FDR and the New Deal: Expanding Presidential Power

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The Great Depression paralyzes the U.S. in the 1930’s. A quarter of the labor force is out of work, and many more do not have the means to survive. Changes in public perception cause demands from the federal government. Try as might, Herbert Hoover cannot meet these demands, and loses to Franklin Delano Roosevelt in 1932. Roosevelt has a so-called New Deal to bring the country out of depression. Much of the legislation he proposes also has an added benefit: expanding presidential power. While Roosevelt sees this power as only temporary, his successors continue to exercise, and institutionalize that power, so much so that a curtailment in presidential power is not likely anytime soon.

Introduction

Brittany is born with Cerebral Palsy, which affects all four of her limbs. Her parents know that she will face challenges when she begins school. Wanting to show Brittany she can overcome those challenges, her parents take her to Warm Springs, Georgia. There Brittany and her parents visit the Little White House: former president Franklin Delano Roosevelt’s vacation home. Brittany learns that Mr. Roosevelt battled Polio, and had to use a wheelchair like she does. Afterwards, Brittany wonders the reason for the visit. Her dad explains that he wants to show her that she can achieve greatness despite her disability. Roosevelt becomes Brittany’s favorite president because of that explanation.

Years later, for a project in her college presidency class, Brittany decides to investigate the source of Roosevelt’s greatness. Historians consistently rank him near the top of the list of the greatest presidents because of his extraordinary leadership throughout the Great Depression and World War II. Brittany finds that explanation too simple. It must be more. Brittany determines that the dire circumstances of the Great Depression serve as the catalyst for Roosevelt’s greatness. The depression allows Roosevelt to showcase his grasp of presidential power, and use of that power to expand the federal government through the programs of his New Deal.

Richard Neustadt’s comments on Roosevelt provide a basis for Brittany’s work. He insists that “[no modern president has] a sharper sense of personal power…” Roosevelt employs this power to transform the presidency from an office out of touch with the needs of the American people; into an office that is

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1Britanny is a fictional character. However, her story is based on a real person, and actual events.
highly entrenched in their everyday lives. Understanding Roosevelt’s expansion of presidential power and the environment that fosters it is essential to understanding the American presidency today.

The Depression Begins

The Great Depression in the United States begins on October 24, 1929, as panic grips the New York Stock Exchange nearly thirteen million shares are sold: the greatest debacle known in the financial history of the United States and the world. The situation only grows worse from that day, so that by the time Roosevelt takes office the nation is in the fourth year of a disastrous crisis. A quarter of the labor force is out of work, and farmers begin to resist foreclosures violently. The nation’s banks are in crisis: they close in thirty-eight states. Unemployment is twenty-five percent by the 1932 presidential election making it impossible for many Americans to afford enough to eat, and provide basic necessities for their families.

Signs of economic depression are showing before the situation is at its worst. In the spring of 1928, a sharp recession shakes out many weak spectators, and suggests to prudent investors that the time has come to pocket their profits. Herbert Hoover does little to help the situation because he believes a conservative economic orthodoxy: the federal government should not intervene in private markets making him the most tragic figure in the United States by 1932. In early 1929, prices skyrocket higher and higher until they reached their peak on September 19, meanwhile unemployment continues to soar.

Herbert Hoover’s Downfall: Changes in Public Perception

Prior to the depression, citizens believe the federal government plays a secondary role to that of local government. Thanks to the unprecedented circumstances that are the Great Depression, citizen’s attitudes change. They realize that the longstanding tradition of self-reliance is no longer viable, and that help is necessary. Citizens look to the federal government and the new president to provide that help. Such a drastic attitude change is attributable to the reevaluation of the role of a specific entity: the American presidency. Citizens want direct federal government action to deal with the depression, and take their demands to the oval office.

Letters from across the country pour into the oval office. One such letter exclaims that “the government of the U.S. must protect the people of this country from a far-reaching business paralysis, which threatens it…” Congress also urges President Hoover to act on behalf of citizens. Senator William Borah says to President Hoover “For God’s sake, get something done to feed the people who are hungry.” President Hoover tries, but believes that public debt will undermine overall economic health just as private debt undermines the economic health of the individual.

Working within the constraints of conservative ideals, President Hoover takes action. He orders federal departments to speed up construction projects, and contacts all forty-eight state governors to make a similar appeal for expansion of public works. He pushes Congress for a one-hundred sixty million dollar tax cut,
coupled with a doubling of resources for public buildings and dams, highways and harbors. In December of 1929, Hoover's friend Julius Barnes of the U.S. Chamber of Commerce presides over the first meeting of the National Business Survey Conference, a task force of four hundred leading businessmen designated to enforce the voluntary agreements.  

The essence of Hoover’s recovery plan places confidence in the nation’s volunteer organizations and community service at the local level. He also supports the federal government providing loans to corporations in order to provide stability, and make hiring new workers possible through the secretly operated Reconstruction Finance Corporation. At the time, President Hoover’s actions are unprecedented. Historian Robert Sobel’s asserts that “no peacetime since Jefferson has done more to expand presidential power than Herbert Hoover.” The president’s critics do not agree because they feel it gives the government too large a role. The many opinions concerning the actions of President Hoover do not matter because despite his best efforts conditions continue to decline.

The Depression Deepens

The main reason circumstances continue to grow worse is because many citizens purchase possessions on credit including: homes, cars, and jewels, and sons and daughters college educations. At the height of the credit craze some three-hundred million shares are held on margin, and sometimes the investor's contribution is only ten percent. As a result, people lose their investments. The lost of investments happens not only because of horrible credit problems, but also because of international trade barriers and differing plans for recovery within the White House and Congress. The depression worsens because of the problems of banks: multitudes of savings are lost by the failure of the Bank of the United States in New York.

Such horrible conditions only serve as a further catalyst to change the public’s perception of the role of the federal government, which increases their demand that President Hoover help them. Letters continue to pour in begging the president to stop the effects of the depression. In one such letter a man asks President Hoover: “Will the government stand by, with its arms folded, and say to its millions of citizens that it will not, or cannot, stop such colossal legal robberies that run into the billions…?”

The election of 1932 proves extremely difficult for President Hoover. Governor Roosevelt and he differ on the origins of the Great Depression. President Hoover blames the economic crisis on foreign developments, and views the crisis as world-wide trying in vain to make the campaign a debate on vital issues because Hoover believes he is right in policy decisions. Continually deteriorating conditions throughout the campaign make Hoover’s argument appear very weak.

Prices of goods, such as cotton, continue to drop, national income decreases by more than half, and national wealth by more than a quarter throughout the election. Unlike Hoover, Roosevelt chooses to view the depression as a domestic
calamity. He believes that focusing on foreign causes for the depression is a scam and an evasion of responsibility. Further, he believes that depression in the United States is caused in the United States, and should be solved there. Thanks to his view, and positive attitude that conditions will improve, Roosevelt wins with a solid popular mandate. He carries forty-two states, and receives just over fifty-seven percent of the popular vote, but the nation must wait four months until he takes office.

During that time, the depression only deepens. The American people must endure continually rising unemployment that at its worst rises to twenty-five percent. Because of the unprecedented number of unemployed workers, the business index numbers falls to the worst in United States history. In addition, farm prices fall to catastrophic levels. The price of wheat falls from a dollar per bushel in 1929, to just below thirty-two cents per bushel, in the winter of 1932-1933, before Roosevelt took office. The climax of the situation comes with a run on the banks in the days and weeks before President Roosevelt takes office. Such a run on the banks causes the American people to lose an addition thirty billion dollars.

While the depression grows worse, rumors about Roosevelt’s promised New Deal for America are rampant. The media portrays Roosevelt as a weak, albeit optimistic, facade for conservative Democratic leaders in Congress, which he encourages because he has not yet worked out the details of his proposals. In addition, he does not want to blow the element of surprise with Congress: giving conservatives of both parties ample time to muster support against proposals.

By the time Roosevelt takes office on March 4, 1933, public perception of the federal government’s role in their everyday lives has changed under the Hoover administration. The public wants federal government to counter the effects of the depression, and they defer to the newly inaugurated President Roosevelt’s judgment on how best to provide that much needed action because he implements successful policies to deal with the depression in the state of New York while he is governor.

Action is easier because of the large Democratic majorities Roosevelt enjoys in both houses of Congress. Democrats take control over of Congress in 1930, which weakens President Hoover, but they gain even more seats in the 1932 election: fifty-nine to thirty-six in the Senate and three hundred and thirteen to one hundred and thirteen in the House.

Despite large majorities, dealing with the challenges facing the nation proves difficult. The ever worsening banking crisis reaches an all-time low on inauguration morning: the life savings of tens of millions of people are gone, and what is left of the international economic system hangs in the balance.

This is the first of four immediate challenges facing Roosevelt and Congress. Dealing with the agricultural crisis, mainly continually falling crop prices and farm foreclosures is the second immediate challenge. The two other immediate challenges facing Roosevelt and Congress are the lack of economic growth coupled with extremely high unemployment, along with providing relief for the destitute. For relief, citizens accept that they will have to make sacrifices for their common needs, and accept realities they have not previously. After his
inauguration, the nation harbors high hopes for President Roosevelt, and waits in anticipation to see how he chooses to deal with the depression. They did not have to wait long to find out.

Ideal Conditions for A New Deal

Shortly after taking office, Roosevelt charts an entirely new course that attacks the doctrine of laissez-faire individualism by drastically enlarging the president’s role in economic affairs to meet public demand for action in response to the depression. The extraordinary circumstances surrounding the depression are the source of Roosevelt’s power. These circumstances dictate the scope of Roosevelt’s power. He enjoys sweeping discretionary powers, usually provided to presidents only in times of international unrest, to mend the United States crumbling economic system.

The war power is derived from a combination of commander-in-chief and the presidential oath of office that is only constitutionally implied. Such a far-reaching interpretation of the constitution is in direct conflict with the intention of the framers. They envision the presidency as a separate institution insulated from popular opinion that draws its power from the constitution rather than another branch of government, but by the time Roosevelt’s tenure is over much of the agenda setting power shifts to the president who replaces Congress as the chief policy-maker within the federal government.

Thanks to the depression, supported by a shift in public perception, the new constitutional interpretation transforms every aspect of his presidency beginning with his relationship with Congress immediately after taking office. Roosevelt is the only member of the federal government whom the nation elects as a whole, and his mandate from the 1932 election enhances his position. Members of Congress realize that opposing Roosevelt’s policies hampers their reelection prospects in 1934, so they are eager to do Roosevelt’s bidding. Such enthusiasm provides Roosevelt with a unique opportunity. Just five days after taking office, he calls Congress into special session and, because of their willingness, extends the session until his immediate plans are enacted. This special session is what historians refer to as “the Hundred Days.”

Policies of the New Deal that Expand Presidential Power

Resolving the banking crisis is top priority, so President Roosevelt introduces the Emergency Banking Act of 1933 into Congress expanding his presidential power by authorizing Roosevelt to regulate the ailing banking system. The unprecedented Reconstruction Finance Corporation (RFC) is where Hoover’s administrative action to combat the depression ends, but it serves as only the beginning groundwork for Roosevelt’s administration.

The first step is to declare a national banking holiday to prevent further runs on the banks. Second, when the banks reopen, they are authorized to issue Federal Reserve bank notes to compensate for future runs. The banks can also issue preferred stock, and for security purposes the RFC can loan banks money to buoy
them in the future. At the insistence of Congress, the legislation is amended to include the Federal Insurance of Deposits (FDIC) to restore public confidence in the banking system.\textsuperscript{67} Within two days of the banks reopening, the plan is clearly a success. By March 15, 1933 seventy-six percent of the Federal Reserve banks reopen, and the number continues to rise in the coming months. In addition, by the end of March one and a quarter billion dollars in deposits return to the banks with another billion returning by the end of April.\textsuperscript{68}

Dealing with the agricultural crisis is next on Roosevelt’s agenda.\textsuperscript{69} The Agricultural Adjustment Act of 1933 includes multiple components that allow Roosevelt to control agricultural commodity production.\textsuperscript{70} Legislatively, the act specifies that agricultural prices must be raised to a level equaling industrial prices from the base period of August 1909 to July 1914, so farmers have purchasing power for necessary items. Next, consumers must pay the difference to the farmer through a tax collected at the first stage of processing. Thirdly, proceeds from these taxes are not given to farmers unconditionally: if payments are received farmers must agree to control production of their products.\textsuperscript{71}

In 1933, Congress also approves the Economy Act. The legislation gives the president broad authority to reduce veterans’ pensions, and salaries of government employees, expanding his power further.\textsuperscript{72} Through the legislation, Roosevelt cuts government spending by one-hundred million dollars, and veterans’ pensions by four-hundred million dollars. In total, the legislation reduces the 1934 federal budget by nearly thirteen percent.\textsuperscript{73}

Handling the unemployment crisis is Roosevelt’s next challenge. In handling this crisis, the modern welfare state is born when Congress approves the Emergency Relief Appropriation (ERA) of 1935. This budget Roosevelt can use as he sees fit.\textsuperscript{74} Congress’s deference to Roosevelt, with the appropriation, greatly expands his power because of his ability to act alone.\textsuperscript{75} Roosevelt uses the budget of almost five million dollars to expand and consolidate numerous early, temporary relief programs, which provide upwards of thirty million people with employment.\textsuperscript{76} Providing relief for the destitute is a challenge Roosevelt also meets. The Social Security Act of 1935 is the landmark legislation that provides part of the needed relief.\textsuperscript{77} Roosevelt uses the radio to explain the legislation’s purpose, and to build public support for it. He employs the tactic of “going public”\textsuperscript{78} to calm the fears of citizens about the legislation because the legislation represents a momentous change in the American psychology: this is the first time America accepts such socialistic legislation.\textsuperscript{79}

Roosevelt’s message is successful because he persuades the American public that he shares similar goals with them\textsuperscript{80} relief from the depression through action on old age and unemployment insurance, granting continued assistance to the states in public health work, vocational rehabilitation, and aid to children, widows, and the physically disabled.\textsuperscript{81} Roosevelt’s message produces added power benefits: it reminds Congress of the mandate he enjoys from the people to deal with the depression, and when it becomes law Congress allows Roosevelt to coordinate a program between the federal and state governments for the first time.\textsuperscript{82}
The centerpiece of New Deal legislation is the National Industrial Recovery Act (NIRA) of 1933 that continues the expansion of Roosevelt’s power by granting him unprecedented peacetime powers to reorganize and regulate the ailing and defective business system.\textsuperscript{83} The act is sweeping in nature.\textsuperscript{84} It promotes the organization of industry for the purpose of cooperative action among trade groups, in order to induce and maintain united action of labor and management under adequate governmental sanctions and supervision. Elimination of unfair competitive practices to promote the fullest utilization of productivity capacity of industry avoiding undue restriction of production is also included. As well as increasing the consumption of agricultural and industrial products through increased purchasing power to relieve unemployment. Lastly, labor standards are increased.\textsuperscript{85}

Collectively, the programs of the New Deal expose a serious weakness in the presidency: the lack of resources under direct presidential control. To compensate, Roosevelt increases the membership of the cabinet, and seeks institutional mechanisms to better coordinate its activities through strengthening his institutional staff. Roosevelt achieves his goal of expanding the office of the presidency, and his power, through the Reorganization Bill of 1938\textsuperscript{86} The specifics of the legislation are the recommendations of the Brownlow Committee in 1936, which proclaims that “the president needs help!”\textsuperscript{87} The committee’s report recommendations stem from the realization that public perception of the presidency change because of the depression. Its conclusions specifically address the perception change. In order “to deal with the increased duties of executive management falling upon the president, the White House staff should be expanded.”\textsuperscript{88}

To turn the findings of the Brownlow Committee into legislation, Roosevelt involves three of the foremost authorities on public administration: Louis Brownlow, Charles E. Merriam, and Luther H. Gulick. Plans for reorganization include: Roosevelt having the services of six administrative assistants, and a hundred-odd agencies repositioned under his control. Under the plan, Congress is allowed to disapprove of any change that President Roosevelt wants within sixty days, and if Roosevelt vetoes Congress’s change to the legislation, they can override him with a two-thirds vote.\textsuperscript{89} The legislation is rejected initially by Congress because they fear Roosevelt is taking away some of their power,\textsuperscript{90} so Roosevelt scales back his proposal to secure passage.\textsuperscript{91}

Roosevelt carries out reorganization by creating the Executive Office of the President (EOP). The EOP consists of immediate staff to the president, called the White House Office, and the Bureau of the Budget: a minor departmental transfer originally housed in the treasury department. Reorganization of the executive branch allows Roosevelt, and his successors, to formulate policy ideas within the White House strengthening their power.\textsuperscript{92}

Conclusion: The Lasting Impact of FDR’s New Deal
The crisis of the Great Depression of the 1930’s in America requires a strong, confident, leader. Franklin Roosevelt is the perfect man for the job because he personifies all of these qualities. When he assumes the presidency, from Herbert Hoover, he inherits a disastrous crisis, but Roosevelt is not deterred. He believes he will, through his New Deal, bring the nation out of the depths of depression.

Public perception allows the policies that encompass the New Deal to transform the presidency. By the time Roosevelt’s tenure is over, the president replaces Congress as the chief policy-maker within the federal government. Congress delegates significant authority to the president who creates and staffs agencies as well as reorganize the bureaucracy in response to the depression, while exercising little budgetary control. Once Congress grants such authority to the president it is difficult to take away. Even though Roosevelt sees the expansion of the presidency as temporary, this begins to institutionalize the power shift even though Roosevelt sees the expansion of the presidency as temporary.

Roosevelt’s successors, and Congress, today continue to function within the framework Roosevelt establishes during the Great Depression. The executive, and its departments, are an institution within the American political system that continues to grow as the demands placed on it increase. While presidents like Richard Nixon and Ronald Reagan champion smaller government, in reality, all presidents since Roosevelt value their power highly. Therefore, it is unlikely we will see any reduction of presidential power anytime soon.
References
Endnotes

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