# The History of the Twentieth Century
## Episode 283
## “Where Are the Customers’ Yachts?”
### Transcript

[music: Fanfare]

There was a joke which told of a visitor to New York City being shown around by a friend. The visitor was amazed by the size and number of private yachts in the harbor, and asked how New Yorkers got the money to afford such expensive boats. The friend explained that most of them were owned by bankers and stock brokers. These were people who managed investments on behalf of their customers in exchange for commissions. These bankers and brokers were so successful at managing their customers’ money that they themselves became very wealthy, and that was how they could afford to buy their own yachts. The visitor paused for a moment, looking out over the water and pondering what he had just been told. Then he asked, “Where are the customers’ yachts?”

Welcome to *The History of the Twentieth Century.*

[music: Opening Theme]

Episode 283. Where Are the Customers’ Yachts?

The American public of 1933 had a very low opinion of Wall Street, the stock market, and the finance industry. This presented a difficulty for the finance industry. Roosevelt had gotten the banks open and convinced the public it was safe to deposit their cash and gold into American banks, and he had managed this seemingly impossible feat in his first two weeks in office.

The stock market was another story. The collapse in share prices on the New York Stock Exchange only began in October 1929. It continued for three years, with prices bottoming out in 1932. Of course, we only know that was the bottom in hindsight. People living in 1932 only knew that stock prices had been through three years of uninterrupted decline, in parallel with the larger economy, which had also experienced three years of uninterrupted decline. By 1932, there were many voices saying that this was the end of the road for capitalism. It had failed. Naturally, many of the voices saying this were Communist, but not only the Communists. Membership in the Communist Party of the United States surged, but there were also those who had no faith in Communism but nevertheless saw it as self evident that the era of capitalism was over. Indeed, it would have been difficult to work up much of a defense of capitalism in 1932.

In particular, the reputation of the stock market had taken a beating. For three years, anyone foolish enough to invest in stocks had watched their money evaporate. The larger causes of the stock market crash, the unemployment, and the decline in trade that characterized the Great Depression were hard to grasp, and many ordinary Americans focused their wrath on Wall Street and the financial community, where it had all seemed to begin in October 1929. Financial chicanery was not the sole cause of the crash, or of the Great Depression, but it did play a role. Not necessarily outright fraud or other illegal behavior, but business practices that were legal, though undeniably shady.

It is often the case that the real scandals aren't about the people breaking the law. They're about the people doing things that are perfectly legal, although they shouldn't be. I've raised the subject before on this podcast of the lack of regulation of stock trading in early twentieth century Amereica. For example, information about the financial position of a corporation was hard to come by. People who knew the internal workings of a company had a big advantage over members of the general public who had no way of obtaining that information. Insiders could buy stocks when they knew good news was coming, or sell on an early tip that bad news was about to break. For that matter, how could you even be sure the fancy engraved certificate you just paid good money for represented a share of the profits of a real, vital business, or did you just buy a piece of a company heavily invested in Florida real estate?

During the era of Progressive reform, state governments in the United States began enacting what were known as "blue sky laws," meant to regulate the trade in stocks and other securities. The origin of the nickname is obscure; it was apparently meant to suggest that securities were being sold that promised nothing more than a clear blue sky.

By the time Franklin Roosevelt became President in 1933, 47 US states had enacted some form of blue sky law, Nevada being the sole exception. But the terms of these laws varied considerably from state to state, and creative scoundrels found easy ways to evade them; for instance, by marketing securities through the mail. There was no Federal regulation of securities.

The massive stock losses the public experienced between 1929 and 1932 led the Republican-controlled Senate Banking Committee to begin investigations into the causes of the stock market collapse. Democrats criticized the committee investigation as being mostly for show. In January 1933, the committee hired a New York attorney named Ferdinand Pecora to draft its final report. In reviewing the evidence, Pecora judged the investigation to be inadequate, and requested further hearings. By this time, the Democratic sweep of the 1932 elections had taken place, and the new Democratic majority wholeheartedly agreed to continue and expand the probe.

New hearings were held throughout 1933 and into 1934, and uncovered abuses that further stoked public anger. One notable example was “Sunshine Charlie” Mitchell, president of National City Bank, who acknowledged before the committee that his bank had a banking division and a securities division, the latter knowingly sold dubious securities to unsophisticated investors, and then financed their purchases with loans from the banking division. A number of America’s wealthiest were forced to acknowledge publicly that they hadn’t paid any income tax in many years.

These revelations were a national scandal, but few of them led to criminal prosecutions because although the behaviors uncovered were shady and unsavory, they were mostly legal. Even so, the reputation of the stock market was thoroughly trashed in the eyes of the public. On the other hand, American business had become accustomed to raising capital from a much larger pool of investors than ever before during the Roaring Twenties, and with stock prices at catastrophic lows, recovery would require a restoration of that old public faith in the financial sector.

Which brings us back around to Franklin Roosevelt and the first hundred days of his Presidency. The Roosevelt Administration submitted legislation, the Securities Act of 1933, meant to restore faith in securities trading by imposing regulations meant to require full disclosure. For example, securities offers had to be registered with the Federal government, and had to include a formal document called a prospectus, that laid out certain required details of the securities being offered and background information about the underlying business, including financial statements vetted by independent accountants. Federal regulators could order sales of a security halted if the disclosures were found to be false or incomplete.

To quote President Roosevelt: “[T]hose who seek to draw upon other people’s money must be wholly candid regarding the facts on which the investor’s judgment is asked.”

Regulation of the stock market was expanded in 1934 by the passage of the Securities Exchange Act, which created the Securities Exchange Commission, or SEC, which would further regulate sales and exchanges of securities. Roosevelt appointed as the first chair of the SEC his friend and political supporter, self-made millionaire financier Joseph Kennedy, whom we’ve met before in the podcast. Kennedy was well-acquainted with the workings of Wall Street and was perhaps the most prominent Irish-American of his time. Among the other commissioners Roosevelt appointed to the SEC was Ferdinand Pecora.

Meanwhile, the revelations unearthed by the Senate Banking Committee hearings spurred members of Congress to assemble a bill that included a number of banking reforms that had been under consideration in Congress since the Hoover Administration, and in some cases even earlier than that. It was designated the Banking Act of 1933, though it was and is often referred as the

Glass-Steagall Act after its principal sponsors in the Senate and House, Southern Democrats Carter Glass of Virginia and Henry Steagall of Alabama.

Carter Glass barely missed an earlier mention in the podcast. He served for a time as Woodrow Wilson's Secretary of the Treasury for a little over a year, succeeding William McAdoo, the President's son-in-law, who left the position to seek his fortune in Hollywood.

The two most important aspects of the Glass-Steagall Act were first, a requirement to separate commercial banking from investment banking. No longer could a financial institution do both, as National City Bank had been revealed to be doing. National City voluntarily dissolved its investment banking operation following the public outcry, as did its rival, Chase National Bank.

This part of the law would be in effect until 1999 and is credited with fostering a remarkable stability in the US banking system. In 1999, Congress passed and President Bill Clinton signed the Gramm-Leach Act, also known as the Financial Services Modernization Act, which repealed the Glass-Steagall requirement separating commercial and investment banking. Ironically, one of the key movers behind the repeal was Sandy Weill, CEO of Citigroup, the bank formerly known as National City Bank, back when it was run by Sunshine Charlie.

The other important part of the Glass-Steagall bill was the creation of the Federal Deposit Insurance Corporation, or FDIC, to insure bank deposits. Member banks of the Federal Reserve were required to buy deposit insurance, which would reimburse bank depositors, up to a set limit, initially $2,500, for deposits lost when a bank failed.

Franklin Roosevelt had assured the nation in his first fireside chat that the Federal government would intervene in the banking system and would strive to minimize depositors' losses. This helped restore confidence in the system, though many members of the public believed the President had pledged the Federal government would guarantee their bank deposits, which Roosevelt never actually said. But the creation of the FDIC did in fact create a Federal bank guarantee. The FDIC is still in business in our time, the coverage limit has increased over the years and now stands at $250,000, and no depositor in a US bank has lost a penny of their money in the 89 years since the law was enacted.

You may be surprised to hear that Roosevelt was opposed to this. He saw a problem of moral hazard, that is to say, bankers might feel free to invest deposits in riskier ways if they knew those deposits were insured meaning, as he put it, weak banks would bring down the strong ones. Roosevelt considered vetoing Glass-Steagall, but the bill had passed Congress with such wide margins that it became obvious a veto would be overridden, so Roosevelt conceded and signed the bill.

This was the one major piece of legislation that passed during the Hundred Days that the Roosevelt Administration neither sought nor supported, but in another historical irony, it became associated with the New Deal anyway and became one of the most popular and far-reaching reforms of the time. One historian called it “the stepchild of the New Deal.”

[music: Whitehead, “Blues for Mundy”]

Back in 1917, after the United States entered the Great War, the US government allocated $150 million to build a hydroelectric plant at Muscle Shoals, on the Tennessee River in northern Alabama. The plant was intended to generate electricity that would be used to supply a chemical plant to manufacture nitrates, the first step in making gunpowder for ammunition. The war ended before the project was finished, and the plant became something of a white elephant for the US government, which didn’t need it for itself, but the dam was located in Appalachia, a region that was perhaps the poorest and least economically developed in the nation, not to mention one of the least electrified in the nation.

After the war and throughout the 1920s, as the plant stood idle, Progressives in Congress pushed the idea of the Federal government operating the plant and selling electricity commercially in the region. Many Progressives believed that private electric utilities were monopolistic and overcharged their customers. They hoped competition from the government would drive down prices, but this idea was anathema to conservative Republicans like Calvin Coolidge and Herbert Hoover, both of whom vetoed bills that would have used the plant to establish a federally-owned electric utility. Hoover denounced the plan as “a negation of the ideals upon which our civilization has been based.” Conservatives like Coolidge and Hoover wanted to sell the plant to a private utility, but Congress was opposed.

Alert listeners may recall I referenced this plant back in episode 259, when I told you the story of how President Hoover chose Tennessee politician Claudius Huston to chair the Republican National Committee, but Huston was forced to resign amid scandals, one of which was that he was not only lobbying to privatize this plant in Tennessee on behalf of a consortium of utilities, but was using some of their money to play the stock market for his personal benefit.

The election of Franklin Roosevelt meant an administration that now looked favorably upon this idea, especially in light of how hard the Great Depression had hit Appalachia. The average income there was half the national average. Only 2% of the homes had electricity. Infant mortality was high, diseases like tuberculosis were rampant, and health care was virtually nonexistent. Farming methods had scarcely changed since the first white settlers had arrived in the late 18th century, meaning deforestation, erosion, and flooding plagued the region.

The Roosevelt Administration submitted legislation, which easily passed Congress, creating the Tennessee Valley Authority, or TVA, which would not only maintain the Muscle Shoals plant and sell the power commercially, but would build additional plants along the length of the Tennessee River. Republican opponents denounced the TVA as bringing Soviet-style central planning to America, but it was an economic boon to the region. The new construction created thousands of jobs, while the TVA electrified the region, improving the lives of the local people and making the region more attractive to industrial development, bringing many textile factories to the region. And in a part of the country famously suspicious of outsiders, the TVA was able, slowly, carefully, to introduce modern farming methods, such as nitrate fertilizers and crop rotation.

The TVA eventually became the largest electricity provider in the US, and is still in business today, supplying electricity to the entire state of Tennessee and portions of six adjacent states.

Over a quarter-million home mortgages had been foreclosed upon in 1932, and in 1933 the rate of foreclosures was climbing higher. The standard home mortgage at the time had a term of six years or less, and the borrower only made monthly interest payments, with the full amount of the principal due at the end of the loan term, which is called a "balloon payment." Homeowners typically satisfied the balloon payment by rolling it over into a new loan. This system fell apart during the Great Depression. Many homeowners could no longer afford their monthly payments, but even those who could had difficulty taking out a new loan when that balloon payment came due at the end of the old one. Distressed banks didn't want to write new loans; they wanted to reclaim the funds from the old ones. Homeowners who could get new loans got stuck with stiff interest rates, as high as 8%, a stratospheric rate, when you consider this was a period of deflation.

This situation put many homeowners into distress, and had farther-reaching implications. Residential real estate prices collapsed and new home construction shrank to almost nothing, since no one was buying homes.

The Roosevelt Administration proposed, and Congress passed, legislation to create a Federal Home Owners' Loan Corporation, which would offer homeowners refinancing under more palatable terms: a 15-year loan period, with the principal amortized into the monthly payment, so that at the end of the 15 years, the homeowner was clear of debt. Eventually, 15- and 30-year amortized loans became standard terms in American mortgages.

In addition to Glass-Steagall, the Roosevelt Administration had a second major bill emerge from Congress that they had not requested and did not support. This one was sponsored by Hugo Black, a Democratic Senator from Alabama. At this time in US history, all efforts to enact national legislation to regulate minimum wages, hours, even child labor, had been frustrated by the Supreme Court, still mired in its *Lochner*-era jurisprudence, which held the Federal government did not have the power to regulate such matters. Hugo Black's bill tried a new approach: his bill would take advantage of the Constitution's explicit grant of power to the Federal government to regulate interstate commerce by outright banning from interstate commerce any product manufactured in a facility where the workers worked more than six hours per day or five days per week.

Such a ban would effectively impose a maximum 30-hour workweek, which, according to Black, would create six million new jobs.

But Roosevelt believed the proposal was unconstitutional. So he and his Administration worked to modify the bill into a broader piece of legislation, the National Industrial Recovery Act. The Act guaranteed, for the first time, the right of workers to form unions. In addition, it authorized businesses to form trade organizations, which would be empowered to set industry-wide standards on wages, hours, working conditions, and prices. These trade standards would be subject to government approval, with an eye to avoiding the development of monopolies, but the underlying principle here was the belief that too much competition was driving down wages and prices with a deflationary effect, so the Act was intended to give industry some room to increase them.

The Act created the National Recovery Administration, or NRA, most often remembered for the poster that member businesses would display to the public. It had the letters NRA in bold red, above a blue eagle, and underneath the legend, “We Do Our Part.” The NIRA was approved by Congress on June 16, the last day of that famous 100-day session.

And there you have it. It took me nearly two episodes to discuss it all, but there’s your summary of the key legislation passed during that session. This package of new laws and programs is what most people associate with the term “New Deal,” but it’s important to understand that this was not one overarching economic program. Franklin Roosevelt did not come to the Presidency with this set of proposals already in mind. Rather, the New Deal was assembled piecemeal, each component created in response to a specific problem. Some of them worked better than others, as we shall see, but in cases where a New Deal program didn’t work so well, the Roosevelt Administration was not reluctant to change or abolish it in favor of something new. This was consistent with Roosevelt’s stated belief in “persistent experimentation.”

Overall, the New Deal was a huge success. With the benefit of hindsight, we can study economic data from the period, and the data shows clearly that the long economic slide America had been on reversed itself precisely in the month of March 1933, when Roosevelt took over. Happy days are here again.

But there is one last economic topic I need to talk about before I can conclude today’s episode, and that is: that pesky gold standard.

[music: Lamb and Von Tilzer, “A Bird in a Gilded Cage”]

During the period of the Hundred Days, when all this new legislation was passing Congress in Washington, it took time for these measures to impact individual lives, and there was still much suffering in the country. Farmers had it the worst, as we’ve seen in past episodes, and keep in mind that farmers and other people employed in farming amounted to nearly a third of the US population in 1933, compared to just 2% in our time, so we’re talking about a lot of people here. Many farmers were in debt, and farm foreclosures were becoming depressingly common.

In some rural agricultural regions of the country, farmers were organizing protests against their lot. Some farmers attempted to organize farmer strikes; that is to say, farmers would band together to withhold their produce from market until prices improved. Sometimes these were dubbed a “farmers holiday,” by analogy to the “bank holidays” the country was experiencing. If bankers could do it, why not farmers?

By April 1933, farm protests were becoming violent. Consider for example, Plymouth County, Iowa, on the western edge of the state, along the Sioux River. In late April, a group of about 500 farmers stormed the red sandstone courthouse in the county seat of Le Mars, population 5,000, and confronted Judge C.C. Bradley in his courtroom. They reminded the judge that their taxes paid for the court and paid his salary, and demanded that he cease issuing foreclosure orders until the New Deal reforms being enacted in Washington had time to relieve the struggling farmers. Judge Bradley indignantly refused. The mob roughed him up and dragged him outside to a telephone pole. Someone threw a rope over the pole and tied it around Judge Bradley’s neck. The mob heaved on the rope and raised him off the ground. As the judge struggled to breathe, calmer voices in the mob prevailed, and he was let down before he suffocated. The mob contented itself with squirting grease down his pants and then released him.

This was just one of a number of incidents of violence directed against foreclosures in western Iowa that became bad enough to spur Iowa’s newly elected Democratic governor—the state’s first since 1894—to call up the state militia to restore order.

In those dark days of early 1933, after more than three years of a contracting economy, the United States now faced the dilemma that European nations had already confronted: deflation or devaluation? Remember that gold was flying out the doors of the Federal Reserve banks before the bank holidays were declared. The banks were now reopening, but although your local bank would still happily accept gold in exchange for US dollars, banks were still not exchanging dollars for gold, and customs officials at the borders were not allowing gold to be removed from the country.

At this point, you could ask, and many people were asking, could the United States still be said to be on the gold standard? Clearly not at this moment, but once the economic crisis was over, would the Administration restore the status quo? When reporters put this question to Roosevelt or to officials of his Administration, the answers were evasive. The US would eventually return to “some form” of gold standard, Roosevelt replied vaguely.

There was considerable argument over this point within the Administration. Orthodox economists and most financial leaders, especially from the Northeast, clung to the traditional view that the gold standard was the essential foundation necessary to build a healthy economy. Others, especially bankers and politicians from rural parts of the country disagreed. In Congress, legislation was introduced to incorporate a silver standard. Call it William Jennings Bryan’s revenge.

But the problem with a silver standard was that it put economic policy at the mercy of silver mining operations. The US had large deposits of silver, and any move to tie silver to the dollar would likely spur more silver mining, which would in turn lead to inflation.

Franklin Roosevelt's own thinking was moving in the direction of making the US dollar into a managed currency, the value of which would be determined not by the value of gold or any other commodity, but by the Administration.

The official exchange rate was $20.67 per ounce of gold, although at the moment this rate was mostly theoretical. Overseas, where there were no controls, the price of an ounce of gold in dollars was rising into the high twenties, then into the thirties. As an alternative to the painful process of deflating the dollar stood the option of revaluing it, of raising the price of gold and lowering the value of the dollar. This would aid debtors by decreasing the value of their debt, which, remember, has been rising for the past three years. Higher prices would be good for farmers and manufacturers.

To understand the danger of deflation, one only had to look at Germany. Remember the parallel here. During roughly the same period of time that Franklin Roosevelt was implementing this series of policies we call the New Deal, in Germany, the Reichstag Fire broke out, the Nazi Party became the largest party in the Reichstag, emergency decrees curtailed civil and political rights, Communists and socialists were being rounded up into concentration camps, and Germany became a one-party state. One had to look no further than the outbreaks of violence in Iowa to see the potential for something similar to happen in the United States, if the long-suffering American public was asked to endure even more financial hardship, for the sake of the bankers and their gold standard. One of Roosevelt's advisors put it to him bluntly. It was deflation that had produced the Nazi government in Berlin.

But Germany also provided a negative example in the form of the hyperinflation of 1923. To the traditional sound-money people—and there were a number of them also advising Roosevelt—one step down the slippery slope would send the economy tumbling to the bottom. Financier Bernard Baruch, who has appeared a few times before in this podcast, scoffed at the idea that a little bit of carefully controlled inflation might be good for the economy. You might as well talk about firing a gun just a little bit.

Senator Elmer Thomas, a Democrat from Oklahoma, had introduced a bill that would grant the President power to control the value of the US dollar by a number of means, including setting a new exchange rate between dollars and gold or issuing new currency. The bill passed Congress in April as an amendment to the Agricultural Adjustment Act, and is thus known as the Thomas Amendment.

Still, many of Roosevelt's advisors implored him not to use these new powers, including Secretary of State Cordell Hull and budget director Lewis Douglas, who declared the Thomas Amendment "the end of western civilization."

Answering these criticisms, Roosevelt pulled a ten-dollar bill out of his pocket and held it up for his advisers to see. It was a national bank note, issued by the First National Bank of Pikesville, Tennessee, Cordell Hull's home state. Such bank notes, US currency issued by individual banks, were a fact of life in early twentieth century America. These bank notes were backed not by gold, but by US Treasury bonds held by the bank. Nevertheless, they circulated right alongside Federal Reserve notes and United States notes and silver certificates. "How do I know that's any good?" Roosevelt asked rhetorically, and answered, "The fact that I think it is, makes it good."

When Roosevelt told the nation that the country needed a controlled inflation and a controlled increase in prices, prices began to rise, virtually at once, and most notably in agricultural products. Commodity prices for staples like wheat, corn, and oats soared. Prices on the stock exchange were rising, too.

On May 1, 1933, Roosevelt issued an executive order banning the private ownership of gold in the United States. All Americans who held gold had to turn it in to the Federal Reserve in exchange for dollars, or face criminal prosecution. The gold standard was over, at least domestically, and Americans would not be able to legally own gold again until 1974.

It was common practice at the time to include in most contracts language that permitted a creditor to demand payment in gold. Congress enacted legislation nullifying these gold clauses. Foreigners could still exchange dollars for gold, but the Administration gradually reduced the rate of exchange until it reached $35 per ounce, making the new dollar worth about 59 cents in old dollar terms.

This left France alone among the major economies as the only nation retaining the gold standard. Countries that had already left the gold standard and devalued their currencies, including Germany, the United Kingdom, Denmark, and Sweden, saw their economies begin to recover. And now add the United States to that list. But whereas these other countries saw departure from the gold standard as a temporary response to a crisis, and still looked forward to a day when the gold standard would be restored, only in the US were policymakers planning for a new era of managed currency.

Roosevelt and his Administration were basically following the principles of John Maynard Keynes, although Keynes was not actually advising the Administration. Still, they were aware of his work and Keynes was aware of theirs. In June, Keynes wrote, "There is one man in the world who seems to take seriously the business in hand to which others do not more than pay lip service, namely, President Roosevelt."

In July, Roosevelt wrote to the delegates at the international economic conference in London that gold was an "old fetish[] of so-called international bankers" and that to prioritize return to the gold standard above an international economic recovery would be "a catastrophe amounting to a world tragedy." John Maynard Keynes declared the President's thinking "magnificently right."

At the end of 1933, Keynes wrote an open letter to Roosevelt, praising his monetary policy. Roosevelt, said Keynes, was the inspiration for everyone in the world who sought an end to the Great Depression but wasn't ready to give up on capitalism or democracy. But he also called on the Administration to take on a more ambitious fiscal policy; that is, in plain English, to increase government spending. Simply increasing the money supply and expecting the economy to grow was, Keynes said, like trying to gain weight by buying a bigger belt. In the past, Keynes wrote, war was seen as the only national crisis serious enough to justify an increase in government spending, but we were now entering a new era, one in which "orthodox finance" as he called it, the bankers and financiers and economists, would no longer resist increased government spending in peacetime, when the nation's circumstances demanded it.

"The hell they won't," retorted Harry Hopkins, the man Roosevelt put in charge of public relief, and someone who had a better grasp of American political realities than Keynes had. If the US government was going to hire Santa Claus to bring relief to the downtrodden, Hopkins said, then Santa was going to need a bulletproof vest.

We'll have to stop here for today. I thank you for listening, and I'd especially like to thank Osmar for his kind donation, and thank you to Gary for becoming a patron of the podcast. Donors and patrons like Osmar and Gary help cover the costs of making this show, which in turn keeps the podcast available free for everyone, so my thanks to them and to all of you who have pitched in and helped out. If you'd like to become a patron or make a donation, just visit the website, historyofthetwentiethcentury.com and click on the PayPal or Patreon buttons.

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And I hope you'll join me next week, here on *The History of the Twentieth Century,* as we look in on the situation in the United Kingdom, as Britain and its Empire search for their own way out of the Great Depression and the British consider with dismay that in some sense, they no longer live on an island, because The Bomber Will Always Get Through, next week, here, on *The History of the Twentieth Century.*

Oh, and one more thing. On Wednesday in the first week of his Presidency, while the banking holiday was still in effect, Franklin Roosevelt was meeting with a member of his brain trust, Harvard Law professor Felix Frankfurter. Roosevelt was trying to get Frankfurter to agree to become his Administration's Solicitor General. Frankfurter turned the job down, but in the course of the conversation, he mentioned to the President that day was the 92nd birthday of retired Supreme Court Justice Oliver Wendell Holmes, and that after leaving the White House, Frankfurter planned to visit Holmes at his house on I Street.

When Roosevelt heard this news, he made a spur-of-the-moment decision to drop in on Holmes himself. This was quite contrary to Presidential protocol. US Presidents receive visitors at the White House all the time, but they do not go calling on other people. Roosevelt went ahead anyway, and found Holmes drunk on bootleg champagne, but quite pleased to receive so distinguished a birthday visitor.

I mention this visit because Roosevelt's appearance on the street outside the White House drew crowds of admirers. On hearing the applause and cheers, the head of the White House Secret Service detail remarked, "Gosh, it sounds good to hear that again."

He was referring to the unpopularity of his previous charge, Herbert Hoover, who had seldom been cheered in recent years, and indeed had left Washington as one of the most reviled ex-Presidents in history. Not that this changed Hoover's opinion about…anything.

One of the comforting myths Americans tell each other about their political system is that there exists a sacred tradition that ex-Presidents never, ever publicly criticize their successor. Well, apparently no one ever explained this sacred tradition to Herbert Hoover. He became a trenchant critic of the New Deal and everything else about the Roosevelt Presidency. Just a year after leaving office, he published a whole book criticizing Roosevelt's Administration, titled *The Challenge to Liberty*, in which he laid into the President's policies as fascist and socialist. There we go again.

Hoover was interested in another run for President against Roosevelt, but his massive unpopularity made him a pariah in the Republican Party throughout the Thirties and Forties. Republican candidates asked him politely to please refrain from campaigning for them.

Hoover also opposed Roosevelt's foreign policy. He opposed Lend-Lease. He was active in the America First Committee. After the war, he criticized the next Republican President, Dwight Eisenhower, for not working harder to undo the remaining New Deal programs.

Hoover also lived a remarkably long time. Late in his life, he liked to say that he had gotten the last laugh on his political adversaries by outlasting them. His stubborn, relentless criticism of Roosevelt and basically everything Roosevelt ever did as President continued until the end of his life. In his senior years, Hoover became an elder statesman of the Republican Party and an influence over the next generation of its leaders, people like Richard Nixon and Barry Goldwater. I think it would be far to say that Hoover's staunch "never give up, never surrender" approach to his political adversaries became engrained in the Republican Party and that you can still detect signs of it even in the Republican Party of our time.

Herbert Hoover passed away on October 20, 1964, at the age of ninety, setting a new record tenure as an ex-President. The previous record holder was John Adams. By the way, the current record holder for the longest tenure as an ex-President is Jimmy Carter, who, as of the date I release this episode, has blown away all the competition, having been an ex-President for 42 years, 4 months, 16 days, and still counting.

[music: Closing Theme]