



Franklin D. Roosevelt, President 1933-1945 - Domestic Policy

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30 October 2007

Ladies and gentlemen, when I was first asked to give these talks on American Presidents, it was suggested that I start in 1945, in parallel with the series that has just been completed on British Prime Ministers of that period. I said that wasn't really possible because you could not really understand the presidency in America without considering the presidency of Franklin Roosevelt, who was President from 1933 to 1945, for twelve years, and was the only President to have served more than two terms.

I do not think it is an exaggeration to say that Roosevelt has influenced almost every President since his time. He has cast a shadow over the presidency - a benign one as many would say, but some would disagree. In fact, a book has been published by an American professor called 'In the Shadow of FDR', looking at how Presidents after him, right up to the 1990s, were influenced by Roosevelt. He set the weather, he set the agenda, if you like, for American politics in a way that, in Britain for example, the Atlee Government did in 1945, and in the way that perhaps Margaret Thatcher did in the 1980s. This was Roosevelt's role in America, and I think one cannot understand the evolution of the American presidency or American history without considering Roosevelt. So it is that I am beginning in 1933 and not in 1945.

'Franklin Roosevelt was the greatest man I have ever known.' That was said by Winston Churchill, who was Prime Minister during the War, towards the end of Roosevelt's period of office.

'Franklin Roosevelt was the most influential political figure in the world in the 20th Century.' That is not my view but that of an American historian called Arthur Schlesinger, who died recently.

'Franklin Roosevelt was the greatest of the 20th Century Presidents.' That again is not my view, but - you may think more surprisingly - the view of Ronald Reagan. Ronald Reagan was a Republican of course, which is roughly equivalent to the Conservative Party here in Britain; whereas Franklin Roosevelt was a Democrat of course, which is roughly equivalent to the Labour Party, or the Liberal Party in the old days. But Reagan, although a Republican President, was a Democrat in the 1930s and he voted for Roosevelt four times: in 1932, in 1936, 1940, and 1944. When asked why he was now a Republican, he said he did not leave the Democratic Party but the Democratic Party left him, because he said it moved away from the policies of Roosevelt towards policies of big government and state control, which Roosevelt would have rejected. Reagan implied that Roosevelt would have agreed with him. Whether he was right or not will be for you to judge.

Roosevelt is thought to have been a great and influential President for two reasons: one, his domestic role in helping to secure American recovery from the Great Depression in the 1930s; and secondly, his role as War leader in the 1940s. These seemed to me such large subjects that I have decided to give two lectures on Roosevelt: the one today on his domestic policy; and the next one, at the end of next month, on his foreign policy. Of course, that will mean omitting one American President. Perhaps you will decide who it should be. Someone I asked said it should be Gerald Ford, but you decide? But even splitting Roosevelt into two, I shall have to compress these lectures very drastically because these are very complex matters, and I will have to simply very drastically, and anyone who knows much about American history will know how much I am simplifying.

Franklin Roosevelt was born in very comfortable surroundings in 1882. He was born to what one might call the American Establishment, the country squire-archy, which had very large acres in the Hudson Valley in Upstate New York about 80 miles from New York City. He was born to a very distinguished family. His

fifth cousin was Theodore Roosevelt, who was President from 1901 to 1909, but Theodore, unlike Franklin - and Franklin greatly admired Theodore, even hero-worshipped him as a young man - Theodore was a Republican and Franklin was a Democrat. One curious thing, which I have never heard confirmed, but an American told me many years ago that the Theodore branch, the Republican branch, pronounced their surname 'Roos-e-velt', but the Democratic branch, the Franklin branch, pronounced their surname 'Rose-e-velt'. I have never heard that confirmed by anyone, and if anyone can either confirm or refute it, I would be deeply grateful.

But anyway, 'Roos-e-velt' or 'Rose-e-velt' had an early and fairly rapid rise in American politics. He became a Senator for New York State as a young man and then when the Democrats won the presidency in 1912, under Woodrow Wilson, he became Assistant Secretary of the Navy. He held this post from 1913 to 1921. In 1921, he became a Vice-Presidential candidate. He was only 38 at the time, a very young man, even younger than Theodore Roosevelt, who had been a Vice-Presidential candidate for the Democrats.

He stood for the policy of Woodrow Wilson - and this will be very important in my next lecture on him - which was that America should join the League of Nations. This was defeated by the Senate and America did not join the new League of Nations, the forerunner of the United Nations. So when Roosevelt stood for the Vice-Presidency in 1921, it was a terrible year for the Democrats: there was a Republic landslide, a rejection of Woodrow Wilson, a rejection of Woodrow Wilson's foreign policy and the growth of isolationist viewpoints in America. The Republicans said, at that time, that the Americans should keep free of the League of Nations, 'keep free of all foreign entanglements', and they began to say that America had made a mistake in getting into the First World War at all, that what happened in Europe was not the business of Americans but the business of Europeans, and the best thing for Americans to do was to keep out of the way of European affairs.

I think it will be significant for my next lecture that Roosevelt did not share that view, even though it was held by many Democrats as well. He did not think America had been mistaken to enter the First War. Indeed, he thought it had been mistake to conclude it with an armistice because he took the view, like General Pershing, the leader of the American forces in that War, that it would have been better if the Allied forces had invaded Germany to convince the Germans that they had in fact been defeated, and he believed that only in this way could another war be prevented. I think one can see in that a foreshadowing of his views towards Nazi Germany in the late 1930s, and his demand for unconditional surrender at the end of the Second World War so there should be no doubt that Germany had been defeated.

Of course, this debate about the extent of American engagement in the world is still a very lively one in the United States, but paradoxically, it is now the Republicans, who were the isolationists in the 1920s, who want America to take a wider role, and perhaps the Democrats, who were much more internationalist at that time, who think America should have a more limited role. That has all changed.

But anyway, the 1920s were Republican years of great prosperity in the United States, and Franklin Roosevelt's party was in opposition. The Republicans seemed impregnable as long as there was such prosperity.

In 1928, a new Republican President was elected, Herbert Hoover, and he said: 'We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us. We have not yet reached the goal, but given a chance to go forward with the policies of the last eight years, we shall soon, with the help of God, be in sight of the day when poverty will be banished from this nation.' Now, you may say politicians should always be careful when saying things of that kind, because very shortly afterwards, the Great Depression broke in America with the Wall Street Crash, and Republican prosperity was shown not to have very strong foundations.

But meanwhile, as all this happened, Franklin Roosevelt suffered an appalling personal tragedy, when he was stricken with polio at the end of 1921, at the age of just 38, and was never able to walk again unaided. For the rest of his life he had to walk a few yards at most on crutches and a steel brace, and to be lifted in and out of wheelchairs and cars and anything else to be transported. Henry Ford made a special car for him, where the accelerator and brake could be used by hand and not by foot. But polio also, I suspect, led to other illnesses and thereby shortened his life, and certainly by 1944 or 1945, if you look at photographs of Roosevelt, he was a very sick man indeed and, arguably, should not have been a candidate in the Presidential Election of 1944 and possibly if his medical records had been released, he would not have been. At the time of the Yalta Conference in February 1945, which sought to produce a settlement of the post-War world, his officials had to present him with cards to inform him of America's position on these

matters. All this was hidden from the public by the media, who were then much more deferential than they are now, and so the public knew very little of the extent of his disability, and you will not find newsreels of him being lifted in and out of a wheelchair and so on and everything else that followed.

Historians differ on the effect this had on Roosevelt's character. Did it fundamentally alter him or did it only really bring out features of his character that had always been there?

The first thing I think one has to say is that his later political career must have been a great triumph of tenacity for someone in that position to continue as a leading politician for so long. Indeed, Roosevelt once said that after trying for two years to wiggle one big toe, everything else seemed rather easy!

The second effect I think was that it did give him an empathy for other people, especially underprivileged people with great difficulties in life which he had endured.

Thirdly, it perhaps emphasised the features that had already been there: great political skills; some would say great duplicity and political cunning - he had a lot of time in that wheelchair to plan how to deal with other politicians and he was an extremely fox-like politician. But what can be in little doubt I think is that he lived for the rest of his life in extreme pain and discomfort - I think there is no doubt of that.

He used his period of enforced absence from politics by cultivating, through letters and other contacts, his links with other Democrats so as to remain a leading figure in Democratic politics. In 1924 he came back to the political scene at the Democratic Convention when he nominated for President Al Smith, the Governor of New York, in a famous speech in which he called Smith 'the happy warrior', and that was a phrase that was later to be applied to him. Smith did not get the nomination then; he got it in 1928, but lost all the same in that year. In 1928, when Smith stood for the presidency, he thought he would choose someone who could take over the governorship of New York from him and would be a reliable subordinate to roughly do what Smith wanted to do. That reliable subordinate was Roosevelt.

Roosevelt, despite his disability, was an extraordinarily charismatic figure, with great cheerfulness. Whenever you see photos of him, you almost always see him smiling, and when he was being carried out of a car, for example, in a wheelchair, he would always smile to put others at ease, and once or twice when he fell over, he smiled at people as they picked them up. He exuded good cheer, in a way that in a later generation I think Ronald Reagan did, so despite this disability, there was not the feeling around him that he was a rather unhappy person. You felt around him greatly cheered and he left most visitors with a smile. Indeed, he had this rather unfortunate gift of saying yes to you: if you came to him with a proposal, he would say 'yes', and people thought that meant you agreed with him, but what it meant was that he had heard what you were saying. Someone else would come with the opposite proposition and he would say, 'Yes, yes, absolutely, absolutely.' They would say, 'Well, he agrees with me,' but actually he did not - he just heard what you were saying.

Anyway, Smith lost the Presidential Election of 1928 rather heavily; he only won a few states in the South, and he even lost his home state of New York. But Roosevelt had a stroke of luck and won New York as Governor by a hair's-breadth margin. He soon showed that he was his own master as Governor of New York, and he made the state a laboratory for social welfare programmes which he was to adapt as President. In particular, he developed a new philosophy of government, that government had a responsibility to offer relief to people who had been hit by the Great Depression - relief in unemployment benefits and so on. This was not just a matter of charity, but a matter of duty. The state said it must restore a close relationship with people by helping them when they are in trouble. His success as Governor of New York meant that he came to be spoken of as the obvious Democratic candidate for President next time, and given the Depression, there was no doubt that a Democrat would win and so it proved to be.

As I said, in 1929, Republican prosperity came to an end and there was the Great Depression. What made it a Great Depression was that it lasted such a long time. There had been depressions before in America and other industrial societies and they had generally bounced back. For example, there had been a depression in 1921 and it lasted for about a year and did not seem too serious. This one seemed interminable, deeper and more serious than anything else, and the length and depth of the Depression seemed to defy explanation. People did not know why it was caused or what to do about it. Of course, it is worth reminding you though I am sure you all know, that this was long before John Maynard Keynes wrote his famous book in 1936, 'The General Theory of Employment, Interest and Money', which suggested a way to deal with the Depression, which oddly enough people then thought was the right idea but perhaps do not now. But even now, there is some disagreement about the causes of the Depression, but there is

much more of a consensus about what caused it than there used to be.

There are in fact two views, and I am summarising very drastically and surgically in explaining these, because otherwise one could spend a whole series of lectures talking about the cause of the Depression.

The old view was that the Depression was fundamentally caused by unsound stock exchange speculation in the 1920s, assisted by the Republican Administrations. That view is expressed in a very enjoyable and popular book about the Depression, by , the American economist J. K. Galbraith, called 'The Great Crash'. He said that the Depression was worsened because Republican Governments followed restrictionist economic policies which encouraged the slump. Galbraith was a Keynesian who said the way to deal with depression is simply to expand expenditure. Now I am, as I say, summarising very crudely, and anyone who has an economist here will realise that, or even others will too, but that was the old view and I do not think many people hold that view today.

The new view is somewhat different. It says the economic expansion of the 1920s was not necessarily unsound or unsustainable, but the trouble was that when the Depression came, the Federal Reserve bank, the central bank roughly equivalent to our Bank of England, followed the wrong policies because instead of expanding the money supply, they restricted it, and that caused the stock market crash. The money supply from 1929 to 1933 fell by one third, and most economists now would say that was a terrible error and they should have expanded the money supply; they conducted a tight money policy when they should not have done. Governments at that time had few powers over the Federal Reserve so it was pretty autonomous, and government could not do much about that.

The second factor that worsened the slump was the weakness of the American commercial banking system. There were a large number of individual banks, many of them very small, and some were weak and unsound. The Federal Reserve then made another mistake: they allowed some of these banks to default, assuming that this would eliminate the weakest banks and so strengthen the banking system overall, but the trouble was that the panic spread to all the banks. People assumed because some banks had failed which were unsound, then good banks would fail as well - a bit like the recent Northern Rock crisis might have occurred in that way. This worsened the Depression, and that was the second factor, the weakness of the commercial banks.

The difficulty of any government in expanding the economy at that time was that America was tied, as most industrial countries were, to the gold standard. There was an international fixed exchange rate policy and they felt if they expanded the economy and other countries did not, then money will flow out of America and the currency would be in trouble. So they were tied by their international commitments, as the British too were at that time. The British left in 1931, the Americans in 1933. So that stopped really financial monetary policies that were necessary.

The fourth and final weakness that I am going to mention was a policy of the Republicans under Hoover, who passed a high tariff act in 1930 called the Hawley-Smoot Tariff after its progenitors in Congress, and that led to retaliation from other countries and a collapse of world trade, so worsening the Depression still further.

Those four policy factors - the wrong policy of the Federal Reserve, the collapse of some of the commercial banks, the connection with the gold standard, and the tariff policy - made what would otherwise have been a recession from which one would recover, into a very deep depression which affected the whole world and was very difficult to recover from. Economists are still arguing about this, as I said, but what is indisputable is that the Depression led to Franklin Roosevelt's nomination as President in a year that he was almost bound to win - almost anyone could have won that election.

When nominated by the convention at Chicago Roosevelt broke with precedent because before that, Presidents had waited to receive the nomination on their front porch, the so-called front porch idea. But Roosevelt wanted to show that his disability did not stop him being an energetic man, so he flew from New York to Chicago to receive the nomination in person. The flight took much longer, in rather turbulent weather, than it does now - about nine hours. It was in the infancy of aeroplanes after all and so it was much more daring than we think today. When Neville Chamberlain flew to meet Hitler in Munich in 1938, it took a long time, and people said this was very brave that such an elderly man would go on a plane.

At the convention, Roosevelt promised a New Deal for the American people, and that is a phrase by which his Administration is known - it secured a New Deal. Just what this New Deal was he was never very clear about and nor was anyone else, but it would be some sort of break with the past. Oddly enough, one of his campaign promises was to balance the budget. He said the Republicans had spent too much money and

he was going to ensure the days of financial profligacy were ended. It was not clear what he stood for when he was inaugurated - and in those days, the inauguration was in March after the election, not as now when it is in January (it was changed to January after the 1932 Election). In March 1933, America was in terrible trouble, the nearest we have come I think to a collapse of the private enterprise capitalist system, if you like.

Output since 1929 had fallen by nearly 30%, about a third. Unemployment had risen from 3% to 25%, a quarter of the workforce out of work, the largest ever seen in the United States. It was the worst depression in the whole history of the United States. I thought at this point you might perhaps be tired of hearing me and would like to hear Roosevelt himself comment on these events. I have brought a CD along with a recording from a campaign speech in 1940 when Roosevelt was speaking for his third nomination, standing a third time as President, and he was referring back to the conditions that had been there when he took office in 1933. It will give you a good idea of his campaign style'

[Recording plays]

I hope you got some idea of his campaigning style!

I mentioned the fall in output and the fall in unemployment, but in that speech, Roosevelt also mentioned the banking crisis, which was the worst of all. It had become a banking panic by 1933, but one third of American banks had failed or been taken over and that banks in 38 of the states had been closed, and in the other ten (there were 48 states then) were controlled carefully by the state government, so there was a real panic. Roosevelt's first response was to try and instil a sense of confidence back in the American people, and in his first inaugural address in 1933, he famously said, 'The only thing we have to fear is fear itself.'

He began 100 days of frantic legal activity, which lasted from March to mid-June 1933. The first thing he did was to close the banks for four working days. This led to a problem because Mrs Roosevelt found she could not pay her bill at the Mayflower Hotel because you could not get money out of the bank, so there was a problem. He then allowed them to open and operate, to work normally, though under much stronger government supervision, and he guaranteed the deposits of all those with deposits of less than \$100,000 in the bank. One of Roosevelt's associates said, perhaps with not too much of an exaggeration: 'Capitalism was saved in eight days', by these banking manoeuvres.

He gave the first of his famous fireside chats to the American people on the radio, because of course there wasn't television then, explaining what he was doing, and this led to a great increase in rapport between the President and the people. In his first week in office, 450,000 people wrote to him. After that, he received before 4,000 and 7,000 letters a day during his presidency. Before Roosevelt, the White House Mailroom had just one employee but Roosevelt had to hire seventy to deal with the correspondence!

He then dealt with the nub of the problem of finance by getting America out of the gold standard in 1933. This caused criticism from other countries because they said it was a sin against internationalism, although the economist Keynes said that this was, in his own words, 'magnificently right'. Roosevelt, although in my opinion basically an internationalist, said at that time that 'national economists had to look after themselves', and that America's international commitments were secondary to the establishment of a sound national economy and that America now had to plan her currency.

The way he planned the currency was often rather unusual. At one point, his Treasury Secretary, Henry Morgenthau, came into his bedroom one morning while he was getting ready and Roosevelt said he was going to raise the price of gold by 21 cents. Morgenthau said, 'Why 21 cents?' Roosevelt said, 'It's a lucky number. It's three times seven.' Morgenthau said, 'Well, if anybody ever knew how we set the gold price, through a combination of lucky numbers, I think they would be frightened,' but that does illustrate Roosevelt's style in many ways.

So that dealt with the immediate financial crisis, the threat of a collapse, but what about the Depression? No one knew how to cure it, no one knew what would work, and therefore Roosevelt proposed experiment: try one thing and if it does not work, try another. This was the policy of what he called 'bold persistent experimentation'. He set up these so-called Alphabet Agencies, all involving a much greater increase of governmental activity, public works, public control and a much greater role for the federal government.

Then in 1935, there was a second 100 days - another huge wave of legislative activity - comprising, first, the National Labour Relations Act, which strengthened trade unions in America, indeed encouraged Americans to join unions, but then what I think is the most important of all legislation in the New Deal, the Social Security Act, which set up for the first time a federal programme of old age pensions and unemployment insurance. Until that time, social security was a state matter and not a federal matter, and America was almost alone amongst industrial countries without any programme at all for pensions or unemployment insurance - the sort of thing that Lloyd George had introduced in Britain before the First World War.

At that time, in the 1930s, just one state, Wisconsin, had a publicly financed unemployment insurance programme, but that was very recently legislated for, in 1932, and it did not begin until 1934. As regards pensions, one third of the states had programmes, in the form of insurance schemes, but they were drastically under-funded, and the Depression really tore the heart out of them. In fact, around this time, there were only about 1,200 people in America who received public pensions, though there were various private pension schemes and some schemes for public employees.

When introducing this bill into Congress, Roosevelt said that it was important now to guarantee security. He said, 'We pay now for the dreadful consequence of economic insecurity - and dearly. No one can guarantee this country against the dangers of future depressions, but we can reduce these dangers. We can eliminate many of the factors that cause economic depressions and we can provide the means of mitigating their results. The plan for economic security is at once a measure of prevention and a method of alleviation.'

What Roosevelt wanted was what came in Britain after the War, the Beveridge scheme of cradle to grave security, and he went some way towards that. He also wanted a federal health service, which he did not secure, but neither has any other American President, and America does not at the moment have a national system of healthcare. He did achieve a limited measure of unemployment insurance, to be administered by the states but to be paid for by federal payroll taxes. He established a system of old age pensions for many of the poorest workers. They were not comprehensive, but they offered some degree of security and were the beginnings of the welfare state in America. By the end of the 20th Century, the social security programmes that Roosevelt had begun, and the other programmes, including Medicare, were the largest item in the federal budget, by far, and that was all begun by Roosevelt. So I think it is the most important single piece of social legislation in America in the 20th Century in terms of its influence upon Americans.

The consequences of these two episodes - the 100 days, if you like, of massive amounts of legislation - which again I have summarised very briefly and crudely, were enormous popularity for Roosevelt. In the 1936 Presidential Election, he won all but two states against the Republicans, the most sweeping victory in American history until Ronald Reagan, in 1984, won all but one state against Walter Mondale. I should say at this time that one polling agency predicted that Roosevelt would lose the 1936 Election to the Republican. But this was because they made the crass mistake of using the telephone to sample opinion, and of course at that time, telephones were owned only by the better-off, who tended to vote Republican, so they came to a false result, but Roosevelt had a landslide.

Now, as I said, Roosevelt overcame the immediate panic and crisis and spread a spirit of optimism and confidence in America. Keynes, who rather admired him, said that he was a 'trustee for those in every country who believed in democracy', because he showed that a democratic government could be as dynamic and energetic as a dictatorship. So it did the important job of restoring people's faith in democracy. But he did not end the Depression. In the excerpt you have just heard, where he was talking about the Republican criticism that he had not ended the Depression, there is, I am afraid, more to those criticisms than Roosevelt was prepared to admit.

Recovery in America was very slow, perhaps the slowest in any industrial state. The expansion from 1933 to 1937 was very limited. By March 1937, real GDP was still not quite up to the level of 1929 and unemployment remained high at 14%. Then in 1938, there was a second contraction, the so-called Roosevelt Recession. Nearly two million people lost their jobs, and unemployment went back to 17% and remained high until the War. America did not achieve full employment until rearmament and the War brought the unemployed into work. From 1939 to 1944 - that was the period of recovery - GDP doubled, unemployment fell to just over one percent, as a result of rearmament and the War. So Roosevelt failed in that goal of securing American recovery, and as I say, I think there was more to the Republican criticisms than Roosevelt was willing to admit, though it is not true to say he did not create a single job - that also is

an exaggeration.

But, worse than the fact he failed, there are many now who believe that his policies actually retarded recovery. In 1935, the Brookings Institution, which was a think tank sympathetic to the Democrats, said that the National Recovery Administration, which was a complex network of federal machinery trying to get employers and labour to work together, actually retarded recovery. The NRA, which was ruled unconstitutional by the Supreme Court in 1935, was nicknamed by people 'Nuts Running America', was trying to create jobs where there were not any. Most economists would now say that the government interference in the workings of the market economy were actually harmful, and that a more consistent policy, with less government intervention, less federal intervention in economic affairs - not in banking, but in the economy - might have been more successful. People say the corporate state, which Roosevelt was building up, tended to stifle private initiative and a private investment.

Roosevelt, as I said, believed in constant experimentation. He was a tinkerer. He said in his 1932 campaign speech, 'The country needs and demands bold, persistent experimentation. It is commonsense to take a method and try it; if it fails, admit it frankly and try another, but above all, try something.' However, the weakness with that doctrine was that private business, on which recovery had to rely because the federal government was a very small part of the economy, was disorientated by that. They could not make plans, they never knew where they were from one day to another, and the costs of uncertainty were very great. The Head of the Federal Reserve said in 1937: 'Business is now hesitant about making long term plans, partly because it feels it does not know what the rules of the game are going to be.' So you could argue that Roosevelt harmed the private sector on which recovery had to be based, by continually changing course and offering no clear direction.

His tax increases in 1935 were based on the view that the government should put money into the economy, and if the companies kept the money, this would stultify growth. But this resulted in cuts in private investment and discouraged investment. Roosevelt tended to think that the rich should be punished, that the economy was a zero sum game, and that redistributed tax policies would help cure the slump. Many would now say, even on the left I think, that this involves a misunderstanding of how wealth is created. Roosevelt's belief that government planning offered the most efficient path forward and that private business was wasteful is no longer accepted by most economists, nor by most politicians, even by most politicians on the left. Had he relied more on private investment and had private investment been more successful at dealing with the slump - and of course these are ifs - then recovery might have been quicker, and democracy would have appeared even more successful than it was. So his achievements in regards to recovery are more limited than historians used to think.

However, I believe his main achievement lies elsewhere, in that he restructured American institutions so as to reduce risk and bring security to many people. In other words, the welfare state: the sort of thing we had already begun in Britain, and he achieved in America what Lloyd George and Attlee achieved in Britain. He established the basic structure of a welfare state.

Many of the writers on the New Deal often say that it was inconsistent, with no single theme. One of Roosevelt's advisors said that 'to look at his policies and find a purpose was to believe that the accumulation of stuffed snakes, baseball pictures, school flags, old tennis shoes, carpenters' tools, geometry books, and chemistry sets in a boy's bedroom could have been put there by an interior decorator!' But I think there is a central theme, and that is the theme of security, that before Roosevelt, the private enterprise system led to insecurity. He wanted to reform it, not in a socialist direction - he did not nationalise the banks, he certainly was not a socialist - but to make the market economy more stable and distribute its benefits a bit more fairly.

In 1932, in a campaign speech in San Francisco, he said: 'As I see it, the task of government in its relation to business is to assist the development of an economic constitution order'; in other words, to complement the Constitution, there had to be economic and social rights of people, particularly rights of security. He said to his Secretary of Labour that 'We are going to make a country in which no one is left out.' Indeed, he was the first to bring black Americans into government. He appointed the first black federal judge, and his public works programmes offered jobs to black Americans and helped lower the rate of unemployment in the black community. However, he did nothing to challenge segregation and lynch law in the South. This would have been difficult for him to do, perhaps, given the dominance of the Democratic Party at that time in the South. So he did not even nearly fully achieve his aim, but he began towards its achievement.

So this is a paradox: he failed in his immediate aim of curing the Depression, but he achieved what was in a sense a higher policy objective of creating security. There is, I think, a similar paradox in the presidency of Ronald Reagan, because Ronald Reagan did not achieve his immediate policy aim of balancing the budget, but he did succeed in halting the growth of the welfare state, which was his higher policy objective. So Roosevelt showed, to some extent at least, that democracy could work and that this would therefore be possible as compared to a dictatorship.

I think the key to Roosevelt is that he was a liberal at a time when liberalism was facing unprecedented problems for which his liberal upbringing had not prepared him. As a liberal born in the late 19th Century, he would have believed in steady progress but here you had this terrible crisis which had not been foreseen and which no one was able to deal with, where the traditional remedies seemed irrelevant. It was almost the collapse of private enterprise, perhaps the collapse of the whole system, the collapse of capitalism, if you like, which Marxists had so long predicted - though, oddly enough, when it did come in America, the extreme left did not benefit. The socialists gained just one quarter of one percent of the vote in the Presidential Election of 1932. It is the nearest you have got perhaps to the collapse of capitalism that Marx had predicted, but it did not benefit the extreme left at all. It is extraordinary and remarkable that, while in many countries in Europe, and of course primarily Germany, the depression slump was used by voters to switch to dictatorships - they brought dictatorships in to deal with the slump - in America, the voters remained thoroughly loyal to these two major parties, and they turned to the opposition party to deal with the problem.

One journalist at the time, Dorothy Thomson, wrote at the end of this awful period in 1940: 'We have behind us eight terrible years of a crisis we have shared with all countries. Here we are, and our basic institutions are still intact, our people relatively prosperous, and most important of all, our society relatively affectionate. The working classes are not clamouring for a communist leadership, and industrialists are not demanding a man on horseback. No country in the world is so well-off.'

Roosevelt responded to this terrible crisis by a belief in the values of beneficent government. In his second inaugural speech, in 1937, he said: 'We are beginning to wipe out the line that divides the practical from the ideal, and in doing so, we are fashioning an instrument of unimagined power for the establishment of a morally better world.' In other words, use government to provide a morally better world for Americans, and in that sense, the first modern American President.

As a liberal of course, he not only had to face those unparalleled problems of depression and slum in America, but the problems abroad: the collapse of the assumptions about the liberal international order which had animated the League of Nations, the rise of the Fascist powers under Hitler and Mussolini; and then, later, the problem of dealing with Stalin. None of those shared, to put it mildly, traditional liberal assumptions about foreign policies. Again, these were people whom Roosevelt's upbringing in the late 19th Century had given him little clue how to deal with - they were a totally new phenomena, like the Great Depression in America.

Obviously, Roosevelt had to increasingly turn his attention to those matters, and in 1938, Roosevelt's annual message to Congress was the first in which he did not propose new social or economic reforms. There were new problems from abroad, and in 1941 of course, the American fleet was almost wiped out by the Japanese in Pearl Harbor and America found herself at war. Roosevelt, in a typical phrase, said that 'Dr New Deal' would now become 'Dr Win the War', and that will be the theme of my talk next time.