

Federal Responses to the Great Depression

by Sophia



WHAT'S COVERED

The steps that President Herbert Hoover took in response to the onset of the Great Depression reflected his philosophy of individualism and limited government. However, many Americans were not convinced that reliance on those values was enough to return the nation to prosperity. During the 1932 presidential campaign, Democratic candidate Franklin Delano Roosevelt proposed more drastic measures. He convinced a majority of voters that he could deliver changes that would work.

This tutorial examines federal responses to the Great Depression in four parts:

1. Hoover's Response to the Great Depression

In the immediate aftermath of the Great Crash, **Herbert Hoover** stated that the economy was “fundamentally sound” and “any lack of confidence in the economic future or the strength of business in the United States is foolish.” He saw the Great Crash as not being different from previous financial panics and believed that, in time, the economy would recover.



PEOPLE TO KNOW

Herbert Hoover

Republican president from 1929 to 1933, who oversaw the first years of the Great Depression after the stock market crash of 1929; his philosophy of individualism and limited government was challenged by the scale of the economic crisis.

Hoover also believed that everyone could overcome hardships with determination and effort. He balked at any discussion of government intervention: by providing relief work or creating employment programs. In a 1931 radio address, Hoover stated that “the spread of government destroys initiative and thus destroys character.”

Hoover's initial response to the Great Depression was in accordance with his beliefs, and it relied on two American traditions:

1. *Individualism*: Hoover believed in American individualism: the idea that hard work would be rewarded. He was born into poverty, but he graduated from Stanford University and earned a fortune as an engineer

before beginning his career in public service. As the depression worsened, Hoover asked citizens to tighten their belts and work harder, confident that they would overcome their challenges as the economy recovered.

2. *Voluntarism*. Hoover asked American businesses to voluntarily boost the economy by retaining workers and continuing production. Believing that the chief role of government was to encourage voluntarism and cooperation, he convened a conference of leading industrialists in Washington, DC, and urged them to maintain wage levels during what he believed would be a brief economic downturn. In similar meetings with utility and railroad executives, he elicited promises of billions of dollars' worth of new construction projects. At the same time, labor unions agreed to withhold demands for wage increases.

By April 1930, Hoover's efforts led the *New York Times* to conclude that "No one in his place could have done more."

It soon became evident, however, that appeals to individualism and voluntarism were not enough. Between 1930 and 1932, stock prices continued to fall. Consumer demand steadily declined, which led to a decline in hiring and, subsequently, layoffs.

➞ **EXAMPLE** Unemployment in the United States tripled, from 1.5 million (3% unemployed) at the end of 1929 to 4.5 million (9% unemployed) by the end of 1930.

Facing reduced workloads or unemployment, many Americans exhausted their savings or lost their pension plans. They then turned to local, ethnic, and religious charities for assistance, including the Red Cross and the Salvation Army. President Hoover strongly encouraged donations to these organizations.



DID YOU KNOW

President Hoover demonstrated his concern for those in need by donating to charitable causes. During the Great Depression, he contributed an average of \$25,000 annually to relief organizations.

Private charities were unable to significantly alleviate the social impact of the Great Depression on their own. Most relief organizations were prepared to handle short-term emergencies but lacked the resources to assist the growing number of people who were unemployed.

As Congress called for a direct government response to the Depression, Hoover resisted.

➞ **EXAMPLE** In 1930–1931, Congress attempted to pass a bill to provide \$60 million in relief (food, fertilizer, and animal feed) to farmers who lost crops to drought. Hoover refused to allow food aid to be part of the bill. As a result, the final bill provided farmers \$47 million in assistance, but it did not include food aid. It did not come close to adequately addressing the agricultural crisis.

➞ **EXAMPLE** In 1931, Congress proposed the Federal Emergency Relief Bill, which would have provided \$375 million to the states to provide food, clothing, and shelter to the homeless. Hoover opposed the bill, stating that it exceeded the authority of the federal government at the expense of the states. In February 1932, it was defeated by 14 votes.

As conditions worsened, Hoover relaxed his opposition to federal relief. In 1932, his administration established the **Reconstruction Finance Corporation (RFC)** to assist the financial sector, which had not recovered from the Great Crash.



TERM TO KNOW

Reconstruction Finance Corporation

Set aside \$2 billion of taxpayer money to rescue banks, credit unions, and insurance companies.

Although Hoover hoped that the RFC would boost Americans' confidence in financial institutions, it was

flawed in two ways:

1. The RFC only loaned money to banks that had sufficient collateral. As a result, most loans were made to large banks. Banks in small towns and rural areas received almost nothing.



DID YOU KNOW

Of the first \$61 million the RFC loaned, \$41 million went to just three banks.

2. Confidence in financial institutions was not the primary concern of most Americans. They did not have surplus money to make bank deposits. Rather, they needed food and jobs.

Hoover made another attempt to provide effective federal assistance in 1932, when he supported the **Relief and Reconstruction Act**.



TERM TO KNOW

Relief and Reconstruction Act

Authorized the Reconstruction Finance Corporation to allot \$1.5 billion to the states for public works projects.

Hoover limited the projects eligible for funding to those that were ultimately self-supporting (e.g., toll bridges and public housing) and those that required skilled workers. Although well intended, both of Hoover's initiatives failed to deliver assistance on the scale that it was needed. Neither program provided direct federal relief to individuals.

2. Public Reactions to Hoover

Most Americans did not believe that Hoover caused the Great Crash or the Great Depression, but they were frustrated by his refusal to provide direct aid. As a result, Hoover's name became synonymous with poverty.

➞ **EXAMPLE** "Hoovervilles" (pictured below) became the common name for shantytowns that emerged in many cities.



(a)



(b)

This family (a) lived in a “Hooverville” in Elm Grove, Oklahoma. This shanty (b) was one of many in a “Hooverville” in the Portland, Oregon, area.

Source: Modification of work by the United States Farm Security Administration.



DID YOU KNOW

A “Hoover flag” was an empty pants pocket, turned inside out.

One notable event that further discredited President Hoover’s response to the Great Depression involved the Bonus Expeditionary Force, or the **Bonus Army**.



TERM TO KNOW

Bonus Army

A group of World War I veterans who marched to Washington in 1932 to demand early payment of their war bonuses. Their demand was refused, and they were forcibly removed by the U.S. Army.

During the spring and summer of 1932, approximately 15,000 World War I veterans marched to Washington, DC, to demand the early payment of veteran bonuses, which were not due until 1945. The group camped in vacant federal buildings and in Anacostia Flats near the Capitol building (pictured right).





Although the U.S. Senate rejected their request in July, some veterans remained in the city in protest. On July 28, district police tried to evict the protesters from the buildings they occupied and clear out their camps. In one confrontation, police fired into a crowd and killed two veterans. Hoover ordered General Douglas MacArthur (and his aides, Dwight Eisenhower and George Patton) to remove the veterans from Anacostia Flats. Soldiers burned down the shantytown (pictured left) and injured dozens of people, including a 12-week-old infant who was killed when struck by a tear gas canister.

Hoover's actions during the Bonus Army episode reinforced the belief that he was out of touch, and his popularity plummeted. By the summer of 1932, his authority had diminished considerably. The United States needed a leader who could restore public confidence and provide solutions to the Great Depression.



DID YOU KNOW

In 1932, 12 million workers were unemployed (23% unemployed).

3. The Election of 1932

By the 1932 presidential election, Hoover's popularity was at an all-time low. His ineffectual response to the Great Depression left Americans angry and ready for change. Democratic candidate **Franklin Delano Roosevelt**, although born into wealth and educated at the best schools, offered the kind of change people were looking for.



PEOPLE TO KNOW

Franklin Delano Roosevelt

Democratic president who led the United States from 1933 to 1945 and navigated the country through the crisis of the Great Depression and World War II.

The fifth cousin of former President Theodore Roosevelt, Franklin Roosevelt came with rich political experience, including as a New York state legislator, a vice-presidential nominee, and governor of New York. During his time as governor, he introduced state-level reforms that later formed the basis of New Deal programs. He relied on several advisors who would later help him formulate his federal agenda.



DID YOU KNOW

A decade before the election, Roosevelt contracted polio. The disease left him mostly paralyzed from the waist down for the remainder of his life. While serving as president, Roosevelt avoided being photographed in his wheelchair. He did not want to appear infirm, believing that Americans might doubt his ability to do his job as president.

Roosevelt sought to prove that he could solve the nation's problems while restoring confidence in American values. At the Democratic National Convention in 1932, he stated the following: "I pledge myself to a new deal for the American people." Even though the New Deal program did not yet exist, many Americans reacted positively to Roosevelt's optimism.

As a result of Hoover's unpopularity and the country's desire for change, the outcome of the election was certain before voters cast their ballots in November 1932. Roosevelt won over 57% of the popular vote by a count of 23 million votes to 15 million votes for Hoover. He also won all but six states in the Electoral College. At the same time, the Democrats gained commanding majorities in both Houses of Congress.



Herbert Hoover (left), who took office during a time of prosperity that subsequently collapsed into the Great Depression, lost the 1932 election to Franklin Roosevelt (right).

Source: Architect of the Capitol.

4. Roosevelt's Plan

During the 4 months between the November election and Roosevelt's inauguration in March 1933, Congress took no action to address the nation's problems. It was the worst winter of the Great Depression.

During those 4 months, banks closed their doors in response to another series of **bank runs**.



TERM TO KNOW

Bank Runs

The withdrawal of money from a bank by a large number of account holders because of their lack of confidence in the bank's stability.

By the time of Roosevelt's inauguration, the entire banking industry was on the brink of collapse. Bank transactions had been suspended in several states.



DID YOU KNOW

In part as a response to the Great Depression, the U.S. Constitution was amended to reduce the period between election and inauguration from 4 months to 2 months.

Amid this crisis, the elements of Roosevelt's plan were revealed before he took office:

- Roosevelt planned to implement relief, public works, and unemployment insurance programs to provide direct aid to Americans who needed it.

- He sought to restore public confidence in the banking system and called for stronger government regulation of the economy.
- He wanted to support the agricultural sector through direct assistance to farmers.

It was unclear how Roosevelt would put his agenda into action. He was pragmatic and open minded about solutions and relied on a group of advisors known as the “**Brains Trust**” to help him design effective relief and recovery programs before he took office.



TERM TO KNOW

Brains Trust

A group of unofficial advisors to President Roosevelt who proposed possible solutions to problems related to the Great Depression.



On March 4, 1933, Roosevelt was inaugurated as president. After taking the oath of office, he delivered one of the most memorable inaugural addresses in American history.

Roosevelt encouraged Americans to work with him to solve the nation's problems. Rather than being paralyzed by fear into inaction, Roosevelt famously stated, “The only thing we have to fear is fear itself.” He declared that the nation required “action now” to solve the banking crisis and other problems of the Great Depression. Forgoing traditional inaugural parties, the new president immediately returned to the White House to begin work.



SUMMARY

Herbert Hoover's belief in individualism and voluntarism, maintained throughout extraordinary economic circumstances, made him particularly unsuited to deal with the Great Depression. Although Franklin Delano Roosevelt did not provide specific solutions during the 1932 election, his optimism contrasted with Hoover's personal style. In calling for "action now," Roosevelt expressed confidence that an active federal government could stabilize the economy and provide relief to those who needed it.

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