Road to recovery hoover roosevelt and the remaking of the american economy essay ...

Religion, Bible

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It is interesting to note that many of the factors that have contributed to the economic downturn of recent years were at work in the 1920s. The widespread failure of financial institutions, a widening economic gap between rich and poor, a reduction in spending and ill-advised trade policies contributed to a toxic economic environment. As do contemporary politicians, the men charged with devising solutions had to look past ideological beliefs and political niceties in order to save an America still evolving into a massive, production-based economy. There are, perhaps, similarities to be drawn between the effects of the housing " bubble" of the 1990s and the impatient fostering of " a volume of credit flow without regard to its economic results" that marked the false buoyancy of the 1920s (Rothbard, p. 149). But what history often overlooks is the similarity between the approaches adopted by the Hoover and Roosevelt administrations and the extent to which one influenced the other.

The Great Depression

There is an element of irony to America's most dire economic crisis. The prosperity of the 1920s, upon which so many fortunes were built, arose from unprecedented productivity (aided by a business-friendly government) that badly outstripped demand. Because wages rose at a slower rate than productivity, consumers in general were left without enough income to purchase. In fact, much of the wealth generated by the nation's manufacturers went back into profits, which helped create the famous stock market bubble that burst in 1929. Bank credit inflation, another hallmark of the 1920s, encouraged the nation's business sector to invest too heavily in high order capital goods (Rothbard, p. 11-12). This could not be sustained with the aid of a sufficiently large pool of investments and savings (which was certainly not a hallmark of the ' 20s). Credit expansion, which led to this over-investment, resulted in a giddy era of profit and false long-term expectations. " The ' boom,' then, is actually a period of wasteful misinvestment" that must be paid for by a consequent " bust" (Ibid).

Other causes had to do with the economic links that America's prosperity had helped forge with other countries. Great Britain began moving away from the gold standard after World War I and, in 1931, announced that it was going off the gold standard for good and would reestablish pre-war rates, a declaration which, considering Britain's primacy in world economic affairs, had significant repercussions throughout the world and a particularly negative impact on the U. S. dollar. In and of itself, America's decision to retain its gold-standard economy was not the primary cause of the Great

Depression, however, gold was integral to maintaining America's economic fluidity, moreso than most countries at the time. Gold " flowed freely and abundantly into America, as many nations felt that their reserves were most secure thereEngland's announcement triggered a large migration of gold out of America because many feared that the United States would also go off the gold standard" (Houck, p. 65). The mass withdrawal of gold supplies produced a chain reaction in which interest rates in the U. S. went up, followed by fears that money would simply begin to disappear – the consequent run on the banks forced many to close (Ibid).

Herbert Hoover – forsaken legacy

Much of the government's perceived irresponsibility and neglect during the 1920s - the tacit approval of laissez faire principles and the " business first" attitude among the nation's politicians – has been pinned on Herbert Hoover. The human fallout of the Depression, the foreclosures, bread lines and tent encampments known as " Hoovervilles" are images that stand out when one thinks of that era in American history. However, many historians and economists claim that not only was Hoover not an agent of " big business," his administration actually introduced many of the innovations that later reappeared as part of Roosevelt's New Deal. A former Commerce Secretary in the Harding administration, Hoover had been deeply concerned with financial inefficiency at the corporate level and had suggested organizing large industry into a trade association that could share information and work together to achieve mutual efficiencies (Houck, p. 21). This has been misinterpreted by some as an attempt to erode anti-trust legislation, but its true goal was price stabilization and residual benefits for American consumers (Ibid).

When Hoover took office in 1929, it was with a solid commitment to remaining on the gold standard, a decision the consequences of which were difficult to foresee. Indeed, by 1929 a toxic confluence of economic circumstances was too far advanced to be averted. Hoover has been criticized for acting too slowly and irresolutely in the early years of the crisis, but this obscures the forward thinking, even revolutionary measures, that he and his economic advisors

formulated. Among these was the creation of the Reconstruction Finance Corporation, an instrument aimed at providing financing for the expansion of public works, domestic production and international trade; the introduction of badly needed aid for restoring confidence in the banking industry; the establishment of relief programs for the nation’s beleaguered agricultural industry; and the creation of what would eventually become the Works Progress Administration, arguably the most famous and successful of the New Deal programs.

In fact, historian and economist Murray Rothbard has argued that the New Deal was actually the realization of a broad spectrum of ideas intended to improve economic conditions in nearly every sector of the American economy (Rothbard, p. xv). As such, the two presidential administrations that spanned the Great Depression actually represented “ a continuum, (and) most of the ‘ innovations’ of the New Deal were in fact continuations or intensifications of Hoover's solutions, or pseudo-solutions" (Ibid). Hoover was very likely, as historian William D. Pederson has argued, a social scientist of sorts, but one that simply lacked the charisma to bring such an ambitious program to fruition (Pederson, p. 119).

Roosevelt – charisma with a purpose

What Hoover lacked – personal charisma and remarkable political acumen – were characteristics that Franklin D. Roosevelt possessed in plenty. Roosevelt, like Hoover, was inclined toward innovation but FDR had the skill (and the mandate) to enact truly transformative programs. As a man who inspired confidence in others, Roosevelt embodied what the nation truly needed at the time – intelligence, daring and a reassuring, avuncular style. Perhaps most important of all, Roosevelt understood the absolute need to set aside partisan politics (a sorely needed quality in the current political environment) and embrace the value of the initiatives put forth by his Republican predecessor. In that spirit, the Roosevelt administration was able to establish the Works Progress Administration as more than just an engine for economic recovery – it was every bit as much a program designed to facilitate social renewal.

One of the boldest social-economic innovations to emerge from the New Deal was the Social Security Act of 1935, which did much to establish the tradition of activist government in the U. S. In addition to providing universal social assistance, the establishment of the massive Social Security Administration helped kick-start the economy by creating many new jobs and new contracts for private companies that would do business with the agency. The establishment of the National Labor Relations Board represented a new means for fostering an atmosphere of fairness between companies and employees, who now had the right to form unions (Pederson, p. 15). Prior to 1937, companies such as Ford had operated with little accountability before the onset of the Depression (Ibid). In 1938, the U. S. accorded with the global trend (and with the example set by the United Nations) and departed from the gold standard, thus realigning its relationship with its trading partners and their economic systems.

World War II provided American industry with the impetus it needed to complete the nation’s economic recovery. Full-scale production and renewed prosperity followed the course charted by the policies of Herbert Hoover and FDRs New Deal programs. The country emerged from the crucible of the Depression and war with a new sense of socio-economic consciousness. But it is to be remembered that the vision of national recovery and of an affluent America originated with the dual economic legacy of the Hoover and Roosevelt administrations.

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