

The Economic Reforms Of Franklin Delano Roosevelt

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Introduction

Franklin Delano Roosevelt was an American of Dutch origin and was a distant relative of Theodore Roosevelt (President of the United States from 1901-1909). As you know, Roosevelt for a long time (from the beginning of the 1920's) fought with the hardest disease – poliomyelitis, which left an indelible imprint on his character and personal traits. He could only move in a wheelchair. His biographer wrote: “He soon discovered that the inability to move conceals in himself and the benefits that over time have become unusually valuable.” Apparently, this led to the fact that the whole meaning of his existence was switched to work, and its highest manifestation was full and unselfish service to his state and people. What is especially important, as a person personally suffering, he certainly was close to the suffering of other people – and the simple people realized it very quickly. Without exaggeration, we can say that F. Roosevelt was one of the most outstanding political leaders of modern history and his coming to power in such a difficult period was a huge gift of Providence.

Roosevelt clearly realized that the deprivations of the people eventually led to its radicalization and social explosion. Behind the facade of the absence of economic cataclysms in these countries, the Americans did not notice the obvious flaws in these social systems. Roosevelt acted as the savior of the capitalist system as such, a real alternative to which could be socialism or fascism. America began to “swing”, and public opinion increasingly rebelled against the big bourgeoisie – representatives of big monopolists, bankers, financiers. Therefore, at a meeting of one of the church communities in Ohio in September 1932, they said this: “Capitalism has now been put to the test, and he could not stand it. The economic system, in which the pursuit of profit leads to the destruction of the people's welfare, must be either completely discarded or fundamentally changed. ”

Roosevelt's statement is widely known: “You can deceive the few for a long time, you can deceive many not for long, but you cannot always deceive everyone.” Roosevelt had a pronounced oratorical talent and was not afraid to publicly explain to the people the content of state policy and ongoing reforms, he constantly spoke on the radio, these conversations were later called “conversations by the fireplace.”

Thus, in his keynote address in San Francisco on September 23, 1932, Roosevelt said: “Everyone has the right to life,” he asserted, “which means that one cannot deny his right to sufficiently secure living conditions. The government must give everyone to the person the opportunity to achieve by his labor the possession of the necessary social wealth for his needs. If to ensure this human right, it is necessary to limit the proprietary rights of a speculator, manipulator, or financier, I consider such a

restriction absolutely necessary. “No less important was the call for social peace and national unity: “The New Deal,” it was said in one of them, “seeks to cement the whole of our society, rich and poor, into a voluntary brotherhood of free citizens, united in unity and striving for the common good for all. It should be noted that the President’s policy was characterized by such qualities as determination, leadership, diplomacy, and realism.

Commercial banks were forbidden to work with securities; this right was received by specialized financial organizations – thereby reducing the risks to which depositors of the bank were exposed. In order to prevent the raising of funds at higher rates typical for high-risk transactions, a ban was introduced to pay interest on current accounts; interest on deposit accounts was subject to FRS regulation. The exchange credit was regulated. From the records, the Fed followed that up to the collapse of 1929. The bankruptcy of banks was quite massive, but after the exchange crash of 1929, their number increased many times. As of June 30, 1921, the total number of commercial banks was 29,788, and as of June 30, 1933, 13,949 banks. Thus, over half of the banks ceased operations during this period. By December 31, 1933, the total number of credit institutions had grown to 14,440.

The Board of Governors of the Federal Reserve, appointed by the President of the United States, was given the right to regulate the amount of bank reserves; thereby, the U.S. government received a tool to manage business activity in the market by affecting the availability of credit. In order to strengthen control over the securities market, the conditions for inclusion of companies in exchange and listings were tightened, and the limits of fluctuations in quotations at tenders were established. To organize control over the securities market, the Securities and Exchange Commission was established. The discount rate consistently declined from 6% in October 1929 to 1.5% in September 1931. A floating dollar rate was introduced, the gold standard was abandoned, and the subsequent devaluation of the dollar contributed to the depreciation of debts and increased competitiveness of US exports.

Measures aimed at the normalization of production were reflected in the National Law on the Restoration of Industry (NIRA) adopted on June 16, 1933. One important influence on industrial-planning debates was the Swope Plan, proposed in 1931 by General Electric president Gerard Swope. The National Industrial Recovery Act was developed through the Roosevelt administration and Congress and drew on several contemporary proposals rather than being authored by “the US House.” The law ordered associations of entrepreneurs to develop codes of “fair competition” that determined the conditions, the volume of production, and the minimum level of prices. At the same time, enterprises that adopted such codes removed antitrust measures of influence. This arrangement was beneficial to large monopolies, which, in fact, determined the conditions for production and marketing in their industries. About 557 basic and 189 additional codes were compiled, covering more than 95% of workers. The adoption of codes facilitated the forced cartelization of industry.

Article 7 a NIRA contained measures of a social nature – it imposed restrictions on the duration of the working week and prescribed a mandatory minimum wage. It also recognized the right to organize trade unions and the conclusion of collective agreements.

In order to reduce social tension in the winter of 1933-34, it was decided to organize simpler public works that did not require significant capital expenditures. They were managed by the administration of civil works Civil Works Administration – SVA under the direction of G. Hopkins. At its facilities in January, about 4.3 million people were employed, and the total budget of expenditures for 4.5 months amounted to 0.9 billion dollars. In 1935 the Works Progress Administration was organized – the WPA with a budget of about 4.9 billion dollars. For the years of work of the WPA it provided employment for about 8.5 million people with a total cost of 10.8 billion dollars; the maximum employment by November 1938 was 3.3 million people.

The most important achievement of the new course was the creation of a social insurance system, in August 1935 a law was passed that provided for old-age and unemployment insurance. Despite the low level of payments, the non-distribution of the law to significant sections of workers (agriculture, civil servants, etc.), and the law was of revolutionary significance.

A significant step in the second stage of the reforms was the adoption on 5 July 1935 of the National Act on Labor Relations, the so-called Wagner Act. The law guaranteed workers' rights to organize, conclude a collective agreement, and organize strikes.

In the agricultural field, the Government had the right to make transactions aimed at creating a favorable price level. With the purpose of solving the problem of refinancing bad loans from May 1933 to October 1937, federal land banks issued about 2.2 billion dollars. Loans to approximately 0.54 million farmers, which accounted for about 37% of all farm debts. Partly unleashing a crisis of farmers' insolvency, especially large ones, this measure proved to be extremely beneficial to the US banking sector, preventing the collapse of many banks – about 90% of the volume of loans issued was aimed at repaying debts to banks. Thus, the first stage of state measures was aimed at enlarging the structure of agriculture.

In the future, a number of measures were taken to improve the situation of not only large but also small farmers. In 1935, the Administration for Resettlement was established, transformed in early 1937 into the Administration for the Protection of Farms. This institution provided financial assistance to small farmers for the purchase of farms and their resettlement to better quality land and stimulated the development of cooperatives for the sale of products and purchase of equipment.

The concept of state regulation in agriculture was developed with the adoption of 1.03.1936 of the law on the conservation of soil fertility and quotas for the domestic market. According to its provisions, bonuses were paid to those farms that reduced areas under crops that depleted the soil, as well as for measures to improve the soil. The need for these measures was caused by a severe drought in 1934, accompanied by dust storms. The premium fund of \$ 0.5 billion was allocated from the general budget.

The new law on the regulation of agriculture, adopted on 16.02.1938, introduced the concept of "always normal granary" (Ever-normal granary). The purpose of the new undertakings was the same – the restoration of parity of prices, but the methods of achievement were already different – the

products were not destroyed but were saved, and payments were made against the products not yet sold. The measures taken have had a favorable effect on the situation in the rural sector – during 1936-1937. The parity of prices reached the level of 92-93% of the base period; by 1939, arrears on loans fell by \$ 2 billion, and for the period from 1932 to 1939, farmers' cash income almost doubled from \$ 4.7 billion to \$ 8.5 billion, however, in 1938-1939 gag. After the deterioration of the economic situation, the parity of prices fell to a level of 77%.

Deficiency As An Economic Engine

Initially, even during his electoral campaign in 1932, Roosevelt spoke in favor of a balanced budget. However, as he admitted later, to had a balanced budget from 1933 to 1935. Meant to commit a crime against the people. Roosevelt recognized that among the liberal economists, there were two wings – supporters of a balanced and different neo-liberal camp, recognizing the legality of spending aimed at improving the plight of impoverished people. He himself took the position of the latter, accepting the idea of the so-called “refueling pump,” while the US budget expenditures increased from 1932 to 1940, more than doubled from 4.266 to 10.061 billion dollars, and public debt increased from 22 up to 36 billion dollars. The Conservatives reproached Roosevelt for a socialist coup. Until now disputes do not cease, how much was influence of ideas of J.M.Keynsa on the New course. Most experts believe that the measures of state intervention in the economy were taken by Roosevelt under the influence of the realities of life. As for the idea of budget financing, it became one of the foundations of the New Deal, including under the influence of Keynes. In 1934, Keynes, after receiving the honorary title at Columbia University, visited Roosevelt, while Keynes's article appeared in the New York Times, urging not to be afraid of a deficit, as “the old order is gone.” Then, in 1937, in his Roosevelt message, under pressure from the right, who believed that the situation was normal, he promised to return to a balanced budget policy. In February of the same year, Keynes addressed Roosevelt with a message in which he criticized the policy of the US Government for fluctuations. In 1938, the index of industrial production fell by 14%. On April 14, 1938, Roosevelt called for an increase in government spending, increased aid to the unemployed, and the creation of conditions for the availability of credit. Later, the President acknowledged that the reason for the new crisis was a reduction in budget expenditures in 1936-1937.

The following table shows the dynamics of recovery in the US economy. Roosevelt had two deadlines for building the foundation of a new economy. Despite the final recovery during the Second World War, the speed of the reforms and the dynamics of economic results look exceptionally impressive.

- Index 1929 1933 1940
- GNP billions of dollars 103.9 56 100.4
- The level from 1929, % 100 53.9 96.6
- Industrial production, the level from 1929. 100 64.1 114.3
- The volume of private investment, billion 16.7 1.6 13.4

Political Struggle

These factors led to a new stage of the new course, characterized by a left social turn in the policy of the Government. "Second hundred days," which came in the spring and summer of 1935, were marked by the most important liberal reforms that laid the foundation of the state system of social insurance. A special opposition was caused by the adoption in August 1935 of an act on the regulation of holding companies in the sphere of public utility enterprises, which put the activities of companies in the sphere of energy and gas supply under state control. In addition, a law was adopted that increased taxes on super profits of corporations and individuals with high incomes.

Understanding the objectivity of economic laws, one can confidently say that the use of ideological heritage and the implementation of reforms similar to Roosevelt's reforms is an inevitable measure. The endless tolerance of the masses is a dangerous illusion. The longer the period of calm, the stronger may be a surge of bad weather. However, it is to be hoped that in the next 5 years, the economy will make a final turning point in the effective development of the country.

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