President Roosevelt: Fireside Chat on “The Forgotten Man”

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Author: Franklin D. Roosevelt
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Summary Overview
In 1932, New York governor and presidential candidate Franklin D. Roosevelt delivered a radio address to the American people regarding the economic crisis. Following the stock market crash in 1929, the Great Depression hit the United States, leading to widespread unemployment, home and farm foreclosures, and financial loss. In his address, Roosevelt stated that any permanent solution must be built from the “bottom up,” and he outlined three steps he believed were necessary to secure economic recovery: first, purchasing power had to be restored to American farmers; second, the federal government had to provide financial relief to small banks in order to prevent further foreclosures; and third, tariff policies had to be revised to ensure that the United States could sell its excess consumer goods on the global market.

Defining Moment
The United States experienced an economic boom during the 1920s. Europe had suffered significant infrastructure damage during World War I, placing the United States in a relatively strong financial position with its abundant raw materials and available investment funds. Technological developments such as mass-production assembly lines allowed more goods to be manufactured quickly and cheaply. Newly imposed import tariffs encouraged citizens to buy American-made goods, and favorable tax laws encouraged businessmen to invest in the manufacturing sector.

This changed abruptly on October 24, 1929, when the US stock market began a rapid, steady decline. By the following week, panic was in full swing as stock prices across all economic sectors plummeted. Banks of all sizes were in danger of closing their doors, and many demanded immediate repayment of loans and mortgages in an attempt to save their businesses. However, few borrowers—either personal or corporate—had cash available for immediate repayment. By November 1929, the value of the stock market decreased by $30 billion; many companies closed, leading to widespread unemployment.

By the end of the 1920s, numerous countries around the world with free-market economies experienced similar financial decline. Some were hit harder than others, and the situation was especially dire in the United States. By 1932, the stock market had dropped to about 20 percent of its 1929 value. By the time the Great Depression reached its official peak in 1933, 25 percent of workers were unemployed, and thousands of US banks had collapsed. The increased unemployment led to decreased spending and lower demand for consumer goods, which led to fewer manufacturing jobs and ultimately even more unemployment. The failure of so many banks—including many large ones—led to further foreclosures and restricted access to the credit many believed was necessary to boost the depressed economy.

In the immediate aftermath of the 1929 crash, President Herbert Hoover and his administration established or expanded several government programs designed to help destitute Americans. However, the public criticized his approach as spending too heavily on corporate subsidies while ordinary Americans literally starved. For example, Hoover established the Reconstruction Finance Corporation, which lent $2 billion in government funds to banks, insurance companies, building and loan associations, agricultural credit organizations, and railroads. By contrast, Hoover declined to support a bill that would have provided additional payments to World War I veterans for their time in the service, claiming the $4 billion price tag
By 1932, Roosevelt, then the New York state governor, was campaigning in earnest to become the next president of the United States. His platform focused on establishing federal programs designed to provide immediate relief to the starving and homeless and to put Americans back to work through government-funded works projects such as environmental conservation initiatives and improvements to government buildings and other public infrastructure.

Author Biography
Franklin D. Roosevelt was born on January 30, 1882, in Hyde Park, New York. He attended Groton School in Massachusetts and received his bachelor’s degree in history from Harvard University. He studied law at Columbia University in New York, but, upon passing the bar examination, left school without completing his degree in 1907. He practiced law in New York City for three years, before being elected to the New York State Senate in 1910.

President Woodrow Wilson appointed Roosevelt assistant secretary of the Navy from 1913 until 1920. Following an unsuccessful run for US vice president as the running mate of James M. Cox, Roosevelt briefly withdrew from politics. After a partial recovery from polio he contracted in 1921, Roosevelt was elected governor of New York State in 1928. In 1932, Roosevelt was elected president of the United States. He was inaugurated during the height of the Great Depression and saw the country through World War II. He died while still in office on April 12, 1945.

Although I understand that I am talking under the auspices of the Democratic National Committee, I do not want to limit myself to politics. I do not want to feel that I am addressing an audience of Democrats or that I speak merely as a Democrat myself. The present condition of our national affairs is too serious to be viewed through partisan eyes for partisan purposes.

Fifteen years ago my public duty called me to an active part in a great national emergency, the World War. Success then was due to a leadership whose vision carried beyond the timorous and futile gesture of sending a tiny army of 150,000 trained soldiers and the regular navy to the aid of our allies. The generalship of that moment conceived of a whole Nation mobilized for war, economic, industrial, social and military resources gathered into a vast unit capable of and actually in the process of throwing into the scales ten million men equipped with physical needs and sustained by the realization that behind them were the united efforts of 110,000,000 human beings. It was a great plan because it was built from bottom to top and not from top to bottom.

In my calm judgment, the Nation faces today a more grave emergency than in 1917.

It is said that Napoleon lost the battle of Waterloo because he forgot his infantry—he staked too much upon the more spectacular but less substantial cavalry. The present administration in Washington provides a close parallel. It has either forgotten or it does not want to remember the infantry of our economic army.

These unhappy times call for the building of plans that rest upon the forgotten, the unorganized but the indispensable units of economic power, for plans like those of 1917 that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid.

Obviously, these few minutes tonight permit no opportunity to lay down the ten or a dozen closely related objectives of a plan to meet our present emergency, but I can draw a few essentials, a beginning in fact, of a planned program.

It is the habit of the unthinking to turn in times like this to the illusions of economic magic. People suggest that a huge expenditure of public funds by the Federal Government and by State and local governments will completely solve the unemployment problem. But it is clear that even if we could raise many billions of dollars and find definitely useful public works to spend these billions on, even all that money would not give employment to the seven million or ten million people who are out of work. Let us admit frankly that it would be only a stopgap. A real economic cure must go to the killing of the bacteria in the system rather than to the treatment of
external symptoms.

How much do the shallow thinkers realize, for example, that approximately one-half of our whole population, fifty or sixty million people, earn their living by farming or in small towns whose existence immediately depends on farms. They have today lost their purchasing power. Why? They are receiving for farm products less than the cost to them of growing these farm products. The result of this loss of purchasing power is that many other millions of people engaged in industry in the cities cannot sell industrial products to the farming half of the Nation. This brings home to every city worker that his own employment is directly tied up with the farmer's dollar. No Nation can long endure half bankrupt. Main Street, Broadway, the mills, the mines will close if half the buyers are broke.

I cannot escape the conclusion that one of the essential parts of a national program of restoration must be to restore purchasing power to the farming half of the country. Without this the wheels of railroads and of factories will not turn.

Closely associated with this first objective is the problem of keeping the home-owner and the farm-owner where he is, without being dispossessed through the foreclosure of his mortgage. His relationship to the great banks of Chicago and New York is pretty remote. The two billion dollar fund which President Hoover and the Congress have put at the disposal of the big banks, the railroads and the corporations of the Nation is not for him. His is a relationship to his little local bank or local loan company. It is a sad fact that even though the local lender in many cases does not want to evict the farmer or home-owner by foreclosure proceedings, he is forced to do so in order to keep his bank or company solvent. Here should be an objective of Government itself, to provide at least as much assistance to the little fellow as it is now giving to the large banks and corporations. That is another example of building from the bottom up.

One other objective closely related to the problem of selling American products is to provide a tariff policy based upon economic common sense rather than upon politics, hot-air, and pull. This country during the past few years, culminating with the Hawley-Smoot Tariff in 1929, has compelled the world to build tariff fences so high that world trade is decreasing to the vanishing point. The value of goods internationally exchanged is today less than half of what it was three or four years ago.

Every man and woman who gives any thought to the subject knows that if our factories run even 80 percent of capacity, they will turn out more products than we as a Nation can possibly use ourselves. The answer is that if they run on 80 percent of capacity, we must sell some goods abroad. How can we do that if the outside Nations cannot pay us in cash? And we know by sad experience that they cannot do that. The only way they can pay us is in their own goods or raw materials, but this foolish tariff of ours makes that impossible.

What we must do is this: revise our tariff on the basis of a reciprocal exchange of goods, allowing other Nations to buy and to pay for our goods by sending us such of their goods as will not seriously throw any of our industries out of balance, and incidentally making impossible in this country the continuance of pure monopolies which cause us to pay excessive prices for many of the necessities of life.

Such objectives as these three, restoring farmers' buying power, relief to the small banks and home-owners and a reconstructed tariff policy, are only a part of ten or a dozen vital factors. But they seem to be beyond the concern of a national administration which can think in terms only of the top of the social and economic structure. It has sought temporary relief from the top down rather than permanent relief from the bottom up. It has totally failed to plan ahead in a comprehensive way. It has waited until something has cracked and then at the last moment has sought to prevent total collapse.

It is high time to get back to fundamentals. It is high time to admit with courage that we are in the midst of an emergency at least equal to that of war. Let us mobilize to meet it.
Document Analysis
Roosevelt begins his radio address by recounting the Allied forces’ success in World War I. He observes that success came from a “bottom-up” approach that rallied support, not only from trained military personnel, but also from more than 100 million ordinary people across the globe. He offers this story to demonstrate his position that building from the “bottom up” is the best approach to resolving the economic crisis.

Many factors contributed to the Great Depression, but Roosevelt says the main cause is relatively straightforward: Farmers—nearly half of the country’s population—lost a significant amount of purchasing power when prices dropped because of overproduction. Because of this loss, families could no longer afford to purchase manufactured goods, which led to job loss in the industrial sectors. In turn, this further eroded the purchasing power of the American public and created a cycle of economic loss.

Roosevelt believes that the country must once again use a bottom-up approach in order to improve the economy. He says that large expenditures of public funds for creating government works-related jobs are only a stopgap measure, and it is necessary to address the root of the problem. The federal government must provide financial assistance to smaller banks to help them maintain solvency and prevent them from foreclosing on houses and farms. Additionally, the 1930 Hawley-Smoot Tariff Act compounds the overproduction problem: with the decline of the American consumer’s purchasing power, too many excess goods exist in the domestic market, thus driving down prices. But with the high tariff rates and the prohibition on international exchange of goods in favor of cash-only transactions, companies have no viable way of selling these excesses on the global market.

Roosevelt concludes by identifying three steps necessary to bring the economy back into balance: farmers’ purchasing power must be restored; the federal government must provide financial relief to small banks and homeowners; and the tariff policy must be revised to give American goods an outlet in the global market. Roosevelt closes by saying that “it is high time to get back to fundamentals,” and encourages the American public to mobilize to meet the challenges presented by the state of the economy.

Essential Themes
A significant theme throughout Roosevelt’s campaign and presidency was his attention to the plight of everyday Americans. Many believe that his bottom-up approach to economic recovery was a major contributing factor to his victory over Herbert Hoover in the 1932 election. Contrary to Hoover’s approach, Roosevelt believed that first restoring financial security to the farmers and workers would lead to increased spending and ultimately strengthen corporate financial positions.

Additionally, Roosevelt frequently addressed the impact of global trade barriers on the domestic economy. He explained how the European and US economies were interconnected, especially in light of American investments in Europe’s post–World War I rebuilding efforts. As economies softened across the globe in the early 1930s, the United States and many other countries enacted or raised tariffs to protect their domestic production from global competition. But the combination of overproduction and high export barriers created a surplus of goods that drove down prices across the manufacturing sector, thus decreasing the purchasing power of both industrial workers and farmers. Restoring a proper balance of international trade, Roosevelt believed, was another key factor to economic recovery.

Despite Roosevelt’s new ideas and significant financial investment from the federal government, recovery from the Great Depression was slow. The economy showed signs of improving in 1933, but it stalled during 1934 and 1935 before picking up again between 1935 and 1937. A second wave of economic depression hit in 1937, however, from which the United States did not fully recover until entering World War II in 1941.

—Tracey M. DiLascio, JD

Bibliography and Additional Reading