

# 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

## Franklin D. Roosevelt

### LESSON IDEA

To show how Franklin D. Roosevelt continued the depression "remedies" initiated by Herbert Hoover and how he made it possible for the government to borrow and spend billions of inflationary dollars.

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**F**RANKLIN DELANO ROOSEVELT, like Woodrow Wilson, was a perfect jackrabbit of politics; his ears were always up, his nose always twitching, sniffing the air to detect what the voters wanted. Then he would hop off in the direction that was most popular. In 1932 all the scents and sounds indicated that Americans were disgusted with Herbert Hoover and his depression remedies; so Roosevelt became disgusted too. He said the depression was caused by Hoover and the Republicans. He called Hoover "the greatest spender in history." Taxes must be cut, he said; the budget must be balanced; borrowing must be stopped; government must be cut down to its proper size. "For three long years," he said, "I have been going up and down this country preaching that government — federal, state and local — costs too much. I shall not stop that preaching."

Never once did he tell the voters the truth: that if Hoover had left free enterprise alone, it would have recovered swiftly. It was not Hoover's doctoring of the system that Roosevelt criticized, but the fact that he didn't doctor it with the right medicine. Roosevelt liked the magic wand that created jobs called

"public works"; he liked the idea of propping up prices that wanted to fall and businesses that were failing; it's just that he had some different ideas on what magic jobs to create and what prices and businesses to prop up, and how to do it. His doctoring, he assured the voters, would be better and cheaper. The fact was that "Doctor" Roosevelt knew almost nothing about free enterprise; his friends said they never knew him even to read a book on the subject. But he did know how to get votes; his political nose never failed. What he said about Hoover and the depression was exactly what people wanted to hear; and when he promised them a "New Deal," they elected him President.

The year was 1932, and the country was in a terrible mess. Twelve million men were out of work; factories were closing daily; the farmers were angry; and there were rumors that the government was going off the gold standard. Which meant that people would wake some morning to find their gold taken by the government and replaced with paper currency. As fear grew, people began taking their money out of banks and putting it under their mattresses where they were sure they could get it when they wanted it. Some sent it to banks in Europe for safekeeping. Europeans who had money in American banks also withdrew it and took it home. In one two-week period in February, 1933, one hundred fourteen million dollars were taken out of American banks and shipped to other countries, and another one hundred fifty million were withdrawn to go into hiding in mattresses and

sugar bowls. Banks closed almost daily — either because they had been stripped bare, or because the state government feared that they would be, as the panic snowballed.

The day Roosevelt was inaugurated there was news of a bank closing almost every hour. The New York banks, some of the biggest and most closely watched, had been formally closed by an order from the governor in the early morning; banks in twenty-four other states had already locked their doors. It was a marvelous opportunity for a political jack-rabbit to present himself to the people as THE Leader who could save them from disaster. It was a magnificent opportunity for THE Leader to ask for and get almost all the powers of a dictator.

**R**OOSEVELT'S POLITICAL NOSE was quick to pick up the scent. When he became President on March 4, 1933, he accepted the high office as if he had just been appointed commander of an army. Immediately he declared war on the depression. He asked the people to discipline themselves and return to the "old moral values." He spoke of the need for a "stern performance of duty by old and young alike." He told them that the only thing they had to fear was fear itself. He promised to save the country from the dragons of disaster. All he needed, he said, was "power to wage a war against the emergency, as great as the power that would be given me if we were in fact invaded by a foreign foe."

Two days later the new President called a group of bankers to Washington. He wanted them to figure out a way to reopen the closed banks. And while the money chiefs scratched their heads over the problem, he issued a decree closing the banks that were still doing business. From March 6 to March 9, the Presidential decree said, no bank could give out either gold or currency to its rightful owners or anyone else. This was called a bank holiday. On March 9 THE Leader wanted the new Congress to meet in a special session and approve the bank-closing decree he had already issued as well as the bank-opening plan he would propose — as soon as the bankers told him what it should be.

The problem in reopening the banks was what to do for money. A bank, as we learned in earlier lessons, was basically a storehouse for gold; as such, it handled money for the people who owned money;

so any time the owners decided to keep their money out of the reach of the handlers (by storing and handling it for themselves), there was a banking crisis. Without a supply of money to work with, the handlers were out of the business called banking no matter how many banks were opened or closed by Presidential decree. The solution to this problem, it was decided, was to open the banks and stock them with fake money — paper currency called Federal Reserve notes. For the President to do this without being jailed as a counterfeiter, an act of Congress was necessary.

At noon on March 9, the new Congress met at the President's bidding. Within hours both the House of Representatives and the Senate had given their stamp of approval to everything he requested — which included power to juggle and gamble with the nation's money supply in almost any way he liked in the future. The next day Roosevelt rewarded Congress for its obedience by telling them all the things they most wanted to hear. He wanted to cut costs, he said, and balance the budget; specifically, he wanted to cut the salaries of government employees by twenty-five percent. Then on Sunday, March 12, he used the cross-country power of radio to have a friendly, fatherly talk (called a fireside chat) with the "folks at home." He told them he would begin reopening the banks the next day. He told them what he had done and why. What he didn't tell them was that all the paper currency that was going to be stuffed into the banks would have the same effect on the depression as all Hoover's remedies: Everything would get much worse. Do you understand why the Roosevelt solution to the banking crisis would make things worse? [*Remind family members that government interference with free enterprise is deadly because it stops the normal healing process of the system while injecting into it more of the inflationary poisons that caused the original illness. If necessary, re-emphasize the auction principle of rising prices caused by an increase in the money supply.*]

The saddest thing is that most Americans had faith in their jackrabbit President; they really did believe he was THE Leader who knew how to doctor free enterprise. One reason for their misplaced confidence was the so-called Roosevelt "Brain Trust." Near the beginning of his campaign for the presidency, Roosevelt had asked Raymond Moley, professor of political science at Columbia

University, to work for him; and Moley had brought four more Columbia men into the campaign as research advisers. Newspapermen began referring to this group as the "Brain Trust" and the name stuck — even though some of the men did not. The idea grew that the President was surrounded by super-brains with bulging foreheads and error-free minds working at the speed of light to find dynamic answers to the nation's problems. It was a comforting thought, even if it wasn't true.

**T**AKING ADVANTAGE of the people's confidence in him, Roosevelt did what so many gold owners had feared during the banking crisis: He issued a Presidential Order on April 5 forcing all Americans to give up their gold. Even banks had to deliver their gold supply to the Treasury. No one was allowed to own gold except the government. If this was not theft, it was close to it. Even though gold owners were given paper currency in exchange for their gold, making it seem like a fair exchange, most people realized it was not. Those who had bought government bonds — which is another way of saying, those who had loaned the government money — on the promise that they could be paid back in gold coin if they wished, were also short-changed. On June 5, Congress passed a law saying, in effect: *We are now breaking our promise; we will not pay you back in gold coin.* The new promise-breaking also applied to Federal Reserve notes which were supposed to be payable in gold.

"It's dishonor, Sir," said Senator Carter Glass in protest. "This great government, strong in gold, is breaking its promise to [*those*] to whom it has sold Government bonds with a pledge to pay gold coin of the present standard of value. It is breaking its promise to redeem its paper money in gold coin. . . . It's dishonor, Sir!"

Senator Tom Gore from Oklahoma put it even more strongly: "Why, that's just plain stealing, isn't it, Mr. President?"

As the stealing continued, some of the socialists and woolly-minded intellectuals began to talk of new ways to "doctor" free enterprise. One idea was that the prices of things, wheat, for example, were tied like a kite tail to the price of an ounce of gold, and that by raising or lowering the price of gold the government could control the prices of other things.

The idea fascinated Roosevelt; here at last was a cure for the nation's sagging prices!

So on October 22, 1933, the President had another fatherly fireside chat with the "folks back home" to tell them that from that day on the Treasury alone would buy all gold mined in the United States, and all gold offered from abroad if necessary, and that the price would be raised and fixed from day to day by the President and the Secretary of the Treasury. "If we cannot get prices up one way," said the man who knew nothing about free enterprise, "we will get them up another."

Years later Henry Morgenthau, Secretary of the Treasury, described how the day-to-day price of gold was actually decided:

*Every morning Jesse Jones and I would meet with George Warren [the chief proponent of the idea] in the President's bedroom, to set the price of gold for the day. Franklin Roosevelt would lie comfortably on his old-fashioned three-quarter mahogany bed . . . .*

*The actual price . . . made little difference . . . . One day, when I must have come in more than usually worried about the state of the world, we were planning an increase of from 19 to 22 cents. Roosevelt took one look at me, and suggested a rise of 21 cents.*

*"It's a lucky number," the President said with a laugh, "because it's three times seven." I noted in my diary at this time: "If anybody ever knew how we really set the gold price . . . I think they would really be frightened."*

Bouncing the price of gold around like a rubber ball may have been an amusing breakfast game for the President, but as a price raiser and depression cure, it was a failure. People began to wonder how much a dollar was worth, or would be worth in a month or a year. If the President said it took twenty dollars to buy an ounce of gold on Tuesday and then changed it to thirty dollars on Friday, it meant the dollar had lost ten percent of its value in three days, because it would take ten more dollars to buy an ounce of gold on Friday than on Tuesday. Another way to say it: On Tuesday your thirty dollars would buy one ounce of gold and ten dollars worth of groceries; but on Friday thirty dollars would only buy one ounce of gold and no groceries at all. Since

no one knew from one day to the next, except the President and his breakfast companions, what the price of gold would be, the people who had dollars adopted a "wait and see" philosophy. It was safer not to spend any money until the price of gold settled down.

But when private citizens decided against spending their money, government decided to spend it for them — and in huge quantities. Before the gold theft, there had been a built-in brake on how much paper currency could be borrowed and spent by government. If the politicians spent more than the public thought they should, people simply took their gold out of the banks and put it in their sugar bowls, causing the kind of "bare vault" crisis that forced government to slow down its spending sprees. But Roosevelt and his advisors had torn out this built-in brake by seizing the people's gold. Now there was no limit on what the government could borrow and spend. In March, 1933, the new Congress had given THE Leader three billion, three hundred million dollars to spend on the depression cures of his choice; and this was only the first of many such Congressional gifts.

Roosevelt chose Harry Hopkins, a social welfare giveaway artist from New York, to head one of the government's major spending departments. Harry the Hop, as the President affectionately called this professional spender, knew how to give away money and get votes in return. Unlike Hoover, who had created giveaways without political gears, Hopkins organized public works agencies with high-powered political engines. One of his early models was the Civil Works Administration (CWA), which paid approximately four million men to pull weeds, rake leaves, and vote the Democratic ticket. As soon as the public began to protest, he phased out the CWA and initiated the WPA (Works Progress Administration), from which he estimated that twenty-five million voters earned their living.

The political power of the WPA became apparent in the 1938 Congressional elections, when trust in Roosevelt as THE Leader was beginning to crumble. John T. Flynn, author of *The Roosevelt Myth*, describes how the WPA rounded up votes for pro-Roosevelt men in one Kentucky district:

*The WPA foremen were given sheets upon which they had to report on the standing of the*

*reliefers in the political campaign. It became a part of Mr. Hopkins' WPA organization in Kentucky to learn how many of the down-and-out had enough devotion to Franklin D. Roosevelt to be entitled to eat. It was not sufficient for an indigent Kentuckian to be just down and out and hungry. He had to believe that the President of the United States was his redeemer and had to be ready to register that belief at the polls. The reliefers were asked to sign papers pledging themselves to the election of the senior senator [a pro-Roosevelt man] from Kentucky. They were given campaign buttons and told to wear them and there were instances where, if they refused, they were thrown off the WPA rolls.*

*All this, of course, was in a Democratic primary where only Democrats could vote. But there were a lot of poor Republicans in Kentucky who couldn't vote in the Democratic primary so long as they were Republicans. So they were told to change their registration and become Democrats, or no WPA jobs for them.*

This was but one of many instances of the misuse of power and money that resulted from the doctoring of free enterprise during the depression years. Next week we'll look at more of the Roosevelt "cures."

## FOR SERIOUS STUDENTS

Of the many biographies written about Franklin Delano Roosevelt, perhaps the most reliable and interesting is John T. Flynn's *The Roosevelt Myth*. Copies should be available at most public libraries. Another account of the Roosevelt personality and politics that is worth your reading time is Curtis Dall's *F.D.R., My Exploited Father-in-Law* (paperbound, \$1.00), which is available at most American Opinion Bookstores or directly from American Opinion, Belmont, Massachusetts 02178.

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### The Family Heritage Series

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