



 U.S. Economy

FDR: Economic Policies and Accomplishments

How FDR Beat the Great Depression

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With a cigarette in a holder clenched in his teeth, a smiling Franklin Delano Roosevelt sits jauntily at the wheel of his convertible, Warm Springs, Georgia, 1939. Underwood Archives/Getty Images

By [Kimberly Amadeo](#)

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Franklin Delano Roosevelt was the 32nd U.S. President (March 4, 1933 - April 12, 1945). He was sworn at the height of the [Great Depression](#). He immediately launched the [New Deal](#) to end it. In 1942, FDR faced the first attack on American soil at Pearl Harbor. Roosevelt spent more to gear up factories to produce the equipment needed for America to enter World War II. Today, you have FDR to thank for Social Security, the [U.S. minimum wage](#) and child labor laws, and insurance for your bank deposits.

Great Depression

FDR won the election by promising to take all necessary steps to end the Depression. It had begun four years earlier with the stock market crash of 1929. As stocks lost value, investors switched to gold. As the price of gold rose, people redeemed their dollars for it. That was allowed at that time because the U.S. was still on the gold standard.

Soon, banks began failing, forcing everyone to hoard the precious metal. The depression worsened when the Federal Reserve raised interest rates to defend the dollar's value.

President Hoover did little to intervene, believing that the economy would heal itself. Instead, it worsened. During the year of the Presidential campaign, the economy shrank more than 10%, and the [unemployment rate](#) was nearly 25%. For more, see [Effects of the Great Depression](#).

In his [Inaugural Speech](#), FDR rallied Americans to support massive [government spending](#).

*This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that **the only thing we have to fear is fear itself** -- nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days.*

The first thing FDR did was close the banks to stop foreign speculators from depleting America's gold deposits. Ten days later, banks reopened after depositing all their gold with the Federal Reserve. (Source: Cato Institute, [The Rise and Fall of the Gold Standard in the U.S.](#), June 20, 2013)

Next, the new President ordered all citizens to turn in any gold coins to the nearest bank in exchange for dollars. The following year, he took the United States off of the gold standard completely. The dollar promptly fell by 60%. That allowed the government to print as much money as it needed to boost economic growth, since dollars were no longer tied to gold. For more, see [History of the Gold Standard](#).

New Deal

FDR signed the New Deal into law in his first 100 days. It was an unprecedented government intervention. It created 42 new agencies, including Social Security, the [Securities and Exchange Commission \(SEC\)](#), and the Federal Deposit Insurance Corporation ([FDIC](#)). Their purpose was to create jobs, safeguard investments, and allow unionization.

Did the New Deal fail to stop the Depression? It seems so, since it took World War II to get unemployment below 15%. But FDR cut New Deal funding in 1937 to balance the budget.

That was too soon. There wasn't enough confidence in an economic recovery by then. The Depression returned with a vengeance the following year. For more, [Timeline of the Great Depression](#).

WWII

On December 7, 1942, Japan attacked the U.S. Navy base at Pearl Harbor. FDR increased the [defense budget](#), quadrupling the debt to a whopping \$23 billion. In 1943, he tripled it to \$64 billion. That amount of spending was enough to end the Depression. If he had spent that in 1937 or earlier, the Depression would have ended then.

FDR's Death

The stress of WWII wore Roosevelt out. In 1944, his doctors found heart and circulatory disease and placed him on a strict diet.

It was too late. FDR suffered a massive stroke on vacation in Warm Springs, Georgia on April 12, 1945. First Lady [Eleanor Roosevelt](#) was giving a speech in Washington D.C. The doctors waited until after the speech to inform her of his death. She arranged the funeral, including a slow train to carry his coffin from Warm Springs back to Washington. He was buried in the Rose Garden of his estate at Hyde Park, New York. (Source: [History.com](#), [This Day in History](#); [WhiteHouse.gov](#), [Franklin D. Roosevelt](#))

FDR's Early Years

FDR was born in 1882 at Hyde Park, New York, into a wealthy family. He received a B.A. from Harvard in 1903 and studied law at Columbia. In 1905, he married Eleanor Roosevelt, the niece of his idol President Theodore Roosevelt. He passed the bar in 1907 and practiced law for three years before becoming a New York state senator.

President Wilson appointed him Assistant Secretary of the Navy (1913-1920) and Democratic nominee for Vice President in 1920. His ticket lost to Republican Warren Harding.

The following summer, he got polio. Paralysis forced him to use braces and a wheelchair for the rest of his life. He helped found the March of Dimes, which discovered the cure for polio.

He was appointed Governor of New York in 1928. Following his reelection in 1930, he began his campaign for Presidency in 1932. (Source: [FDR Library](#).)

FDR Timeline

Year	GDP Growth	Jobless Rate (December)	Debt (in billions)	What Happened
1933	-1.3%	24.9%	\$23	FDR became President and created New Deal.

1934	10.8%	21.7%	\$27	Economy started growing. FDR took U.S. off gold standard.
1935	8.9%	20.1%	\$29	FDR launched 2nd New Deal.
1936	12.9%	16.9%	\$34	FDR reelected for a second term.
1937	5.1%	14.3%	\$36	Roosevelt, fearing a budget deficit, cut spending, plunging the nation back into the Depression.
1938	-3.3%	19%	\$37	No more New Deal legislation was passed.
1939	8.0%	17.2%	\$40	Dust Bowl drought ended. Hitler invaded Poland.
1940	8.8%	14.6%	\$43	Unemployment began falling as U.S. began the draft.
1941	17.7%	9.9%	\$49	FDR started 3rd

				term. U.S. entered WWII.
1942	18.9%	4.7%	\$72	U.S. turned tide of war both the Pacific and Europe.
1943	17.0%	1.9%	\$137	Allies attacked Italy.
1944	8.0%	1.2%	\$201	D-Day launched the invasion of France. The <u>Bretton-Woods Agreement</u> established the dollar as the <u>global currency</u> .
1945	-1.0%	1.9%	\$259	FDR started an unprecedented 4th term but died in April. President Truman ended WWII in April by dropping nuclear bomb.

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Resources for Table

- BLS, [Unemployment Rate by Year](#)

- BEA, [National Income and Product Accounts Tables: Table 1.1.5. Nominal GDP, Table 1.1.1. GDP Growth Rate](#)
- [Recession History](#)
- Guide to the 20th Century
- InfoPlease, [U.S. Headlines by Year](#)
- Cal Poly College, [Timeline of the Great Depression](#)
- FDR Heritage [Timeline of Events](#)

Other Presidents' Economic Policies

- [Donald Trump \(2017 - 2021\)](#)
- [Barack Obama \(2009 - 2017\)](#)
- [George W. Bush \(2001 - 2009\)](#)
- [Bill Clinton \(1993 - 2001\)](#)
- [Ronald Reagan \(1981 - 1989\)](#)
- [Richard Nixon \(1969 - 1974\)](#)
- [Lyndon Johnson \(1963 - 1969\)](#)
- [John F. Kennedy \(1961 - 1963\)](#)

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FDR and the New Deal: Programs, Timeline, Did It Work?

3 Surprising Ways the New Deal Affects You Today

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A group of men line up outside a Chicago soup kitchen opened by Al Capone, ca.1930s. In a bid to rebuild his reputation, Capone opened a soup kitchen amid the worsening economic conditions. From the Chicago Daily News collection. (Photo by

By [Kimberly Amadeo](#)

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Definition: The New Deal was a promise made by [Franklin D. Roosevelt](#) to end the [Great Depression](#). Americans, battered by 25% unemployment, [Dust Bowl](#) droughts, and four waves of bank failures, were ready for the government to be the champion and come to the rescue. The New Deal was a far cry from the previous "...hear-nothing, see-nothing, do-nothing Government," derided by FDR in his [1936 Campaign speech](#).

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In FDR's first 100 days, he pushed Congress to pass 16 new agencies and laws. Together, they created "capitalism with safety nets and subsidies," according to historian Lawrence Davidson. Many of these programs, such as Social Security, the SEC (Securities and Exchange Commission), and the FDIC (Federal Deposit Insurance Corporation), are still here today, safeguarding your finances.

Why Did FDR Propose the New Deal?

FDR's predecessor, Herbert Hoover, didn't do much to stop the Depression. He believed in a free market economy that would self-correct. He was also concerned that economic assistance would make people want to stop working. Hoover's biggest concern was keeping the budget balanced. As the Depression wore on, government revenue fell. To keep from running a deficit, Hoover cut spending.

Even when Congress pressured Hoover to take action, he focused on stabilizing businesses. He believed that this would trickle down to the average person.

Instead, the Depression worsened. FDR proposed the New Deal to reverse this downward spiral. The goal was relief, recovery, and reform, for those who were hardest hit. (Source: Collin

New Deal Programs

FDR launched the New Deal in three waves from 1933-1939.

Congress passed these 47 programs to stabilize the U.S. financial system, provide relief to farmers and jobs to the unemployed, and build private-public partnerships to boost manufacturing. Here's a timeline of when they began and what they did.

- Emergency Banking Act - March 9: FDR closed all banks as soon as he was inaugurated to stop bank runs. This Act allowed banks to reopen once examiners found them to be financially secure. Five thousand banks reopened in the next three days.
- Government Economy Act - March 20: Cut the pay of government and military employees by 15%, and cut government spending by 25%. The \$1 billion saved went to finance New Deal programs.

- Beer-Wine Revenue Act - March 22: Ended Prohibition and taxed alcohol sales, raising federal revenue.
- Civilian Conservation Corps - March 31: Hired 3 million workers over the next ten years to conserve public land by planting forests, building flood barriers and maintaining roads and trails.
- Abandonment of Gold Standard - April 19: FDR stopped a run on the precious metal by ordering everyone to exchange all gold for dollars.
- Federal Emergency Relief Act - May 12: Funded a wide variety of jobs in agriculture, the arts, construction, and education.



- [Agricultural Adjustment Act](#) - May 12: Paid farmers to limit crops. Doubled crop prices by 1937. Overturned by Supreme Court in 1935 because it taxed processors, then gave funds to farmers. Was remedied in 1938.
- [Emergency Farm Mortgage Act](#) - May 12: Provided loans to save farms from foreclosure.
- [Tennessee Valley Authority Act](#) - May 18: Built power stations in the Tennessee Valley, the poorest area in the nation.
- [Securities Act](#) - May 27: Required corporations to provide information to investors before issuing stock.
- [Abrogation of Gold Payment Clause](#) - June 5: The government no longer had to repay dollars

with gold.

- Home Owners Refinancing Act - June 13: Established the Home Owners Loan Corporation (HOLC), which refinanced mortgages to prevent foreclosures. It also provided additional capital to mortgage lenders. When it closed in 1935, it had refinanced one million homes (20% of all urban mortgages).
- Glass-Steagall Banking Act - June 16: Separated investment banking from retail banking, which prevented banks from using depositors' funds for risky investments. It gave regulation of retail banks to the Federal Reserve, prohibited bank sales of securities, and created the Federal Deposit Insurance Corporation (FDIC). *Repealed in 1999 by the Gramm-Leach-Bliley Act.*
- National Industrial Recovery Act (NIRA) - June 16: Set up the Public Works Administration (PWA) to create public works jobs, like San Francisco's Golden Gate Bridge and New York City's Triborough Bridge. Created the National Recovery Administration to outlaw child labor, establish a minimum wage of \$1.25, and limit the workday to eight hours. It gave trade unions the legal right to bargain with employers. It was declared unconstitutional in 1935.
- Emergency Railroad Transportation Act - June 16: Attempted to coordinate the national railway systems, reduce duplication and improve profitability to railroad companies. It expired in 1935.
- Civil Works Administration - November 8: Created 4 million higher-paying jobs in construction. Cities and towns had to add to the \$400 million in federal funds. It was canceled in 1934 due to cost.

In 1934, conservative businessmen criticized the New Deal as for being too socialistic. Others, like Louisiana politician Huey Long, said it didn't do enough for the poor. Nevertheless, FDR pushed for these additional programs:

- Gold Reserve Act - January 30: FDR prohibited private gold ownership. He increased the price of gold to \$35 per ounce, up from \$20.67 per ounce where it had been for 100 years. That nearly doubled the value of the gold held in Fort Knox from \$4.033 billion to \$7.348 billion, making the U.S. the world's largest owner of gold.
- National Housing Act - June 27: Established the Federal Housing Administration (FHA) which

provides Federal insurance for mortgages.

- Securities Exchange Act - Created the Securities and Exchange Commission, which regulates stocks and the stock market.
- Federal Communications Act - Consolidated all federal regulation of telephone, telegraph, and radio communications under the Federal Communications Commission (FCC).

In 1935, the Supreme Court struck down the National Industrial Recovery Act. Concerned that other programs would also be eliminated, FDR launched the second round of New Deal programs. These focused on providing more services for the poor, the unemployed and farmers. FDR spoke about helping the "...millions who never had a chance -- men at starvation wages, women in sweatshops, children at looms."

- Soil Conservation & Domestic Allotment Act - February 26: Paid farmers to plant soil-building crops, like beans and grasses, to counteract the Dust Bowl.
- Emergency Relief Appropriation - April 8: Replaced FERA and funded the new Works Progress Administration (WPA) with \$5 billion. It employed 8.5 million people to build bridges, roads, public buildings, public parks and airports. It paid artists to create 2,566 murals and 17,744 pieces of sculpture to decorate the public works.
- Rural Electrification Act - May 20: Provided loans to farming cooperatives to generate electricity for their rural areas.
- National Labor Relations Act /Wagner Act - July: Protected the rights of employees to organize and address working conditions, with or without a union, and created the National Labor Relations Board.
- Resettlement Act: Created Resettlement Administration (RA), which trained farmers, and administered farm debt adjustment activities. It bought ten million acres of submarginal farm land and paid farmers to convert it to pasture, preserves, or parks. It resettled farmers onto better land and taught them modern conservation and farming techniques.
- Social Security Act (SSA) - August: Created the Social Security Trust Fund and Administration to provide income to the elderly, the blind, the disabled and children in low-income families.

In 1937, FDR rolled out the Third New Deal. However, he was concerned about budget deficits, so did not fund it as strongly as the previous two.

- [United States Housing Act](#) (Wagner-Steagall Act): Funded state-run public housing projects.
- Bonneville Power Administration (BPA): Delivered and sold power from the Bonneville Dam, which had been built by the PWA, near Portland Oregon.
- [Farm Tenancy Act](#) (Bankhead-Jones Farm Tenant Act): Created Farmers' Home Corporation to provide loans for tenant farmers to buy their farms.
- [Farm Security Administration](#) (FSA): Replaced the Resettlement Administration to provide loans and training for farmers.

The cutback in New Deal spending pushed the economy back into the Depression. [FDR pushed Congress to enact a \\$5 billion relief program](#), which consisted of:

- [Federal National Mortgage Association](#) (FNMA) - Resells mortgages on the secondary market to provide more funds for banks to lend.
- New Agricultural Adjustment Act (AAA) - Remedied the 1933 AAA.
- [Fair Labor Standards Act](#) (FLSA) - Established [U.S. minimum wage](#), overtime pay, record-keeping, and youth employment standards.

1939:

- Federal Security Agency - Administered Social Security, federal education funding, and food and drug safety. It was abolished in 1953. For more, see [Timeline of the Great Depression](#).

Did It Work?

The table below shows clearly that the New Deal worked. After the first New Deal was launched, the economy grew 10.8% in 1934. When the second New Deal rolled out, the economy grew 8.9% in 1935 and 12.9% in 1936. After government spending was cut in 1937, the economy contracted 3.3%.

From 1932, the year before the New Deal, to 1941, when the U.S. entered the war, the debt only grew by \$3 billion. The next year, defense spending quadrupled the amount added to the debt by a whopping \$23 billion. The amount added tripled to \$64 billion in 1943. If that much had been spent in the first year of the New Deal, it would have ended the Depression right there and then.

That disproves those who say the New Deal didn't work because the Depression lasted for ten years. They point out that defense spending on World War II was the only thing that ended the Depression. (Source: "[The New Deal](#)," Roosevelt Forward.)

Even today, New Deal programs soften the extremes of the business cycle. Before the New Deal (1797-1929), there were 33 major economic downturns, 22 recessions, four depressions and seven bank runs and panics. They impacted 60 of the 132 years covered. Recessions were more severe than they are today because there weren't the New Deal federal agencies to control corruption, fraud, and exploitation. For more, see [Effects of the Great Depression](#).

Since WWII, there have been 11 recessions that impacted just ten out of 60 years. They were milder than those before, thanks to the safety nets of the New Deal. (Source: "[Forgetting the Why of the New Deal](#)," Consortium News.com. Beverly Bandler, "FDR and the New Deal." pdf, 20 pp, August 27, 2012)

Could It Have Prevented World War II?

Consider this. FDR spent thirty times more in 1943 on the war than he did in 1933 on the New Deal. There was no resistance on war spending as there was on domestic spending. No one was worried about the budget deficit when the world was worried about Hitler's military dominance. However, concerns about the budget deficit sabotaged the New Deal from ending the Depression's global economic catastrophe. Why do military threats engender so much more public support than economic ones?

If FDR had spent as much on the New Deal in 1933 as he did in the war in 1943, it would have ended the Depression by creating jobs, demand, and economic growth. The Depression's misery helped propel the German people to [put the Nazis and Hitler in power](#). If FDR and the New Deal had ended the Depression in the early 1930s, the U.S. could have turned its resources sooner to helping its allies, Great Britain, and France. It would have at least shortened, if not prevented, World War II.

FDR and the New Deal Timeline

What Happened

1929 - Hoover became President. [Stock market crash](#) in October kicked off Depression. \$1

billion surplus. Unemployment at 3.2%.

1930 - Congress passed the Smoot-Hawley tariff to protect jobs. Trading partners retaliated, driving world trade down 65%. The economy contracted 8.5%, unemployment rose to 8.7%. Another \$1 billion surplus.

1931 - Fed raised rates to defend the gold standard, worsening depression. The economy contracted 6.4%, unemployment rose to 15.9%, and debt increased by \$1 billion.

1932 - FDR campaigned on New Deal promises. The economy contracted 12.9%, and unemployment rose to 23.6%. Lower revenues added. \$3 billion to debt.

1933 - FDR took office, immediately launched 16 programs in First New Deal. Added \$3 billion to debt. Depression started to lift, as economy only contracted 1.3%. Unemployment rose to 24.9%.

1934 - Economy grew 10.8%, and unemployment fell to 21.7%. \$5 billion added to the debt.

1935 - FDR added 2nd New Deal, adding \$2 billion to debt. The economy grew 8.9% and unemployment fell to 20.1%.

1936 - Economy grew, 12.9%, reducing unemployment to 16.9%. \$5 billion added to the debt.

1937 - FDR started 2nd term. Fearing budget deficit, he cut spending only adding \$3 billion to debt, despite rolling out Third New Deal. The economy grew 5.1% and unemployment fell to 14.3%.

1938 - No more New Deal legislation was passed, and spending was cut., so only \$1 billion added to the debt. Unemployment rose to 19%, the economy shrank 3.3%.

1939 - Dust Bowl drought ended. U.S. spent to build up the military as Europe entered WWII, adding \$3 billion to debt. The economy grew 8.0%, unemployment fell to 17.2%.

1940 - Unemployment fell to 14.6% as U.S. started the draft. FDR won reelection. Assisted Great Britain by sending weapons, adding \$3 billion to debt. The economy grew 8.8%.

1941 - FDR began his third term. Japan attacked Pearl Harbor in December. U.S. entered WWII. Spending eliminated Depression, adding \$6 billion to debt. The economy grew 17.7%,

unemployment fell to 9.9%.

1942 - Unemployment fell to 4.7% while the economy grew 18.9%. War spending added \$23 billion to debt.

1943 - War added \$64 billion to debt. GDP growth was 17.0%, unemployment fell to 1.9%. Italy surrendered.

1944 - War added \$64 billion to debt. GDP growth was 8.0%, unemployment was 1.2%. The [Bretton-Woods Agreement](#) made the dollar the [global currency](#).

1945 - FDR died in April. Truman became President. Added \$58 billion to debt. Germany surrendered in May. Truman dropped a nuclear bomb in August. Japan surrendered in September, ending WWII. The economy contracted 1.0% and unemployment edged up to 1.9% as soldiers returned home.

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