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FDR'S

NEW DEAL

Causes of Great Depression that had to be fixed

- Foreign GLOBAL problems
 - Europe bankrupted by Dawes Plan, etc
 - Tariffs Wars
- Overproduction/Overspeculation
- Unstable Banking policies
- Unstable Labor policies

“Fix” them with:

- Relief (get people food and shelter)
- Recovery (get people jobs, so they will spend, so that factories will re-open...)
- Reform (change some the basic beliefs of Laissez-Faire Capitalism. Adam Smith was WRONG. This time the boat can right itself)

See pages 781 and 784. Know them!!!!

Hoover tried to help, but he was tied to his background

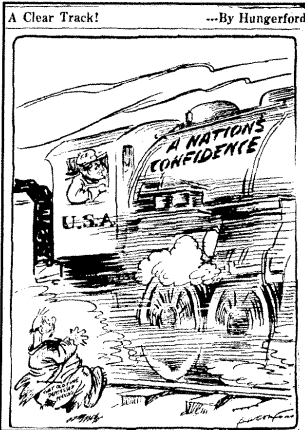
- RFC: unprecedented government spending, but only in the old “Trickle-Down” ideology.
- Hoover Dam and other projects
- But in the end he was a classical “economist”
 - Went fishing to appear confident
 - Mishandled the Bonus Army
 - Created the word Depression to replace “Panic”

1932 election results

- Republicans run Hoover again and get 40% of the popular vote
- Democrats run FDR and get 60% of the popular vote



The real advocate for the poor. Especially African American



After 4 years
Of Hoover,
and an
ineffective
Congress
everyone was
willing to let
FDR lead

No Real Plan

- Try something
- Keep what works
- Throw out what doesn't
- Try something else
- Etc.
- Etc.
- But usually too much Relief -- not enough Reform and not enough spending

Keynesian Economics

- Gov't must SPEND itself out of depressions:
 - Lower taxes (\$ saved by people will be spent, thus increasing production and jobs, thus...)
 - Increase gov't handouts to the poor (\$ taken by people will be spent, thus increasing production and jobs, thus...)
 - Increase gov't projects (jobs received by people will create \$, which will be spent, thus increasing production and jobs, thus...)

FDR was NOT (ever) a Keynesian

- Believed in a balanced budget
- Only doubled the budget (when Keynes called for 10 times as much)
- Cut military spending to get the money for his projects
- Cut all programs in 1937 when it looked like the US was recovering
- Created 2nd Great Depression
- THEN he **STARTED** to believe—but not enough

- Emergency Banking Relief Act
- Beer Act
- Unemployment Relief Act
- CCC
- Off the gold standard
- FERA
- AAA
- TVA
- HOLC
- NRA, PWA
- Glass-Steagall Act/ FDIC

100 Days Congress



- Of course this all costs
 - \$\$\$\$\$
 - Only "relieves" the pain
 - Politically
 - Father Coughlin
 - Huey Long
 - Dr. Townsend
 - Forces FDR to accept "unacceptable" solution:
 - He NEVER accepts Keynesian economics
 - But he does expand his 3 R's.
 - Constitutional excesses and the Supreme Court



- Spending has to go up
- Taxes (on the rich) have to go up
- But taxes will not equal spending
- Can't raise tariff
- Deficit has to go up
- According to Keynes--its still not enough

Emergency Banking Act

- Temporarily closes all banks until
- They can be inspected, and "good-sound" banks reopened.
- Within days all banks are reopened (Relief)

Glass-Steagall Act or FDIC

- All banks put a % of funds into the FDIC fund. Then if your bank goes under you get up to \$5,000 back (Reform)

Managed Currency (reform)

- OFF the Gold-Standard
- Created needed inflation
- 1934, reinstates gold for international payment to keep foreigners accepting of US currency

Securities Exchange Commission

- A government agency to investigate stock market fraud

Appeasing Labor

- NIRA: Act that created:
- NRA (later declared unconstitutional)
- NLRB (Wagner) replaces NRA and gives "collective bargaining" to labor
- CIO for unskilled labor thrives
- Outlawed "yellow-dog contracts"
- Fair Labor Standards Act--minimum wage

Supreme Court Fights back

- Declared Unconstitutional
 - AAA (illegal tax on food processors—I told you he wasn't a Keynesian)
 - NRA: Too much control over private industry
 - 5 other major New Deals
 - They believe that Congress has illegally turned over the functioning of the Legislative Branch to the Executive Branch, thus destroying the Constitutional separation of Powers

FDR fights back but loses (sort of) for the 1st time

- Tries to raise the number of justices to perhaps 15 (court packing)
- Public outcry forces FDR to back down
- BUT, a frightened Supreme Court begins to support FDR

Demagogues

- Father Coughlin (starts as New Dealer, becomes vehement anti-semitic)
- Dr. Townsend (Give \$200 per month to old people)
- Huey Long (The Kingfish, "Share the Wealth Program")

Because FDR keeps things at least stable (no real improvement either) these people don't become our "Hitler"

WWII really ends the
GREAT DEPRESSION

Billions for the 3 R's
Trillions for the war