

# President roosevelt and the great depression essay

[Finance](#), [Banking](#)



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## 1. Introduction

This thesis shall evaluate how Franklin Roosevelt dealt with the Great Depression. The sole objective of the paper is to review the New Deal that Roosevelt engineered to rectify the mess that his predecessor Hoover had made of the economy. The thesis shall henceforth discuss several aspects of the New Deal and how it salvaged the American economy from sinking further. Franklin was the 32nd president of the United States of America. Roosevelt inherited a country that was dogged by the effects of the Great Depression. Roosevelt was first elected into office in the year 1932 and stayed in office for terms that ended in the year 1945. Roosevelt is best known for restoring hope to the American people as well as their economy and leading the country during the Pearl Harbor War and 2nd World War. It must be mentioned that Franklin's interest in politics was stirred by his mentor and cousin Theodore who was the 26th president of America. All his leadership ideologies were based on the success of Theodore at the helm of America despite the fact that he was Democrat unlike his cousin who was a Republican.

## 2. Brief Overview of the Situation Prior to Roosevelt's Reign

Franklin Roosevelt took over the reins of power in an era where the country had experienced three successive years of economic turmoil. This economic turmoil was as the result of the Great Depression of the late 1920s. Characteristics of the economic situation in the year 1932 include the fact that one out of every four American adults was unemployed across the nation's major cities. The situation was exuberated by national statistics that

indicated that nearly half of Americans who had attained the working age were without jobs. In addition, an estimated 500. 000 people countrywide had lost their homes and houses due to their inability to repay their mortgage loans. This situation was further worsened by the massive failure of the banking industry and thus millions of Americans ended up losing their entire lifesavings. In fact, internationally, the Great Depression was referred to as the failure of capitalism and thus communism was the preferred mode of governance of the day. By the time Hoover's administration was coming to an end, nearly four-fifths of the country's banks had collapsed resulting into paralysis of other sectors of the economy. As a result, some of the challenges that were to be faced by Roosevelt's administration from the beginning include reviving a crippled economy, restoring hope to a hopeless people, reviving a dying agricultural sector and assimilating the confusing and conflicting opinions on how to deal with all these challenges.

### 3. The New Deal and Competing Solutions

Despite the fact that Roosevelt had a lot of problems to deal with, he still had to endure the divergent opinions on how to effectively deal with the Great Depression from his inner circle. Most of the solutions that were advanced by his advisors, were always confusing and conflicting in nature and thus the new president elect had difficulty in relation to decision-making. Some of the opinions advanced in the period include stringent reinforcement of the antitrust laws. This strategy was directed at encouraging competition in the commercial sector and thus stimulating the revival of the economy. Contrary to this, some of Roosevelt's allies were of the opinion that the

administration should work collaboratively with the business community to revive the economy. Some of the strategies advanced forth to make this possible include the suspension of the country's antitrust legislative framework to enable the economy to grow. Finally, some quarter of Roosevelt's administration were of the opinion that the government hope of dealing with the economic crisis was in heavy investment in social welfare programs thus alleviating the suffering of the American people.

Based on these conflicting opinions, the New Deal was thus ushered by a series of trial and errors. Franklin Roosevelt's strategy was to ensure that he had the much needed support of all quarters of government in saving the country's economy. This is the reason why he adopted a " flexible approach in not only formulating but also implementing the New Deal. From the word go, Roosevelt knew that if the country was to survive the Great Depression and emerge from it stronger than ever, political tolerance was of the absolute importance." In addition, Roosevelt's trial and error approach towards the financial crisis was motivated by the fact that he was a realist rather an ideologue.

This is the reason why Roosevelt finally settled on three-pronged approach. His first step was to sort the mess that was a characteristic of the financial sector and also minimize the joblessness situation in the country. Then, Roosevelt and his administration also resorted to resuscitating the American industries through increased spending on the part of the federal government and a collaborative effort involving both the commercial sector and trade unions. Finally the administration subsidized the prices of farm commodities

and henceforth increasing the income commandeered by farmers who comprised the largest share of the population. It must be mentioned that none of the above mentioned strategies worked perfectly. Though, a combination of the three was enough to lift the country from the abyss it had sunk to due to the Great Depression.

#### 4. The New Deal: Strengthening the Financial Sector

Following his inauguration, Roosevelt's first order of business was to declare a four-day banking holiday. The purpose of the banking holiday was to let the sector recover from the shock of its near collapse. Congress took exactly 7 hours to pass the legislation that made it legal for the banking sector to take up on the government's offer of the banking holiday. This legislation is referred to as the Emergency banking Relief Act of 1933. Basically, this piece of legislation empowered the banks that were not yet affected by the Great Depression to open for business as usual whilst the struggling banks were given a four-day holiday to absorb the effects of the economic crisis and then strategize accordingly.

The passage and enactment of the act was followed by the Roosevelt's vote of confidence in the country's banking sector. The president encouraged the population to conduct all their financial needs with the banking institutions that had reopened. Other pieces of legislation that were instrumental in restoring confidence in the banking sector include Federal Securities Act that resulted to the creation of the Federal Trade Commission and the Securities

and Exchange Commission that regulate the activities of traditional banks and investment institutions respectively.

In addition to this, Roosevelt convinced Congress to pass the Economy Act that empowered the federal government to implement income cutbacks. This cutbacks especially targeted the public sector specifically” government related salaries, payments to military veterans for non-service-connected disabilities, and reorganized federal agencies in the interest of reducing federal expenses.” This was followed by a series of other acts and legislation amendments meant to stimulate the recovery of the economy. It is important to mention that the Roosevelt administration enacted all this legislative frameworks in a period of 100days after the swearing in ceremony. The crisis in the financial sector was mitigated through a combination of the implementation of the following legislations: the Beer-Wine Revenue Act that allowed the commercial sale of alcohol exceeding 3.2% alcoholic content limit; the Agricultural Adjustment Act which increased the expansion of the presidential powers to include the increase and decrease of the country’s money supply; the emergency Farm Mortgage Act whose mandate was to refinance already foreclosed farm mortgages; the Farm Credit Act whose purpose was to restructure the federal government’s agricultural subsidies amongst other pieces of legislations.

## 5. The New Deal: Relief Measures

Unlike his predecessor, Roosevelt never shied away from using the federal government’s resources to alleviate the human suffering that came with the

Great Depression. To achieve this, the president lobbied Congress to create the Civilian Conservation Corps (CCC) tasked with the responsibility of alleviating the suffering of Americans. Specifically, the mandate of the CCC included creating employment opportunities especially for the young and single segment of the American male population. The CCC was effective in its mandate to the extent that “ the commission hired over 3million young men within the first year of its establishment.” These young men were tasked with the responsibility of building roads, bridges, campgrounds, and fish hatcheries. In addition to this, the commission also engaged its recruits in tree planting, soil conservation and forest fire fighting exercises. For their labour, the young men were paid a monthly wage of \$30 of which \$25 went directly to their families in addition to being given an opportunity to enrol for adult education programs so as they could attain high school diplomas.

In addition to the CCC, the government also established the Federal Emergency Relief Administration (FERA) whose purpose was to deal with human suffering problems beyond the scope of the former commission. The mandate of FERA was to combat unemployment through issuing of loans, grants and employment opportunities. However, the commission could not effectively fulfil its mandate because the American public preferred hand-outs to working to cope with the effects of the Great Depression. Thus, the government established the Civil Works Administration (CWA) to complement the functions of the FERA. This agency provided competitive government jobs for the segment of the population that were unable to find employment opportunities. Despite the fact that the commission was hastily

put together, it employed an outstanding 4million people during the four month period that the CWA was active. Some of the achievements of the CWA include the renovation of over 1, 000 airports and 40, 000schools. The commission also employed 50, 000 teachers who were instrumental in preventing rural based schools from being closed. The CWA was replaced by the Works Progress Administration (WPA). The WPA employed a total of 9million Americans within a span of 10years.

## 6. The New Deal: Industrial Recovery

The revival of the industrial sector was spearheaded by the passage of the National Industrial Recovery Act (NIRA) that consequently was tasked with the responsibility of infrastructural development on a budget of \$3. 3 billion. The PWA therefore used private contracts and thus helped in alleviating the unemployment crisis in the country. All the infrastructural development projects that were handled by the PWA thus withstood the test of time due to the quality of work put in by private contractors. NIRA also went ahead to establish the National Recovery Administration (NRA) whose main purpose was to mitigate the effects of chaotic competition and also increase the purchasing power of consumers by creating employment opportunities, defining terms of employment and increasing wages of the workforce. Thus, the mandate of the NRA involved establishing the codes of fair practise relation in relation to industrial matters. To this effect, the NRA set the workweek to a maximum of 40hours with a minimum weekly wage of \$13.



It is however important to mention that the NRA faced a lot of opposition from the trade unions. This is because following the Great Depression, the trade unions benefited from chaotic competition given that most of their members had lost their jobs during the great Depression. The NRA therefore allowed the workers to organize themselves in Trade Unions to appease the trade unionists and gain their much needed endorsement. Despite this, the NRA failed to implement adequate regulatory measures as far as the relationship between workers and their employers was concerned. This is the reason why most business owners started alienating the commission following the industrial growth stimulated by the commission. Following widespread discontent from business owners, the NRA was abolished in the year 1935 following orders from the Supreme Court. Despite this fact, the NRA encouraged increase in the number of trade unions due its endorsement of collective bargaining, abolished child labour, and finally set high standard of terms of employment for the workforce.

## 7. Conclusions

Franklin Roosevelt's New Deal was aimed at reviving the country's economy following three successive year of the country being marred by the Great Depression. His approach was three pronged and it involved revival of the banking sector, alleviation of human suffering and finally strategies directed at stimulating industrial growth.

## Works Cited

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