FDR's Measures Worked To Reverse the Great Depression

by Nancy Spannaus

Nov. 2—The fact that the United States, and the rest of the world, find themselves in an *unprecedented*, existential economic and social crisis, can not be allowed to blind us to the crucial reality that *the measures instituted by President Franklin Delano Roosevelt worked* to move us out of the 1930s Depression. While FDR's measures were not a strict model for today, they give us clear guidelines for what can and must be done *immediately*, as soon as that impediment, Barack Obama, is removed from office.

The immediate measures required today, as laid out by leading FDR advocate and foremost economist Lyndon LaRouche, are three. First, the exact restoration of FDR's imposition of Constitutional banking, through the Glass-Steagall Act. Second, the rescue of the bankrupt cities and states, whose cutbacks in essential services and employment are now leading to the virtual disintegration of the fabric of American society. Third, the launching of the North American Water and Power Alliance (NAWAPA), as the defining infrastructure project whose implementation, and spinoffs, will lead to the reindustrialization and revival of the U.S. economy (for a start).

In each of these areas, and, most importantly, from the standpoint of principle, FDR set a precedent for effective action. The banking case is clear-cut, and it was lawfully, the first thing on FDR's agenda, because no other measures were possible without restoring national control of currency. Soon thereafter, followed his Federal Emergency Relief Act (FERA), which began to

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FDR's emergency actions to get out of the Depression began to work immediately. Here, we see him at the first CCC camp, set up in Virginia's Shenandoah Valley, surrounded by some of the more than 300,000 young men who had already been enrolled in this emergency jobs and reforestation program within its first three months of operation.

pour hundreds of millions of dollars (today, that would be billions), into the localities, both for immediate sustenance, and for employing workers in the essential functions which the localities could no longer afford. FDR's infrastructure program, of which the Tennessee Valley Authority was the symbol, was based on harnessing water power for mass electrification, and management of water resources for the benefit of agriculture and industry.

Over the last few years, the public press and discourse have been dominated by attacks on FDR's New Deal, masquerading as "objective" reports on its failure. These lies have come from the likes of the Wall Street-apologist, author Amity Shlaes, and recently even from Barack Obama himself![1] The desperation of the British-centered financial interests who are directing this campaign of lies is understandable; they are doing their best to maintain their control over their bankrupt system. But why should any intelligent person otherwise believe this load of propaganda by the very same individuals and institutions who are claiming that we entered a "recovery" in June of 2009? True, a large portion of today's population didn't live through FDR's presidencies, but the evidence is as plain as the Hitler mustache on Obama's face.

As we enter this post-Obama era, let's review the facts.

The Intention: The General Welfare

Franklin Roosevelt's core conviction can be encapsulated very briefly: his commitment to restoring the nation to the principles of the Constitution, as stated in its Preamble. His second Inaugural Address on Jan. 20, 1937, expressed that commitment and intent most directly. After asserting that Americans would and should refuse to be governed by "blind economic forces"—the so-called "market forces" of today—the President came to the point:

"This year marks the 150th anniverary of the Constitutional Convention which made us a nation. At that convention our forefathers found the way out of the chaos which followed the Revolutionary War; they created a strong government with powers of united action sufficient then and now to solve problems utterly beyond individual or local solution. A century and a half ago they established the federal government in order to promote the general welfare and secure the blessings of liberty to the American people."

It was from this standpoint that FDR approached the emergency that he faced when he took office. As Governor of New York, he had expressed his commitment to the idea that government exists to protect and benefit its citizens, including by pioneering measures of public works, unemployment insurance, and public relief. In his first Inaugural, he specified two crucial points of implementation:

• Jobs: "Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the government itself, treating the task as we would treat the emergency of a war, but

1. On Oct. 28, in a discussion with "progressive bloggers," Obama said, "We didn't actually, I think, do what Franklin Delano Roosevelt did, which was basically wait for six months until the thing had gotten so bad, that it became an easier sell politically, because we thought that was irresponsible. We had to act quickly."

at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources."

• Credit: "In our progress toward a resumption of work we require two safeguards against a return of the evils of the old order: there must be a strict supervision of all banking credits and investments, so that there will be an end to speculation with other people's money; and there must be provision for an adequate but sound currency."

Necessarily, FDR began with the restoration of sovereign credit—as we must do today.

Restoring Sovereign Credit

FDR reasserted U.S. government control over the currency and credit of the United States through two primary measures: The Emergency Banking Act and the Glass-Steagall Act. Both were enacted during the first 100 days of his Presidency.

The Emergency Banking Act was enacted on March 9, 1933, the first bill to be passed by the emergency Congressional session which FDR had called. The act followed FDR's imposition of the Bank Holiday, which closed all the banks in the United States (yes, even J.P. Morgan), and froze all banking activity, including the transfer of gold and silver out of the country, and conversion of currency to gold. FDR's legal authority came from the Trading with the Enemy Act, which permitted (or one could more rightly say, reasserted) Executive ability to control the flow of U.S. currency internationally.

What is less known than this dramatic action, is the fact that the Wall Street banking interests at the time, centered around the British-linked J.P. Morgan, in anticipation of what measures FDR might take, had begun what could only be called a massive "gold heist" out of the country. In the first days of March, hundreds of millions of dollars worth of gold had been shipped out of the United States, in a blatant effort to bring the new Administration under the heel of Wall Street.

But it didn't work. FDR not only froze the gold transfers (with potential penalties—stiff fines or jail time, if the law were violated), but he established strict Federal supervision over the banking system as a whole. Every bank in the nation had to be audited by the Federal government, before it could be certified to reopen. And ultimately, in several steps, FDR abandoned the (British-imposed) gold standard altogether, including the obligation to pay in gold which was written in public and private contracts, thus restoring government sovereignty over the currency. As author Arthur Schlesinger, Jr. wrote, FDR was making monetary policy "the instrument of consious national purpose," not the plaything of market.

The second measure to restore the soundness of the banking system for Constitutional purposes, was the Glass-Steagall Act itself, finally signed into law on June 16. Glass-Steagall reinforced FDR's determination to protect the nation against the speculators who had helped bring on the Depression, by establishing a strict separation between commercial and investment banking—as he indicated in his first Inaugural address—so that, as one contemporary account put it, banks could never again be "the chief tom-tom beaters for the speculative frenzy." Depositors' money could not be the fodder for speculation.

The addition of Federal depositors' insurance to the Glass-Steagall measure made that separation even stronger: no taxpayer backup for financial gamblers. Instead, the Federal government would back the issuance of credit to honest citizens.

Clearly, this is what we must do again today.

Aiding the States and Localities

In his inaugural address, FDR put a priority on the creation of employment, stressing that the Federal government itself had a responsibility to ensure that its people had the opportunity to work. From his experience as Governor of New York during the first three years of the Depression, he knew whereof he spoke.

In August 1931, FDR had delivered an address to the legislature, in which he declared that one of the state's primary duties was "caring for those of its citizens who find themselves the victims of such adverse circumstances as makes them unable to obtain even the necessities for mere existence without the aid of others." In fulfillment of this duty, he had pushed through a $20 million program called the Temporary Emergency Relief Administration (TERA), which allocated monies for the poor. The program, the first of its kind in the nation, was administered by social worker Harry Hopkins, who took responsibility for allocating the funds, which over the next six years provided aid to about 5 million people, 40% of all New Yorkers.

Where possible, the money was provided in conjunction with work. Both Hopkins and FDR had firm convictions that the unemployed did not want to be "on the dole," but to contribute to society with useful work.

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Harry Hopkins set the standard for non-bureaucratic emergency action for the poor, when FDR appointed him Federal Emergency Relief Administrator in the Spring of 1933. Hopkins went on to head a series of relief/jobs programs, which ultimately supported tens of millions of needy Americans, largely by giving them useful work.

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Secretary of Labor Frances Perkins was one of FDR's closest collaborators in crafting the programs of jobs and relief which he implemented within the first 100 days. Perkins had also worked with FDR on labor issues when he was Governor of New York State.

Thus, it was the TERA model, which FDR incorporated during March 1933, when he first proposed FERA, in the face of the tens of millions of unemployed throughout the United States, and the increasing bankruptcy of states and municipalities to employ or support them. Playing a leading role with him in pushing it through, was Labor Secretary Frances Perkins, who had worked on labor issues for FDR in New York, and was determined that immediate help be given to the poor, as much as possible, through creation of public works jobs.

Under President Herbert Hoover, the only monies available to the states for aid were loans—which the states could obviously not afford to contract. FERA took the only workable approach—outright grants.

The Act immediately allocated $500 million in grants, half to be distributed to states and localities, with the proviso that they add $3 to every $1 provided by the Federal government, and half to be issued by the Federal Relief Administrator with no matching requirement. Equally importantly, the administrator had the authority to set the rules for the spending of the funds.

Hopkins, as FERA administrator, never did stand on ceremony. In response to the overwhelming need, he spent his first $5 million in the first two hours after taking on the job. During its two-year lifespan (in 1935, it was replaced by the Works Progress Administration and Social Security Administration), FERA supported tens of millions of people, many of them in local service jobs which the localities could no longer afford to fund. School maintenance, sanitation, repair of public facilities and roads—these were just some of the functions which FERA funded, in the face of the bankruptcy of the states and localities.

In his book *Nothing to Fear*, author Adam Cohen estimates that at its height, in January 1935, FERA was helping 20 million Americans, or 16% of the U.S. population.

Even during its short life, FERA was clearly inadequate to the need, and was supplemented by two other programs, the Civilian Conservation Corps, and the Civil Works Administration. The CCC, which employed over 300,000 young men at its start, in the Summer of 1933, aided the localities by putting the unemployed to work, and providing a small stipend, much of which was sent home to families. The CWA, created to meet the emergency of the Winter of 1933-34, employed 4 million workers between Nov. 9, 1933 and late March 1934, when it was disbanded.

In effect, the CWA employed people for the functions which local governments could not afford. Its workers built or improved city streets, constructed or remodeled school buildings, created airfields, laid miles upon miles of sewer lines, and constructed or improved parks, playground, stadiums, and swimming pools. (Note that much of that infrastructure is still in use today.) In addition, the CWA employed 50,000 teachers to keep rural schools open and teach adult education classes in the cities, and made it possible for unemployed teachers to return to the schools.

In the face of the ongoing shutdown of the most basic city services throughout the U.S. today, emergency measures just like these are immediately required.

Conditions of squalor, like this pictured in Washington, D.C. in 1940, were the target of FDR's program of aid to localities under the Emergency Relief Administration. Today, we're headed back in the same direction, unless LaRouche's emergency actions are rapidly put into effect.

A Platform for Progress

The third crucial area of FDR's New Deal involved the construction of environment-changing infrastructure. I am not talking here about bridges and parks, and the like, but of what could only be called "great projects," like the Grand Coulee Dam, the Hoover Dam, and the Tennessee Valley Authority, which itself includes 29 hydroelectric dams. These projects literally changed the landscape of the regions where they were built, in order to modernize industry and agriculture, and to create the basis for irrigation and power generation for a whole new level of economic development.

I will not devote much space to this aspect of FDR's New Deal here, because LaRouche and his Basement associates have dealt with it extensively elsewhere. But, it should be emphasized that the concept behind regional developments like the TVA and the Hoover Dam, was at the top of FDR's agenda (Note the TVA being put through in May 1933), and was oriented to making a *national* change. These projects employed tens of thousands, but that was not the reason for their initiation. They were drivers for lifting up the entire economic process.

Two elements make the case. First, is the process of rural electrification, which was put on a fast track with the creation of the huge dam projects. Thought about properly, the creation of these huge networks of electricity distribution created a *platform* for industrialization and modern agriculture that lifted the potential productivity of the nation as a whole. While one could not argue that FDR had the same conception of infrastructure, as a platform of development, that LaRouche has, he was clearly thinking and acting in a manner coherent with it.

The second telling point is that it was in these areas of massive dam (and electricity) construction, specifically Grand Coulee and the Tennessee Valley, that the nation's most advanced production facilities for World War II were located, including the Oak Ridge nuclear research facility.

LaRouche's NAWAPA program, conceived as a planetary biospheric engineering project "from the top down," clearly dwarfs FDR's conception, as well as his projects per se. The TVA and Hoover Dam projects, for example, like NAWAPA, were *national* projects, involving input and industrial buildup from all over the nation; NAWAPA is not only national, but international. Yet, the TVA continues to act as an inspiration to those engineering layers and others who are now working with LaRouchePAC on the NAWAPA design—as a true stepping stone to the future.

Unifying both projects, of course, is the conception of man's creative role in the universe—a conception LaRouche has taken to new scientific dimensions. It is this precious idea which our American institutions were created to defend.

Time is running out for us to take the "action, and action now" required to save our nation. It is our duty to take courageous action, as FDR did, and much more, before it is too late.