Burton Folsom Jr. offers 3 reasons for the cause of the Great Depression:

1. Financial Consequences of WWI
2. Smoot-Hawley Tariff (1930)
3. Federal Reserve’s failure to help U.S. banks (US Bank fails in 1930)

## Hoover tries to Fight the Depression

Hoover reacts differently to Harding in terms of the Great Depression. Hoover does the following:

* Smoot-Hawley Tariff - protect American manufacturers by taxing imports
* Federal Farm Board: $500 million subsidy for wheat and cotton
* Reconstruction Finance Corporation: $1.5 billion in loads to failing banks and industry
* Public works - infrastructure spending. Includes the Hoover Dam.

Public perception that Hoover is not doing enough.

Hoover has a bad time when the Bonus Marchers march on DC. Hoover sends in troops to clear them out, bad PR for him.

FDR ran against Hoover in the next election and folded Hoover like clean laundry. FDR is the president now. 1932.

FDR contracted polio as an adult, which paralyzed him.

## FDR and the Depression | The New Deal

Burton Folsom Jr’s “The Roosevelt Legend”:

* Claims:
  + The 1920s were an economic disaster
  + The New Deal was a necessary correction on 1920s policy
  + FDR was a popular and beloved president
  + FDR was a good administrator and moral leader

**Fireside Chats**

Radio is big and FDR broadcasts “fireside chats”

**The New Deal**

FDR’s plan to fight the depression; a set of legislation. Laws are passed by congress and signed by FDR. Democrats control the House and the Senate. FDR wants to try a lot of different social programs and see what works. He’s an activist.

The New Deal is **Keynesian economics.** Basically government spending to stimulate the economy. If the economy stalls, give people money to jumpstart it.

### Administrations

Administrations under FDR’s New Deal

**National Recovery Administration (NRA)**

* Industries encouraged to collaborate on fixed minimum prices and wages.
* Intended to raise prices and wages, create “codes of fair competition” and reduce “destructive competition”.

Unintended consequence: favored larger corporations.

Ruled unconstitutional by 9-0 Supreme Court ruling in 1935

**Agricultural Adjustment Administration (AAA)**

* Farmers paid not to plant portions of their land and to destroy crops and livestock
* Crop prices set to 1910 levels (adjusted for inflation)
* Taxes on millers and processors to pay for AAA

Unintended consequence: hurt sharecroppers, also bad PR because farmers were destroying food.

**Civilian Conservation Corps (CCC)**

* Hired several hundred though young men (27 and under)
* Semi-military structure
* Worked on “shovel-ready” infrastructure projects

## FDR’s Tax Policy

* Taxes will increase under FDR.
* Maintained Hoover’s excise taxes
* Increased income tax rates. Max rate went to 79%
* High corporate tax rates