

## FDR and the London Economic Conference: The Impact of Personality on Decision Making

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### FDR

In May of 1933 Franklin Roosevelt extolled the virtues of an international remedy to the economic problems facing the world by pledging U.S. participation in the London Economic Conference. Two months later, FDR changed his mind. It will be argued that the failure of the London Economic Conference (LEC) and FDR's subsequent decisions in monetary policy were due to changes in his ideas as well as the influence of domestic interests. Even though the intrusion of domestic concerns helped seal the fate of the LEC, both the use of public opinion and ideas reflected Roosevelt's propensity to "divert the flow of political sentiment to his own uses" [1].

The LEC has attracted some scholarly attention as a type of "what if" event. That is, what would have been the outcome of the Great Depression if the United States had assumed a hegemonic role in stabilizing world currency. Kindleberger has looked at this [2,3] as well as Morrison [4]. Morrison looks at the conference through the lens of public goods and political choice theory. Those events surrounding the LEC can be thought of as an attempt by the New Dealers to make sense out of uncertainties. It will be argued that because FDR exercised his presidential prerogatives decisively, in an environment of fluctuating international monetary options, failure of the conference was almost a foregone conclusion.

The failure of the conference can ultimately be traced to the inconsistency of FDR's remarks, his choice of the London delegates as well as a stream of widely conflicting advice from those closest to him. This unique decision making style often resulted in excellent policies, but could bring about disastrous results as well. Dallek [4] describes his technique as one where "grants of authority were incomplete, jurisdiction uncertain, charters overlapping."

FDR, was of course, the most important actor though he remained in the United States. Delegates to the conference included Cordell Hull, then Secretary of State, James M. Cox, former governor of Ohio, Senator Key Pittman of Nevada, Representative Samuel McReynolds of Tennessee, Senator Couzens of Michigan and Senator Morrison of Texas. Herbert Feis, an economic advisor was also present in London. Other key actors included Rex Tugwell, Raymond Moley, Professor Warren and Louis Howe.

Cordell Hull was a self-made man. Born in the backwoods of Tennessee, his political ambitions were expressed at an early age. He became a lawyer and soon a judge. As a U.S. Senator, Hull demonstrated his devotion to the liberal ideas of international trade as well as strong support for the League of Nations [5].

FDR also chose Governor James Cox to serve as a representative to the LEC. Cox, in 1920, ran with Roosevelt for the presidency of the United States. Moley suggests that Cox was a conservative in monetary matters. He did support low tariffs, and Feis [6] suggests that "the only earnest believer besides himself (Hull) in the purposes of the conference was Cox."

Key Pittman, was Chairman of the Senate Foreign Relations Committee. Unlike Hull and Cox, Pittman was in favor of high tariffs. Because he was from Nevada he was interested in furthering silver interests. Moley suggests that because of this he readily supported FDR's later abrupt change of mind. Feis, in a later candid account of the conference describes Pittman as "mean" and given to angry outbursts and fits of drunkenness.

Representative Sam McReynolds of Tennessee and Ralph Morrison, a wealthy Texan also served on the LEC. McReynolds supports low tariffs, but the evidence suggests that he knew very little about monetary matters. Morrison's presence is even more of a puzzle. Feis suggests that he was selected because he had been a generous contributor to the Democratic party [6].

Hull [7] said that because he nothing to do with the make up of the delegation that loyalty and teamwork were nonexistent. Moley stated that "the odds were a million to one that the delegation Roosevelt chose could not negotiate successfully on the basis of these confused, confusing and shifting purposes.

Other advisors also exerted some influence. Rex Tugwell a member of the Brain Trust expressed grave reservations saying "The Argonauts leave this morning. Moley pronounces the word sardonically and I think we felt alike that the results of the Conference are sure to be pretty slim" [6].

Louis Howe was another important figure. He served as FDR's campaign manager. The two had a long standing and deeply personal relationship. Howe had been with FDR before he was struck with polio and stayed by his side during his convalescence. It was Howe and Eleanor Roosevelt who were responsible for FDR's decision to re-enter public life. Howe ran FDR's successful run for governor of New York as well as his bid for the presidency.

Raymond Moley was another member of FDR's Brain Trust. In 1933 Moley was serving as Assistant Secretary of State. As the details of the LEC become more focused it will become clear that Moley's thoughts on the LEC assumed increasing importance. And because the president used Moley's advice freely, without considering Hull's position as Secretary of State, grave difficulties developed. FDR, that pragmatic and patrician politician, was not about to be tied to notions of bureaucratic protocol.

Early in May of 1933 feeling were running high. Even Moley, that diehard economic nationalist, exclaimed that there was a “good hope of successful understanding at the Economic Conference” [4].

Hull, a liberal internationalist, felt the only way to solve economic problems of the 1930s was to develop a comprehensive plan of international recovery. Moley, on the other hand, soon began to change his mind about the LEC. On May 16, 1933 he wrote the following in a newspaper column (that he gave to FDR) that said in part, “This erroneous impression is based upon the notion that we suffer from a depression in one country only because other countries are depressed. The fact is that a good many of the economic ills of each country are domestic. They are predominantly internal, not external. Much of the remedy, then, must be what the nations do within themselves” [3].

Moley said that FDR said that this statement should be read at the opening of the conference. Hull, disagreed and said that he should have been consulted first. Hull also stated that this statement was so prejudicial that “Moley deserved a severe call down from the President, but unfortunately Mr. Roosevelt sometimes have his intimates undue liberties over his other friends” [7].

Hull and Moley did not like each other. Moley told Secretary of State Hull that he was after his job. Hull told his friends in London, “That piss-ant Moley, here he is curled up at mah feet and lets me stroke his head like a huntin’ dog and then he goes and bites me in the ass” [4].

Newspaper coverage was also critical at this juncture. Hull [7] and Feis [6] have noted that because Moley was portrayed as FDR’s mouthpiece, Conference representatives decided to wait for his arrival in London. Reports were circulated which suggested that Moley was the real architect of the New Deal. One FDR associate said, “This morning he (Moley) acted as if he was running the Government and that Roosevelt was carrying out Moley’s suggestions” [4]. A Herblock cartoon printed in June of 1933 referred to Moley as “the bloke wot’s come ‘ere to save the Conference wot come ‘ere to save the world” [6].

Moley’s arrival in London was accompanied by an editorial in the New York Times which said in part, “The results is that they and all other members of it are now waiting for the appearance of the Professor ex machina to decide how much, or how little is to be done” [3]. Naturally, Secretary Hull saw Moley as both an usurper and a destroyer of his liberal economic vision.

An important issue was monetary stability. Before leaving for London, FDR told Moley he would consider a middle stabilization point of \$4.15. By June 28 the pound equaled \$4.43. Given this statement by FDR Moley was encouraged. Shortly thereafter Moley met with Prime Minister MacDonald who was anxious for a Conference declaration. Moley insisted that the US response would be limited and would simply ask the Federal Reserve to try to limit fluctuations of currency.

On June 30 Roosevelt responded calling a fixed formula “artificial and speculative.” He also said, “If France seeks to break up the conference just because we decline to accept her dictum we should take the sound position that the economic conference was initiated and called to discuss and agree on permanent solutions of world economics and not to discuss domestic economic policy of one nation out of the sixty-six percent” [8].

Moley was horrified by this response and felt that the Conference could be salvaged only if no one became aware of Roosevelt’s changing position. Moley stated, “This was not FDR, private citizen, saying that

2 + 2 = 10. This was the President of the United States. And as Bacon said, ‘Kings cannot err’ [3].

Roosevelt’s mind was not changed and on July 3 issued a statement usually called the bombshell that resulted in the failure of the LEC. In it he said that stability cannot be reached by the actions of a few large economies and that furthermore recovery can be found in internal solutions. He also said, “old fetishes of so called international bankers are being replaced by efforts to plan national currencies with the objective of giving to those currencies a continuing purchasing power which does not greatly vary in terms of the commodities and needs of modern civilization” [8]. Talking about this sea change to Arthur Krock in 1937 FDR said “I’m prouder of that than anything I did [9].

Why this sudden change? Roosevelt is often described as a public president and a great deal of his success has been attributed to his excellent handling of the public through the use of the media. He knew and respected reporters, engaged in frequent press conferences and effectively calmed American fears with his fireside chats [10]. As a very public president Roosevelt emphasized his own personality and expected his assistants to remain anonymous [11]. Even though Moley later said he was shocked and dismayed by the intense media coverage, it proved to be his undoing. Joseph Kennedy said that FDR was simply jealous of Moley’s capture of so much limelight [4]. FDR’s turnaround was a good way to remind Moley and all challengers who was in charge.

Domestic concerns and especially the influence of Louis Howe were also key during this period. The Friday before the “bombshell” message the stock market had gone down. Howe and FDR were concerned about erosion of public confidence in the government and thought an internal thrust would reassure the public. When Moley came back to Washington to meet with FDR and Howe, Moley noted that FDR seemed unfazed by the chaos his message had caused at the LEC. Instead he told Moley that “my statement certainly got a grand press over here” [3]. Howe also addressed domestic concerns saying to Moley, “Franklin hasn’t done anything so popular as his rejection of the declaration since the bank crisis” [12]. It should be remembered that Howe, now serving as an advisor to the president, was primarily interested in matters dealing with campaigning and electing someone to office. Howe would agree with Tip O’Neil’s future statement that “all politics is local.” Rejecting the LEC was a purely political and populist matter to Howe.

The power of personality, the very public presidency of FDR, uncertainty concerning the proper role of international cooperation to solve domestic problems, and idiosyncratic decision making styles all had an impact on FDR’s abrupt dismissal of an international solution to the depression. Ironically, eleven years later the United States would become the main architect of Bretton Woods which developed institutions like the IMF and the World Bank and carved out a role of international solutions to financial difficulties throughout the world. In 1933, though, Great Britain’s decline and U.S. inertia meant that “Britain could not and the U.S. would not serve in the capacity of world leader” [2].

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