



Ominous Parallels: Obama and FDR

During the first year of President Franklin D. Roosevelt's New Deal, he called for increasing federal spending to \$10 billion while revenues were only \$3 billion. Between 1933 and 1936, government expenditures rose by more than 83 percent. Federal debt skyrocketed by 73 percent. Roosevelt signed off on legislation that raised the top income tax rate to 79 percent and then later to 90 percent. Hillsdale College economics historian and professor Burt Folsom, author of "New Deal or Raw Deal?", notes that in 1941, Roosevelt even proposed a 99.5 percent marginal tax rate on all incomes more than \$100,000. When a top adviser questioned the idea, Roosevelt replied, "Why not?"



Roosevelt had other ideas for the economy, including the National Recovery Act. Dr. Reed says: "The economic impact of the NRA was immediate and powerful. In the five months leading up to the act's passage, signs of recovery were evident: factory employment and payrolls had increased by 23 and 35 percent, respectively. Then came the NRA, shortening hours of work, raising wages arbitrarily and imposing other new costs on enterprise. In the six months after the law took effect, industrial production dropped 25 percent."

Blacks were especially hard hit by the NRA. Black spokesmen and the black press often referred to the NRA as the "Negro Run Around," "Negroes Rarely Allowed," "Negroes Ruined Again," "Negroes Robbed Again," "No Roosevelt Again" and the "Negro Removal Act." Fortunately, the courts ruled the NRA unconstitutional. As a result, unemployment fell to 14 percent in 1936 and lower by 1937.

Roosevelt had more plans for the economy, namely the National Labor Relations Act, better known as the "Wagner Act." This was a payoff to labor unions, and with these new powers, labor unions went on a militant organizing frenzy that included threats, boycotts, strikes, seizures of plants, widespread violence and other acts that pushed productivity down sharply and unemployment up dramatically. In 1938, Roosevelt's New Deal produced the nation's first depression within a depression. The stock market crashed again, losing nearly 50 percent of its value between August 1937 and March 1938, and unemployment climbed back to 20 percent. Columnist Walter Lippmann wrote in March 1938 that "with almost no important exception every measure (Roosevelt) has been interested in for the past five months has been to reduce or discourage the production of wealth."

Roosevelt's agenda was not without its international admirers. The chief Nazi newspaper, *Volkischer Beobachter*, repeatedly praised "Roosevelt's adoption of National Socialist strains of thought in his economic and social policies" and "the development toward an authoritarian state" based on the "demand that collective good be put before individual self-interest." Roosevelt himself called Benito Mussolini "admirable" and professed that he was "deeply impressed by what he (had) accomplished."



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FDR's very own treasury secretary, Henry Morgenthau, saw the folly of the New Deal, writing: "We have tried spending money. We are spending more than we have ever spent before and it does not work.... We have never made good on our promises.... I say after eight years of this Administration we have just as much unemployment as when we started ... and an enormous debt to boot!" The bottom line is that Roosevelt's New Deal policies turned what would have been a three- or four-year sharp downturn into a 16-year affair.

The 1930s depression was caused by and aggravated by acts of government, and so was the current financial mess that we're in. Do we want to repeat history by listening to those who created the calamity? That's like calling on an arsonist to help put out a fire.

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