrations. The inclusion of illustrations makes the people more real to the reader. There is also a

Bibliography and an Index. This makes it easy for the reader to check the sources Leuchtenburg used and to look into further areas that are of interest to him.

The author uses a format that works for the book. It is a simple format for the reader to deal with in terms of reading the book and looking up information in the book. The author chose the structure that works best for the book.



## Quotes

"At least a million, perhaps as many as two million were wandering the country in a fruitless quest for work or adventure or just a sense of movement. They roved the waterfronts of both oceans, rode in cattle cars and gondolas of the Rock Island and the Southern Pacific, slept on benches in Boston Commons and Lafayette Square, in Chicago's Grant Park and El Paso's Plaza. From Klamath Falls to Sparks to Yuma, they shared the hobo's quarters in oak thickets strewn with blackened cans along the railroad tracks. On snowy days, as many as two hundred men huddled over fires in the jungle at the north end of the railway yards in Belen, New Mexico. Unlike the traditional hobo, they sought not to evade work but to find it. But it was a dispirited search. They knew they were not headed toward the Big Rock Candy Mountain; they were not, in fact, headed anywhere, only fleeing from where they had been." Chap. 1, p. 2

"At both conventions the delegates showed far more concern over prohibition than over unemployment. 'Here we are,' wrote John Dewey, 'in the midst of the greatest crisis since the Civil War and the only thing the two national parties seem to want to debate is booze.' The Democrats, who had been torn apart by the liquor issue in the twenties, determined this would not happen again. It was ridiculous, observed a Missourian, for a jobless wet Democrat to wrangle with a jobless dry Democrat over liquor when neither could afford the price of a drink. By convention time, the wets held a decided edge. While the G.O.P. took an equivocal stand on prohibition, the Democrats voted a wringing wet plank. In the debate on the plank favoring repeal of the eighteenth amendment, the wets paraded the aisles chanting 'How Dry I Am,' and booed and hissed the leader of the dries, Senator Cordell Hull of Tennessee. Everything else in the program proved anticlimactic." Chap. 1, p. 9

"It was frequently remarked in later years that Roosevelt saved the country from revolution. Yet the mood of the country during the winter of 1932-33 was not revolutionary. There was less an active demand for change than a disillusionment with parliamentary politics, so often the prelude to totalitarianism in Europe. The country was less rebellious than drifting, although there were clearly limits to how long it would be willing to drift. As early as the summer of 1931, Gerald Johnson had noted the 'fathomless pessimism' which the depression had induced. 'The energy of the country has suffered a strange paralysis,' he observed. 'We are in the doldrums, waiting not even hopefully for the wind which never comes.'" Chap. 2, p. 26

"The real panic began with the collapse of Detroit's banks in February 1933. Early in the morning of St. Valentine's Day, February 14, Governor William Comstock of Michigan declared an eight-day bank holiday which tied up the funds of 900,000 depositors and froze \$1.5 billion in bank deposits. The next week brought frightful tidings of a fall in security prices, a flight of gold to Europe and the precarious state of some of the country's leading banks. On February 24, following a run on Baltimore banks, Governor Ritchie of Maryland declared a three-day bank holiday. By the end of the month, banks in every section of the country were in trouble - a Wichita bank closed, Little Rock



limited withdrawals, the fourth largest bank in Washington, D.C., closed its doors. People stood in long queues with satchels and paper bags to take gold and currency away from the banks to store in mattresses and old shoe boxes. It seemed safer to put your life's savings in the attic than to trust the greatest financial institutions in the country." Chap. 2, pp. 38-9

"Yet Roosevelt had nonetheless made his greatest single contribution to the politics of the 1930's: the instillation of hope and courage to the people. He made clear that the time of waiting was over, that he had the people's interest at heart, and that he would mobilize the power of the government to help them. In the next week, nearly half a million Americans wrote their new President. He had made an impression which Hoover had never been able to create - of a man who knew how to lead and had faith in the future." Chap. 3, p. 42

"When Congress adjourned on June 16, precisely one hundred days after the special session opened, it had written into the laws of the land the most extraordinary series of reforms in the nation's history. It had committed the country to an unprecedented program of government-industry co-operation; promised to distribute stupendous sums to millions of staple farmers; accepted responsibility for the welfare of millions of unemployed; agreed to engage in farreaching experimentation in regional planning; pledged billions of dollars to save homes and farms from foreclosure; undertaken huge public works spending; guaranteed the small bank deposits of the country; and had, for the first time, established federal regulation of Wall Street. The next day, as the President sat at his desk in the White House signing several of the bills Congress had adopted, including the largest peace-time appropriation bill ever passed, he remarked: 'More history is being made today than in [any] one day of our national life.' Oklahoma 's Senator Thomas Gore amended: 'During all time.'" Chap. 3, p. 61

"After a brief study, the Darrow committee found that giant corporations dominated the NRA code authorities and squeezed small business, labor, and the public. Johnson was furious. 'Bloody old Jeffries [sic] at the Assizes never conducted any hearing to equal those for cavalier disposal of cases,' he stormed. In fact, the Darrow probe was prejudiced and its findings were inconsistent. A preliminary report urged a return to free competition, but then described competition as savage and wolfish. Darrow himself joined with William O. Thompson, a former member of Altgeld, Darrow and Thompson, in a supplementary report which advocated socialized ownership." Chap. 4, pp. 67-8

"By 1934, the pattern of the early New Deal was beginning to emerge. Its distinguishing characteristic was the attempt to redress the imbalances of the old order by creating a new equilibrium in which a variety of groups and classes would be represented. The New Dealers sought to effect a truce similar to that of wartime, when class and sectional animosities abated and the claims of partisan or private economic interest were sacrificed to the demands of national unity." Chap. 4, p. 84

"When he came to see Roosevelt, he deliberately defied the amenities. He presented his demands for patronage, all the while keeping a sailor straw hat on his head; he never removed to save to tap it against the President's knee to drive home a point. A



short while after he arrived in Washington, the Kingfish had become an internationally known figure who was crowding Roosevelt off the center of the stage. When H.G. Wells arrived in the United States, he announced he was going to Washington to see the new American curiosity, Huey Long. Huey, declared Gertrude Stein, had 'a sense of human beings, and is not boring the way Harding, President Roosevelt and Al Smith have been boring.'" Chap. 5, p. 98

"Johnson even went so far as to conclude that a strike against an industry which had adopted a code was a strike against the government. Neither Johnson nor Richberg accepted the principle of the right of a union which had majority support to speak for all, despite evidence that the alternative principle of proportional representation served as a union-busting tactic; neither favored using the power of the government to compel businessmen to bargain; and both resented what they regarded as a usurpation of authority by the labor boards." Chap. 5, p. 108

"To be unemployed in an industrial society is the equivalent of banishment and excommunication. A job established a man's identity - not only what other men thought of him but how he viewed himself; the loss of his job shattered his self-esteem and severed one of his most important ties to other men. Engulfed by feelings of inferiority, the jobless man sought out anonymity. He withdrew from associations he had had before he lost his job, even tried to escape the company of friends and neighbors whose opinion he respected. Without work, without hope of work, he spent his days in purposeless inactivity. 'These are dead men,' observed one writer. 'They are ghosts that walk the streets by day. They are ghosts sleeping with yesterday's newspapers thrown around them for covers at night.'" Chap. 6, p. 119

"Yet for all its faults the Social Security Act of 1935 was a new landmark in American history. It reversed historic assumptions about the nature of social responsibility, and it established the proposition that the individual has clear-cut social rights. It was framed in a way that withstood tests in the courts and changes of political mood. 'I guess you're right on the economics,' Roosevelt conceded when told that the employee contributions were a mistake, 'but those taxes were never a problem of economics. They are politics all the way through. We put those payroll contributions there so as to give the contributors a legal, moral, and political right to collect their pensions and their unemployment benefits. With those taxes in there, no damn politician can ever scrap my social security program.'" Chap. 6, pp. 132-33

"The Wagner Act was one of the most drastic legislative innovations of the decade. It threw the weight of government behind the right of labor to bargain collectively, and compelled employers to accede peacefully to the unionization of their plants. It imposed no reciprocal obligations of any kind on unions. No one, then or later, fully understood why Congress passed so radical a law with so little opposition and by such overwhelming margins. A bill which lacked the support of the administration until the very end, and which could expect sturdy conservative opposition, it moved through Congress with the greatness of ease. One observer later wrote: 'We who believed in the Act were dizzy with watching a 200-to-1 shot come up from the outside.'" Chap. 7, pp. 151-52



"It remained to be seen whether such a conception of reform would suffice. Roosevelt, observed the English writer H.N. Brailsford, was doing what Lloyd George had done between 1906 and 1914, but at a quicker tempo. The British reforms, which rested on the conviction that the profit system was compatible with aid to the underdog, had rendered working-class life less precarious and was one of the important reasons that the depression stuck Britain less heavily than America. Yet, Brailsford warned, this was all they had done. 'America, with boundless faith, has just adopted the Liberal specifics that ceased among us to arouse our extravagant enthusiasm many a long year ago.' This was disturbing criticism, but it left Roosevelt undismayed. Three years later, when the period of New Deal reform had come to a half, the President told Anne O'Hare McCormick: 'in five years I think we have caught up twenty years. If liberal government continues over another ten years we ought to be contemporary somewhere in the later Nineteen Forties.'" Chap. 7, p. 166

"As the Long organization disintegrated, the main threats to Roosevelt from the messiah groups came from Dr. Townsend and Father Coughlin. Roosevelt, it has been said, nullified their appeal by reform legislation which wiped out the discontent on which they fed. But Townsend's strength reached its apex after the passage of the Social Security Act; in fact, he gained recruits precisely because of the inadequacy of the New Deal pension system, which left millions of elderly Americans unprotected." Chap. 8, p. 180

"The labor vote indicated the sharpening class cleavage over political issues that marked the Roosevelt years. As early as 1932, the Roosevelt vote divided on class lines. Yet political scientists who analyzed the 1936 returns found to their astonishment that the class division was not as wide as anticipated, in part because Roosevelt received a surprising percentage of votes from the more prosperous." Chap. 8, p. 189

"The passage of the act, instead of resolving conflicts over trade policies within the administration, merely shifted the scene of battle. The crux of the difficulty lay in Hull's use of the 'most favored nation clause'; in it he negotiated a treaty with any one country lowering the tariff on particular items, any other nation could do business with the United States on the same terms, so long as it did not discriminate against us." Chap. 9, p. 204

"The debate that followed revealed both this same skittish concern over avoiding even the appearance of commitment to collective security and the continuing division among isolationists over how to achieve their ends. As a compromise would cripple the economy, legislators devised the procedure of 'cash and carry': belligerents who brought goods from this country had to pay for them on delivery and cart them away in their own vessels, or in the bottoms of some country other than the United States." Chap. 9, p. 225

"In attempting to alter the Court, Roosevelt had attacked one of the symbols which many believed the nation needed for its sense of unity as a body politic. The Court fight evoked a strong feeling of nostalgia for the days of the Founding Fathers, when, it seemed, life was simpler and principles fixed." Chap. 10, p. 235



"Yet, in another sense, Roosevelt lost the war. The Court fracas destroyed the unity of the Democratic party and greatly strengthened the bipartisan anti-New Deal coalition. The new Court might be willing to uphold new laws, but an angry and divided Congress would pass few of them for the justices to consider." Chap. 10, pp. 238-39

"The TNEC represented no commitment by Roosevelt to antibigness. His request for a study served to defer action and, as Moley has written sourly, constituted 'the final expression of Roosevelt's personal indecision about what policy his administration ought to follow in its relation with business.' The committee itself dodged the critical question of full employment and chose to concentrate on the single issue of monopoly. Unwilling either to tackle the more difficult problems or to make recommendations which might disturb vested interests, the committee expressed the wistful hope that if it assembled enough facts, someone would be able to use them to solve the enigma of persistent unemployment." Chap. 11, pp. 258-59

"Yet if the country no longer quickened to the promise of the New Deal, and had wearied of assaults on business, it still placed more faith in the Democrats than in the Republican party, and it wanted none of the Roosevelt reforms undone. Even after the 1938 elections, the Democrats held more than two-thirds of the Senate and a comfortable House majority. Roosevelt pointed out that he was the first two-term President since Monroe who had not lost control of Congress before the end of his second term. Moreover, the resurgence of the G.O.P. cut two ways. If it magnified the President's dependence on old-line Democratic support, it also meant that conservative Democrats needed to unite with the New Dealers to stave off defeat in 1940. Ambitious party leaders knew that no Democrat could be elected President that year without Roosevelt's backing." Chap. 11, p. 274

"Antidemocratic forces succeeded in convincing many Americans that Roosevelt, in carrying through a routing operation to make democratic government more effective, aspired to be a dictator. As in the Weimar Republic, foes of democracy aroused suspicion of its leaders and cast democratic institutions in disrepute." Chap. 12, p. 279

"The fascist successes deepened the disgust the United States felt toward the leaders of England and France; people came to speak of the 'so-called democracies.' It was hard to persuade Americans that the conflicts in Europe constituted a crucial struggle between totalitarianism and democracy when Neville Chamberlain had done nothing to halt the Nazi conquest of Austria had surrendered his Foreign Minister, Anthony Eden, to placate Hitler and Mussolini; and had displayed such callous indifference to the betrayal of the Czechs at Munich." Chap. 12, p. 288

"Concern over the Axis conquests stepped up the tempo of the great debate over foreign policy in the United States. The 'internationalists,' who favored aid to Britain, found their staunchest support on the two coasts and in the South; in university faculties and among cosmopolitan businessmen; with old-stock Americans, who had tied to Britain; and with anti-Hitler ethnic groups, particularly Jews but including Poles and others whose countrymen had been overrun by the Nazis. Although the pro-Allied block





boasted Republican leaders like Henry Stimson, its strength centered in the Democratic party." Chap. 13, p. 310

"Roosevelt, returned to an unprecedented third term, now sought to fashion a global foreign policy to contain the fascists. In Tokyo, Joseph Grew, who felt that his eight years of work for peace had 'been swept away as if by a typhoon with little or nothing remaining to show for it,' cautioned that Japan would not be deterred by bluff." Chap. 13, p. 323

"Roosevelt and his aides fashioned a government which consciously sought to make the industrial system more humane and to protect workers and their families from exploitation." Chap. 14 pp. 332-33

## Topics for Discussion

What were the problems that Hoover faced in the election of 1932?

What was the situation that Roosevelt stepped into when he became president?

What was the New Deal? How did the term come into being?

What was the problem in agriculture? What programs did the government implement to solve the problem and bring some stability to the agricultural sector?

Explain the meaning of the Codes of Fair Practice? How did they function? What was the goal?

What was the NRA and why was it declared unconstitutional?

Why can the Roosevelt era be said to represent a period of transition from classical economics to Keynesian economics?