The Family Heritage Series

A weekly discussion of Americanist truths and traditions for those "heirs of all the ages" who will have to preserve that most important inheritance of all — freedom. Produced by the Movement To Restore Decency.

Volume II — Lesson One Hundred One

The New Deal

LESSON IDEA

To show the failure of the Roosevelt "remedies" in curing the depression and why getting the United States involved in the war in Europe and Asia was important to the President's borrowing and spending strategy.

* * *

"MR. PRESIDENT, are you a Communist?" asked a young reporter in a conversation with Franklin Delano Roosevelt.

"No," said Roosevelt.

"Are you a capitalist?"

"No."

"Are you a Socialist?"

"No."

Then the young man asked what Roosevelt's philosophy was.

"Philosophy?" said the President, very much puzzled. "Philosophy? I am a Christian and a Democrat — that's all."

John T. Flynn, in telling this story, comments: "By a Christian he [*Roosevelt*] meant he was a member of the Christian church. By a Democrat he meant he was a member of the Democrat party. He was not concerned with the theories of the church or the party. These change. He could change with them. The test was the value of the theories as vote-getters. To put the matter in a word, he was in every sense purely an opportunist . . . ." Or a political jackrabbit, as we called him in our last lesson, ready to run east or west, north or south, backward or forward — in any direction that seemed likely to bring him the most votes in the next election.

As a presidential candidate, Roosevelt captured the voters' interest with his sharp criticism of Hoover's big-spending depression cures; his inaugural address dazzled Americans with its bright promises — jobs to the jobless, higher prices to the farmers, a better future for the businessmen and for everyone in general. And his performance as President from his inauguration in March until June of 1933 left everyone breathless and hopeful. Congress had barely convened on March 9 when it was besieged by a flurry of Roosevelt reforms and orders and projects and laws. When the dust settled in mid-June, the lawmakers were reeling from the swiftness and variety of the demands, and the country found itself entangled with alphabet agencies which sounded new but were, in fact, Hoover cures dressed up and warmed over.

Heading the list was the AAA (Agricultural Adjustment Act), which was designed to prop up prices on the farm. Although Roosevelt had made fun of Hoover's plan to plow under every third row of wheat, cotton, and corn as a means of keeping prices high, the AAA began to pay farmers millions of dollars to kill their young pigs, burn their oats, and plow under their cotton. It even paid one sugar company over a million dollars not to produce sugar. But price propping was a failure, *à la* Roosevelt or *à la* Hoover. To understand why, remember how an auction works. When there are two loaves of homemade bread being auctioned, for example, and two bread-lovers bidding on them, does the price of each loaf stay low or go high? Why? [*Use these questions to teach the relationship of supply and demand as well as the effect of both on prices.*]

What happens to the price if there is only one loaf of bread and two bread-lovers want it? What happens when one bidder is the baker's buddy, not interested in buying the bread, but only in running the price up as high as possible to boost the baker's profit? [*Encourage discussion.*]

Both Roosevelt and Hoover were "baker's buddies" who wanted to run up the price — although neither was using his own money for his "helpful" operation. Both had taken the money of the real buyers either directly by taxes or indirectly by borrowing money from banks in the taxpayers' name.

Hoover used the buyers' money to bid against the buyers themselves, and, if necessary, to buy the products in the name of the government rather than let them be sold at a lower price. This was what was called "supporting the price." This forced the buyers, or taxpayers, to bid against themselves, so to speak, and was unfair; but it was very profitable for the producers — the farmers, in this case. So profitable, in fact, that they raised more of everything whose price Hoover promised to support. Soon there was an oversupply of these special items, which would have caused the prices to drop at the auction had not the price proppers got rid of the surpluses. This they did in one of two ways: either by buying them or by destroying them. Hoover usually chose to buy and sometimes to destroy his purchases; Roosevelt decided to streamline the system whenever possible by simply paying the farmers to destroy their own surpluses. Both methods hurt the would-be buyers and kept free enterprise from making the price corrections that would have helped heal its sickness.

ROOSEVELT ALSO invented new versions of Hoover's ditch-digging programs. These were the CCC (Civilian Conservation Corps), PWA (Public Works Administration), and CWA (Civil Works Administration). With a wave of government's magic wand, the CCC hired millions of young Americans at one dollar a day to go into the forests to pick berries, plant trees, roll stones, and do good deeds. The PWA and CWA put young and old to work pulling weeds and raking leaves. Harry Hopkins, the New York social worker who was in charge of CWA in the early days, told the President: "I've got four million at work . . . don't ask me what they are doing."

Who do you think was forced to pay the wages of these leaf-rakers and stone-rollers? [*Remind family members that government has no money of its own; what it has, it takes from taxpayers or borrows from banks in the name of the taxpayers.*] Do you remember from last week's lesson how public works organizations, mainly the WPA headed by Hopkins, were used to deliver votes for Roosevelt and his supporters? [*Review the political tricks cited in last week's lesson, and the connection between the CWA and the WPA.*]

NOT THE LEAST of the "fix-it" agencies in the Roosevelt medical bag was the NRA (National Recovery Act). What it did, first of all, was give "Doctor" Roosevelt three billion, three hundred million inflated dollars to spend on depression cures of his choice: for example, Hopkins' vote-buying "public works" agencies. Do you remember how and why the government got such a huge amount of paper currency to spend? [*Review the banking crisis and the gold seizure discussed in last week's lesson. Remind family members that Roosevelt had removed the brake from government spending by making it illegal for Americans to use gold as money.*]

Secondly, the NRA set up monopolies, called code authorities, in each trade, industry, and profession. A monopoly is one of the viruses that poison free enterprise by destroying competition; its effects are the same regardless of whether it is set up by J. P. Morgan for personal gain or by Franklin Roosevelt to cure a depression. It hurts far more Americans than it helps, and it seriously cripples free enterprise.

Every monopoly that the NRA set up was all-powerful: Its members decided how much of a product should be produced, what the price would be, where and how the product would be sold, how people would be paid for their work, and how many hours they would work. In New Jersey, for example, the Tailors' Code fixed the price of pressing a suit of clothes at forty cents; and when tailor Jack Magid pressed a suit for thirty-five cents, he was arrested, convicted, fined, and sent to jail for his five-cent crime. Only the growing pressure of public opinion rescued the poor tailor from his cell.

As more and more businessmen began to see the dangers of the new monopolies, they found ways to avoid the controls. Black markets appeared in every city. The monopolists finally hired their own strongmen to keep everyone in line. In the garment industry, for example, the code authority hired enforcement police who, according to journalist John T. Flynn, "roamed through the garment district like storm troopers. They could enter a man's factory, send him out, line up his employees, subject them to minute interrogation, take over his books on the instant. Night work was forbidden. Flying squadrons of these private coat-and-suit police went through the district at night, battering down doors with axes looking for men who were committing the crime of sewing together a pair of pants at night."

Finally mob rule and racketeering crept in, feuds broke out among the leaders, NRA officials quarreled with each other, and the public looked on in disgust. Roosevelt lifted his political nose to the wind and, sniffing the growing unpopularity of his pet project, quickly shifted his position to match the public's. He appointed a special committee to investigate the NRA and named attorney Clarence Darrow as chairman. The committee's findings, issued in May of 1934, blasted NRA's performance and called it, among other things, harmful, monopolistic, invasive, ghastly, preposterous, savage, wolfish, grotesque, and irresponsible.

NRA hung on for another year after that devastating report was issued, and was finally finished off and buried by a wholesale poultry dealer named Schechter. The crime for which Schechter was seized and convicted was permitting a customer to select a chicken from a coop. Under the "Live Poultry Code," the customer was required to say, "I want a chicken," and to accept whichever bird was pulled out first. Schechter took his case to the Supreme Court in May, 1935. It was the first time the code authorities had been tested in the courts, and the nine justices lost little time in deciding that Schechter was not guilty and the NRA was unconstitutional. The following year, 1936, the AAA was declared unconstitutional, bringing crop burning and pig killing to an end.

Unfortunately, the Court did not, at the same time, put a padlock on the billions of inflationary dollars that Congress had put into Roosevelt's pocket for depression cures. Inflationary paper currency was the deadly poison that had caused free enterprise's sickness; Hoover had increased the dose and made the ailing system worse; Roosevelt doubled, then tripled the dosage, almost immediately. He also used the money to build a political machine that would ensure his re-election — which it did in 1936.

BY THE SUMMER of 1937, however, the effects of Roosevelt's four-year spending spree on the ailing free enterprise system were becoming harder and harder to hide. In October the stock market hit new lows, and in November the number of people out of work climbed to seven million. By 1938 taxes had more than doubled, and almost twelve million people were jobless. This was not a new depression, but the old one, which had never been cured. A man who was less of a politician and more of a statesman might have begun to wonder at this point, as John T. Flynn suggests, whether or not he "fully understood the vast organism he had set out to repair" and whether his remedies were those of a physician or a quack. But Roosevelt was never troubled by such thoughts; when he looked into his little satchel of remedies, he still saw only one pill with any promise — spending and more spending.

The problem was finding enough things on which to spend a billion or two each year. Bridges, dams, schools, hospitals, and roads all had their limitations: namely, that the states in which they were built were stuck with the maintenance costs and payroll expenses needed to keep these federal gifts repaired and running. And as Roosevelt told Jim Farley, one of his advisors, in 1938, more and more states were saying "No, thank you" to new federal gifts because they were having too much trouble paying the bills for old federal gifts. Even agricultural and scientific research, national parks, and power dams were considered trifles in the Roosevelt spending circles. There was only one project big enough to absorb the flow of paper currency that the President had in mind. John Flynn discovered what this project was when he questioned one of Roosevelt's trusted advisors in January of 1938. Said Flynn:

"I asked him if the President knew we were in a depression. He said of course he did. I asked what the President proposed to do. He answered: 'Resume spending.' I then suggested he would find difficulty in getting objects on which the federal government could spend. He said he knew that. What, then, I asked, will the President spend on? He laughed and replied in a single word: 'Battleships.' I asked why. He said: 'You know we are going to have a war.' And when I asked whom we were going to fight he said 'Japan' and when I asked where and what about, he said 'in South America.' 'Well,' I said, 'you are moving logically there. If your only hope is spending and the only thing you have to spend on is national defense, then you have got to have an enemy to defend against and a war in prospect.' "

The amazing thing about this conversation is that it took place almost four years before the United States declared war on Japan after the supposed "surprise attack" on Pearl Harbor, and more than a year and a half before Great Britain and France declared war on Germany. But the smell of war was in the air; England had set up a seven billion, five hundred million dollar get-ready-for-war fund; Germany, France, England, Italy, China, and Japan were all busily buying steel, scrap iron, oil, airplanes, and airplane parts.

For a president who felt he must spend mountains of money to cure a sick economy, war, or even the threat of war, was a gift from the gods; it was a chance to outfit the nation with battleships and tanks and planes and thousands of smaller accessories of war. It was a chance to put millions of men to work in the factories that produced these things, and also as soldiers, sailors, airmen, and marines. The President's spending chiefs could be kept busy for months or years, borrowing and spending, borrowing and spending; in the process the illusion would be created that free enterprise had recovered and was hale and hearty once more. And the illusion would last at least as long as the war.

When the fighting was over and the gigantic war-making corporation closed its door, prices and wages would slide downward, Roosevelt knew; but by that time a new President would be on the scene to take the blame. Just keep borrowing and spending as long as you are in office and let the next man pay. This was the Roosevelt strategy. And it worked. Not only for him but for each president who followed him.

Free enterprise has endured it all as an invalid, never being allowed to cleanse itself or to heal its own illness. Confined to a wheelchair, this ailing system has been handed from president to president; and each has kept it drugged with paper currency and inflation. Ultimately, the patient will either die from an overdose or be taken off the drugs and allowed to recover. Perhaps the final outcome will depend upon how many people understand the wonderful recuperative powers of free enterprise, and how many demand that the political quacks stop "doctoring" it.

Concluding Thought

One of the most dangerous myths being peddled to young Americans today is that the depression of 1929 proved that free enterprise was a failure, and that because of this so-called failure, it must be replaced with a more scientific and "forward-looking" economic system — like socialism or communism. Nothing could be further from the truth. It was the "doctoring" by the socialists, communists, monopolists, and "forward-looking" politicians that produced the depression and kept it going for so many years. Left to its own devices, free enterprise would have cured itself long ago and been back operating today at top speed and full strength. We hope these lessons have given you enough basic information to counter the free-enterprise-is-a-failure myth.

FOR SERIOUS STUDENTS

For more details on the depression and free enterprise, we recommend *The Incredible Bread Machine* (paperbound, $1.95), or *Understanding The Dollar Crisis* (hardbound, $7.00) by Percy L. Greaves, Jr., available from your local American Opinion Bookstore, or directly from American Opinion, Belmont, Massachusetts 02178.

The Family Heritage Series

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The Family Heritage Series is published by the Movement To Restore Decency, a project of The John Birch Society. The annual subscription rate is twelve dollars for fifty-two lessons, mailed monthly. Individual lessons may be purchased in any quantity at four copies for one dollar. Address all orders and subscriptions to The John Birch Society, 395 Concord Avenue, Belmont, Massachusetts 02178.