
Book Review

How FDR Defeated Teddy Roosevelt & Wall Street and Launched the New Deal

by Stuart Rosenblatt

Nothing to Fear: FDR's Inner Circle and the Hundred Days that Created Modern America

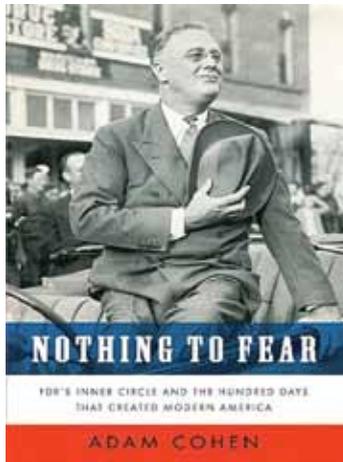
by Adam Cohen

New York: Penguin Books, 2009

When first published in 2009, in the midst of the financial crisis, Adam Cohen's *Nothing To Fear* was an important intervention into the effort to return the United States to the principles and policies of Franklin Roosevelt. With the passage of the disastrous Dodd-Frank Act, and the ongoing multi-trillion-dollar bailout of Wall Street, it is equally timely today. The trans-Atlantic world hovers at the brink of a chain-reaction financial disintegration and descent into protracted economic hell; only a return to the principles that directed the Roosevelt recovery can save the nation.

Cohen vividly depicts FDR's heroic Hundred Days Congressional session that rescued a nation devastated by economic collapse and the previous government's deliberate inaction. FDR's breakthrough charted a course based on the principles of the American System. Cohen insightfully labels FDR's first Hundred Days a "Third American Revolution," preceded by the original American Revolution of George Washington, and the second American Revolution of Abraham Lincoln, which created our "indivisible union." A fourth American Revolution, to end the reign of Wall Street, is urgently required today.

Cohen sets the Hundred Days against the background of the economic and political collapse that gripped the nation, from the end of the hapless Coolidge Administration, to the misery of the Depression-wracked Hoover



Presidency. Cohen repeatedly reminds the reader of the awful reality: 25% unemployment, near starvation wage levels for those lucky enough to find work, mass farm and urban foreclosures, crop prices that had fallen 50% or more, near revolution in farm and city communities, and landscapes dotted by Hooverville shantytowns.

As FDR stated in his First Inaugural Address, what was needed was "action, and action now," to address the crisis. In those Hundred Days, FDR applied the principles that had founded and developed the nation, especially its physical economy. It changed the nation's course from economic disintegration to rapid industrial expansion. And, it was a stinging, strategic defeat for Wall Street and its financier allies in Europe,

The financial establishment attacked the Administration from day one. Ironically, FDR's Wall Street opposition was led by the disciples of his (distant) cousin, former President Teddy Roosevelt! On the one side of this titanic battle were the Hyde Park Roosevelts (FDR), who were descended from the allies of Alexander Hamilton, and on the other, the Oyster Bay Roosevelts (TR). This latter, anglophile, treasonous wing of the family included the notorious Confederate intelligence officer James Bulloch, who trained Teddy Roosevelt. (Franklin's wife and political partner Eleanor was the niece of Teddy Roosevelt.)

The TR gang included FDR Budget Director Lewis Douglas, his ally from Bank of the Manhattan James Warburg, and their mutual cohort, FDR Under Secretary of the Treasury Dean Acheson. In the course of battle, a new anti-Wall Street leadership was forged around the Promethean figure of FDR. Counted among



*Wall Street insider **Jimmy Warburg** was a key member of the anti-FDR banking establishment.*



***Grenville Clark**, a darling of the New York Banking crowd, founded the anti-New Deal National Economy League, and co-wrote with Douglas the bankers' Economy Act.*

The Teddy Roosevelt Treason Faction

FDR's Wall Street opposition was led by the disciples of his cousin Theodore, scion of the Oyster Bay Roosevelts, the anglophile, treasonous wing of the family.



***Theodore Roosevelt**, posing in his "Rough Rider" get-up, spawned a nest of traitors, who were then defeated by FDR and his allies.*



*Budget Director **Lewis Douglas** was the Paul Ryan of his day, determined to balance the Federal budget while millions starved.*



*Treasury Under Secretary **Dean Acheson** plotted with Warburg and Douglas to keep the dollar pegged to gold, claiming that the President had no legal authority to set the gold price.*

his allies were his Labor Secretary, the first woman Cabinet member, Frances Perkins; Emergency Relief Administrator and Perkins friend Harry Hopkins; Agriculture Secretary Henry Wallace; and Senators Robert Wagner (D-N.Y.), George Norris (R-Neb.), and Edward Costigan (D-Colo.).

Theodore Roosevelt's British Deployment Against FDR

During the 1932 Presidential campaign, the Wall Street banking syndicates were worried about Franklin Roosevelt's sympathy for what he termed the "Forgotten Man," and his support for a "New Deal" for the

downtrodden. But the banksters were even more frantic about Herbert Hoover's stubborn inability to address the Depression crisis and the threat of revolution. This forced many of them into FDR's camp. FDR, as the scion of one of America's most aristocratic families, was "one of them," or so they hoped, and the Democratic Party platform on which he campaigned, contained planks calling for a balanced budget and other financial orthodoxies. They were further relieved when the President-elect named Congressman Lewis Douglas as Budget Director. Douglas, a popular conservative Democrat, was an unabashed proponent of balanced budgets, limited

government, the gold standard, and free trade. These issues constituted the battleground upon which Wall Street would fight.

The war began even before the applause had died down following FDR's March 4, 1933 Inaugural Address attacking the "money changers who fled the temple." The Emergency Banking Act of March 9, directed in part by Wall Street enemy Jesse Jones of the Reconstruction Finance Corporation, put the banking system through a de facto bankruptcy reorganization. Wall Street immediately mobilized to crush the New Deal.

Roosevelt was of two minds in these heady days. He wanted to "wage war against the emergency," but, as Cohen writes, he also wanted to balance the budget. These two objectives were irreconcilable. Douglas moved quickly, with FDR's approval, to draft his signature legislation to balance the Federal budget. This legislation became Wall Street's rallying cry, and brought the apostles of Teddy Roosevelt into the fray. Dubbed the Economy Act, the legislation proposed massive cuts, slicing \$100 million in Federal wages and \$400 million in veterans' benefits—in total, a 15% cut in the budget. The cuts to the veterans' budget was 50%—in the middle of a depression!

TR's Plattsburg Movement

Cohen portrays the budget battle as a faction fight in FDR's Cabinet. While it is true that there was a battle within the Cabinet, Cohen fails to go deeper, to reveal the enemies of the New Deal among the Wall Street bankers and the disciples of Teddy Roosevelt, who orchestrated the attacks on FDR's program. The Economy Act was written by Douglas, a darling of the New York banking crowd, and Grenville Clark. Clark, along with Archibald Roosevelt, son of Theodore Roosevelt; former President Calvin Coolidge; William M. Bullitt, former Solicitor General under President William Howard Taft; and a host of Wall Street bankers, created the Economy League in 1932.

The leadership of the League traced its origins to the National Preparedness Movement of Teddy Roosevelt and his followers, founded in 1915, following the sinking of the *Lusitania* in the early stages of World War I. The Movement, which ran military training camps in Plattsburg, N.Y., was led by Clark, Henry Stimson, Elihu Root, and Gen. Leonard Wood, all TR worshippers. The Plattsburg effort was less about training and more about anglophile indoctrination; it became a driv-

ing force for U.S. intervention on the side of Great Britain in the First World War.

The "Plattsburg movement's" military training camps were attended by college students and "businessmen." Among the college crowd were Lewis Douglas, his Amherst College pal John J. McCloy,¹ TR's son Archibald Roosevelt, and his brothers. Archibald Bulloch Roosevelt was named for his great uncle, the aforementioned James Bulloch, the Confederate spy chief based out of London. Archie was also a crony of Preparedness organizer Jimmy Warburg, son of Federal Reserve Board architect Paul Warburg. Among their mutual close friends was Averell Harriman.

There was a second training camp for Wall Street bankers, businessmen, and lawyers. Led by Wall Street banker and lawyer Grenville Clark, this group counted in their number Clark's law partner Elihu Root, Jr.; Dean Acheson; Henry Stimson, also a law partner of Root; and a protégé of Teddy Roosevelt, Willard Straight, a J.P. Morgan banker and founder of the pro-war *New Republic* magazine; and Paul Cravath of the powerful law firm Cravath, Henderson and de Gersdorff. Cravath, Henderson represented Warburg's Kuhn Loeb banking operation, among other Wall Street bankers. A vicious racist, Root had been TR's Secretary of War and Secretary of State, and was the architect of America's imperial policy toward Ibero-America and the Philippines. Root's protégé Stimson idolized TR; he was appointed U.S. Attorney for the Southern District of New York by Teddy Roosevelt, and prosecuted the "trust-busting" cases for TR.

The camps were addressed by Gen. Leonard Wood, a co-founder of the Rough Riders with TR, Grenville Clark, and Teddy Roosevelt himself. Wood oversaw the functioning of the camps, and was a regular speaker. A close TR ally, Wood was a disgusting racist who preceded Stimson as Governor-General of the Philippines. Both men opposed independence for the Islands, labeling the inhabitants incapable of self-governance. Teddy spoke at the camps at least once, decked out in his Rough Riders uniform, and delivered a wild pro-British, anti-German stem-winder to the campers.

Seed money for the Plattsburg camps was provided by Wall Street fixer Bernard Baruch. Many of the an-

1. John J. McCloy (1895-1989), was a top member of the anglophile Wall Street elite; after the war, he ran the World Bank, was chairman of Chase Manhattan Bank, and of the Council on Foreign Relations. He later served on the Warren Commission, which carried out the coverup of those responsible for the Kennedy assassination.

glophile oligarchs involved with Plattsburg would rule over the United States for much of the 20th Century. They were responsible for everything from the atomic bombing of Japan, to the cover-up of the Kennedy assassination, and the destruction of the U.S. economy.

Out of the Plattsburg movement came the National Economy League. Clark, who was a lifelong confidant of McCloy, founded the League and drafted the Economy Act with Douglas. Archie Roosevelt was a founding member, and Acheson was a leading proponent. Already a Wall Street insider, McCloy was at the center of the grouping. He was Douglas's brother-in-law and lifelong friend. Acheson, McCloy, and Douglas would go fly-fishing together regularly, and plot the destruction of FDR's New Deal. They would also consort with Jimmy Warburg. The Economy Act was their frontal assault on the Roosevelt Administration.

In his memo to Roosevelt on the Economy Act, Douglas stated, "The extremely onerous reductions will break many eggs, but they will balance the budget. They will insure a sound currency. They will lay the foundation for recovery." In a message to Congress, Douglas wrote, "Too often in recent history, liberal governments have been wrecked on rocks of loose fiscal policy" (Cohen, p. 100). Douglas was the Rep. Paul Ryan of his day, and unfortunately, too many members of the current Congress sound just like him.

Baruch echoed Douglas and urged passage of the bill. "With the monotony and persistence of old Cato, we should make one single and invariable dictum the theme of every discourse. Cut governmental spending—cut it as rations are cut in a siege" (Cohen, p. 85).

Riding a wave of popular support for FDR, and with backing from the President, the Economy Act passed the Congress, albeit with large Democratic defections; the gauntlet had been thrown down. Douglas would carry out the brutal cutbacks mandated by the bill throughout the Hundred Days. His budget axe fell especially hard on veterans, who had bravely fought in World War I, and were now forced to march again, this time, on Washington. Douglas also attacked the Agriculture Department and Henry Wallace, and the U.S. Army. This assault led to a head-to-head conflict with Gen. Douglas MacArthur. Douglas succeed in uniting his enemies against MacArthur and his allies. The Economy Act was the "budget sequestration" of the day, with the same backing of the Wall Street Establishment.

Pro-Growth New Dealers Counterattack

Unlike today, the Congress and Cabinet did not passively submit to Douglas and his agents. Passage of the Economy Act crystallized a determined opposition. Within days of passage, Labor Secretary Frances Perkins launched a campaign for large-scale relief and public works programs, to be funded by the Congress, to immediately address the crisis. Perkins had previously served in Gov. Franklin Roosevelt's Cabinet in Albany, N.Y., and agreed to be Labor Secretary only if she could pursue this agenda. She was joined by Harry Hopkins, the Work Relief Administrator under FDR in Albany; Agriculture Secretary Henry Wallace; other Cabinet members; and a group of Congressmen. Perkins' old ally from New York, now Sen. Robert Wagner, introduced a \$2 billion public works bill and Senators Edward Costigan and Robert LaFollette introduced a \$5 billion public works bill.

Lewis Douglas immediately challenged all public works and relief spending. Like today's fiscal conservative ideologues, he argued that public works would increase the deficit and ruin the credit of the nation. He believed that wages, prices, sales, and production should drop to the bottom, and let a "natural recovery take place." Having none of it, Perkins believed that public works spending would stimulate the entire economy, spinning off many new jobs, and ultimately pay for itself. She and her colleagues were determined to act.

She also knew Franklin Roosevelt well, and in her memoirs, said that unlike other "politicians," FDR did not defer to "logic" to come to a decision. "He had to have feeling as well as thought. His emotions, his intuitive understanding, his imagination, his moral and traditional bias, his sense of right and wrong all entered into his thinking, and unless these flowed freely through his mind as he considered a subject, he was unlikely to come to any clear conclusion or even to a clear understanding. . . . His imagination and his sympathy entered into every subject he had to think about. . . . He rejected the 'practical' or moneymaking line of judgment on issues he had to decide. His question always was, 'will it work, will it do some good?' . . . If it did not ruin us financially, it did not seem to him important that it did not promote the immediate financial situation of particular groups."²

On March 15, Perkins, Wallace, Interior Secretary

2. Francis Perkins, *The Roosevelt I Knew*, 1946.



*FDR's ally in the U.S. Senate, **Robert Wagner** of New York, pushed through key New Deal legislation, including a \$3.3 billion public works bill.*

President Franklin Roosevelt's New Deal Coalition

FDR initially supported some of the fiscal conservative policies of the Wall Street predators, but was won over to the New Deal by his dedicated allies.



*FDR's Labor Secretary **Francis Perkins**, the first woman to hold a Cabinet post, was a passionate advocate for emergency relief and public works.*



*President **Franklin Roosevelt's** Hundred Days revolution rescued a devastated and demoralized nation.*



***Harry Hopkins** was FDR's Work Relief Administrator, whose actions put millions of Americans back to work.*

*Agriculture Secretary **Henry Wallace**, working with Perkins, produced the National Recovery Act.*



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Harold Ickes, and War Secretary George Dern sent a memo to Roosevelt calling for Civilian Conservation Corps (CCC) camps, Emergency Relief programs, and Public Works. After conferring with these Cabinet members, FDR wasted no time, and held a press conference on March 17, 1933, calling for emergency relief and public works. Emergency relief would be the domain of Roosevelt's former New York State relief administrator Hopkins, who demanded an immediate \$500 million Federal outlay to the states. Roosevelt agreed, and this legislation was set into motion. It would evolve into a gigantic "work relief" program that

would put millions of Americans back to work within months.

FDR's jobs program, the CCC, was already in process. The President was now shifting away from the budget hawks, beginning to collaborate with the key New Dealers. Wall Street went berserk. On March 24, Street insider Jimmy Warburg met with FDR Brain Trust advisor Raymond Moley, who was then in the process of being recruited to support Wall Street. Warburg delivered a sharp message on behalf of his banker buddies: Halt all public works spending. Warburg told Moley that public works spending would do "irrepara-

ble damage” to the government’s credit, and put only a “small percentage” of the unemployed back to work! (What chutzpah!)

Roosevelt’s sympathies were with Perkins, Hopkins, et al., and he was rapidly being recruited to their perspective. He was on the verge of dumping Douglas’s budget balancing in favor of government spending and Federal credit for jobs and public works. His CCC program was an immediate success, so he quickly moved to another project, the Tennessee Valley Authority. On April 10, he sent a bill to Congress, outlining a massive government intervention to address the nation’s entire gamut of problems: unemployment, poverty, disease, power shortages, and farm crises, in a seven-state area. TVA would become the model infrastructure program for the world. It even included Federal control over power generation and transmission, something FDR had initiated with the St. Lawrence Seaway program in New York. This was a sharp blow to Wall Street and its energy cartels.

The War over Gold

While Douglas and the Economy League were waging war against the budget, Treasury Under Secretary Dean Acheson, Jimmy Warburg, an unpaid advisor to the President, and Douglas were fighting to keep the dollar pegged to gold “to fight inflation,” and march in sync with other European nations to maintain global “stability” and trade prices. Even though the British were themselves abandoning the gold standard, they were enforcing a rigid austerity program by adherence to a fixed gold price, and gold-exchange policy on other nations. Maintaining the gold standard and its resulting austerity was the flip side of domestic budget cutting.

Again, the mobilization by Wall Street was massive. From the very beginning of the administration, Roosevelt had considered taking the dollar off gold to inflate prices, especially commodity prices. This would allow, so the theory went, farmers to make ends meet. Farm prices had fallen some 50% during the collapse, and farmers were caught in a web of falling income and bankruptcy. The farm sector was engulfed in a violent, near revolutionary upheaval, after 1932.

Bernard Baruch was vociferous against removing the dollar from gold. “It would benefit one-fifth of the nation, he said ... ‘unemployed, debtor classes—incompetent, unwise people’” (Cohen, p. 142). Douglas fulminated that the induced inflation would push the

United States in the direction of Hitler’s Germany and “social disorder.”

Even more active was Acheson, who became acting Secretary of the Treasury when Woodin fell ill. Acheson said that FDR did not even have the legal authority to set the price of gold.

FDR refused to bend to Wall Street. Congress first passed the Wheeler Amendment to the Agriculture bill in early April, giving it the power to control the price of gold. FDR would not accede to Congress’s demand that it have the power to control the gold price; instead, he announced support for an amendment introduced by Oklahoma Sen. Elmer Thomas, that gave that power to the President. Under Thomas’s amendment, the President was given the authority to create inflation by expanding the currency supply, lowering the gold content of the dollar, or even coining silver (Cohen, p. 143).

On April 18, Roosevelt announced his decision to abandon the gold standard at a meeting with members of Congress, Woodin, Douglas, and others. Raymond Moley reported that “all hell broke loose in the room.” Douglas said it would “be the end of Western civilization,” and others howled in protest, but to no avail. FDR dictated policy to Wall Street and London, not the reverse.

Showdown with the Budget-Cutters

On April 14, 1933, with Perkins, Wallace, Hopkins, Ickes, and others urging him on, FDR moved to address working conditions and the crisis in industry. Four teams had drafted various bills. FDR had Perkins and Wallace work out a final package, which resulted in the National Recovery Act. While regulating many aspects of industry and labor, this bill also contained a “budget-busting” \$3.3 billion public works program. Douglas was aghast, and launched an all-out fight against the legislation. Under the guise of wanting to “study the proposals,” he repeatedly filibustered or sandbagged Cabinet meetings, much to the consternation of Perkins and her colleagues. Perkins suspected even more devious tactics.

She discovered that while Douglas would “smile and smile, and be the devil”³ at Cabinet meetings, he was secretly meeting with FDR sometimes two or three times daily in his capacity as Budget Director. This cheap-imitation Iago was attempting to manipulate FDR to oppose all jobs and relief programs.

3. Ibid.

With Douglas and company holding up the works (so to speak), circumstances were approaching open revolution in the country. Desperate farmers facing bankruptcy were dragging judges off the bench and threatening to hang them. Veterans were protesting in Washington, and labor strife was growing. On April 24, the brawl in the Cabinet came to a head. FDR called a meeting on the industrial and public works legislation, known as the National Industrial Recovery Act. After an intense meeting with the Cabinet, FDR announced he supported the bill, including a compromise: a large, \$3.3 billion public works program inserted by Senator Wagner. Douglas immediately went behind the Cabinet members' backs to FDR, and began privately lobbying against the legislation.

As the complex NIRA bill made its way to Congress, Perkins discovered that the public works provision had been lifted from the bill. Douglas had succeeded in removing it from the final draft. He had created a second bill, which only dealt with public works, and intended to kill it later. On May 12, as the industrial recovery bill neared completion, an indignant Perkins approached Roosevelt about the public works provision. FDR said *he* had decided to create the second bill, but Perkins knew it had really been the work of Douglas. FDR invited her to meet with him the next day to sort things out.

Taking no chances, Perkins checked FDR's schedule and discovered that Douglas had scheduled a meeting that morning! She prepared well, brought in her staff, and called Wagner to put him on alert to expect a call from FDR to insert the public works provision. The meeting with FDR went as Perkins planned, and after FDR overruled Douglas, he got Wagner on the line. "Frances says that she thinks it's best, and I think it's the right thing, don't you Bob?," asked Roosevelt (Cohen, p. 242). That settled the matter, and Title II of the bill now contained the provision for a \$3.3 billion public works program. Ironically, Title II was ruled constitutional, while other sections of the bill were overturned by the High Court.

Cohen vividly describes much of the inner workings of this struggle, in which the Promethean efforts of Roosevelt and his close allies triumphed over the Wall Street thugs.

In her memoirs, Frances Perkins puts a final, ironic, touch on the battle with Douglas over the budget:

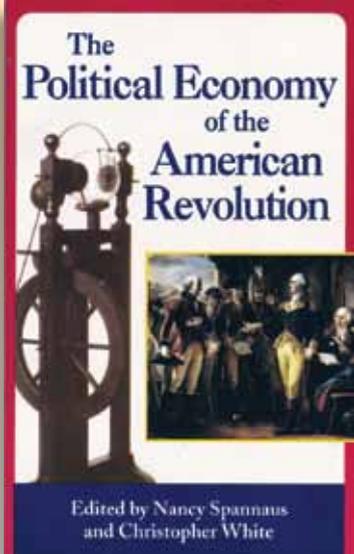
"Four years later, (1937), Jesse Jones, head of the Reconstruction Finance Corporation, found the answer

when he said at a cabinet meeting, 'Mr. President, at the depths of the depression the national income was \$42 billion. In 1934, it was \$49 billion, and in 1937 it was \$71 billion. If we can get the national income up to \$90 billion, and I see no reason why we shouldn't, we don't have to give another thought to the budget. It will balance without the slightest difficulty. Mr. President, what we have discovered is that the national income grows by economic movement. The taxing power of the government applied to those truly economic processes of buying and selling and hiring and manufacturing and paying wages and spending the wages will make for a taxable income sufficient to get us out of this hole without any damage to our program. If nothing unforeseen happens, Mr. President', and he was thinking of the war as a possibility, 'we shall be out of the woods.'"⁴

As the nation now hurtles toward war and economic disintegration, this lesson of courageous leadership against the tyrants of Wall Street must be learned by the current "gutless wonders" of our Federal government. The alternative is simply unthinkable.

4. Ibid.

MOST AMERICANS have been deceived as to the economic system which uniquely built the United States. This book presents the core documents, today often hard to find, which defined the political economy of the American Revolution, ranging from the time of Leibniz, to Franklin, and Alexander Hamilton's famous reports.



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