

5. Compare and contrast Herbert Hoover's economic policies with those of Franklin Roosevelt. (those designed to solve the Depression)

Question #5

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Thesis

Franklin D. Roosevelt and Herbert Hoover had very separate policies. Many factors divided them, including their underlying philosophies, the way they affected the public, and the acts and programs that were enacted based on the policies.

Philosophies

Hoover:

- “VOLUNTARISM”: asked businesses to maintain wages voluntarily, keep up production, and work with the government to build confidence in the system. This failed and he eventually turned to federal action.
- cut federal taxes and called on state and municipal governments to increase capital spending.
- believed that money lent at the top of the economic structure would stimulate production, which would create new jobs.

FDR:

- centralized decision making in the White House
- tried to trigger rises in prices to stimulate recovery
- abandoned the gold standard
- Allowed the FRS to manipulate the value of the dollar in response to economic conditions
- centralized banking system

Wanted to further the cause of the “forgotten man”

“Relief, Recovery, Reform” was central idea of FDR’s New Deal

Liberal use of government resources was because felt needs of people took precedence over strict budget in times of hardship.

Rejected Hoover’s rugged individualism.

Believed in Keynesian economics: during depression, to keep the money circulating, government needed to spend more to stimulate economy AKA “priming the pump”

Created federal government programs (alphabet agencies) that ranged from regulation to job creation.

Effect on the Public

Hoover:

- believed that private organized charities were sufficient to meet social and welfare needs and refused to consider any plan for direct federal relief for unemployed Americans.
- seemed uncaring to the public and unwilling to accept the fact that people were starving and that his ideas were failing.

FDR:

- although afraid of deficit spending, he still moved (reluctantly) towards federal aid for the unemployed.
- extended his empathy and ability to act to win over public opinion.
- By implementing a variety of innovative policies, FDR was able to pull the United States away from the brink of economic, social, and perhaps even political, disaster—and lay the foundation for future stability and prosperity
- African Americans turned their allegiances from the Republican party to the Democrats (Forgotten Man)
- Solved unemployment, but increased debt out of the roof to \$258 billion.
- FDR provided considerable change with little revolution (unlike Italy, Germany)
- Supporters said ND evaded Depression from getting worse, critics said US becoming “handout state”, move away from laissez faire to socialism
- Set up important precedents for economics today (e.g. Keynes, SEC, Social Security)

Acts and Programs

Hoover:

- Agricultural Marketing Act: gave the federal government its largest role to date in a program of agricultural stabilization and farm relief
- Revenue Act of 1932: largest peacetime tax increase in nation's history. Higher taxes choked consumption and investment and prolonged the depression
- Glass-Steagall Banking Act of 1932 :made government securities available to guarantee FR notes and temporarily helped the banking system
- Hoover Dam

FDR

- Emergency Banking Relief Act= banking holiday to save banks from ruinous runs (create 100% deposit insurance, after banks reopen, Americans redeposit saved money, inspections show they have adequate cash reserves)
- Initiated hundred days congress: lots of legislation, blank check powers
- Federal Deposit Insurance Corp. (FDIC) insured people's money in the bank up to \$5000.
- Took US off gold standard (by buying gold at higher prices to circulate more paper money) to increase inflation to make it easier to pay off debts
- Federal Securities Act: report honest financial numbers, Securities Exchange Commission: stock watchdog
- Tried to create more jobs- Works Progress Admin. : build public facilities + infrastructure; Civilian Conservation Corps: young men to work in national forests, Civil Works Administration: temporary jobs. Critics called it "boondoggling" = creating many made-up jobs
- National Recovery Administration (NRA!!): minimum wages (Fair Standards Act), labor unions right to organize/collectively bargain (Wagner Act) – became unpopular with businesses
- Agricultural Adjustment Act (AAA): paid farmers not to farm-supreme court declared unconstitutional in 1936. established a domestic allotment system for 7 commodities with w/cash subsidies to cut production. Those benefits were financed by a tax on processing, which was passed on to consumers.
- Tennessee Valley Authority: 1933 build dams along TN. River Provide jobs + cheap electricity
- Federal housing authority: offer low interest to home loans