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Unjust Criticism of FDR and the New Deal



What were styled in the Nov. 6 Letters to the Editor as "Tough Questions for Defenders of the New Deal" (in response to my Oct. 29 editorial-page essay "Capitalism's Savior") are not so difficult. Jim Powell wrote that "median joblessness was 17% throughout the New Deal era." This is true, in that it declined from 33% or 34% in 1933 to 1% in 1941. The main difference between us is his dispute of my claim that New Deal participants in workfare programs, building public works or engaged in conservation projects, were as much employed people as the millions of Europeans and Japanese conscripted in the 1930s into the armed forces and defense production industries. There were similar categories of public sector pump-priming employment and fairly similar wage-scales, though obviously the purposes of the programs were very different.

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The second New Deal, (the first New Deal was the Hundred Days of 1933), was based upon Social Security and a soak-the-rich tax bill (with many exonerations), in 1935, and was designed to take the wind out of the sails of the extremists of the time -- Huey Long, Dr. Townsend, Father Coughlin, and the militant farmers -- who together were a significant threat to political stability. Some of Roosevelt's oratorical support for these measures was admittedly tiresome, but in avoiding the naming of scapegoats, and focusing public anger on nonexistent categories of people, such as "economic royalists" and "war profiteers," Roosevelt preserved the moral integrity of the nation to be concentrated eventually on real (foreign) enemies.

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Leaving out the workfare programs, conventional unemployment descended from about 33% in 1933 to 12% four years later, a very commendable performance, (and down to only 4% if the workfare programs are included). It was at this point that FDR gave the budget-balancers a chance and rolled back the relief employment programs; the result was the so-called Roosevelt Recession of 1938, raising conventional unemployment back to about 22% in the spring. The third New Deal, of 1938, based on a return to workfare and the Fair Labor Standards Act, again lowered unemployment to about 13% in conventional terms by spring 1940, and to only about 5% if the relief workers are not counted as unemployed. What was effectively the fourth New Deal was contained in the great armaments programs of 1940, 1941, which brought conventional unemployment down to 9% in autumn 1940 and, along with selective service, virtually eliminated unemployment before Pearl Harbor in December 1941. This was a defensible and competitive economic performance by FDR's America and largely explains the president's 1936 and 1940 re-elections.

Roosevelt didn't "discourage investors." He was miffed that there was not a greater level of investment after he had stabilized the economic system. He was caricatured as a socialist by the right, whom he regarded as ingrates after he had saved the economic system (in which he himself believed), when it had faltered. Taxes were too high, but at that time some appearance of government-sponsored wealth redistribution appeared to Roosevelt to be a political necessity, and the budget balancers, including the Treasury secretary, Morgenthau, were numerous and opposed tax cuts. This was better politics than economics, but in the 1930s, neither Keynes nor Marriner Eccles (Roosevelt's Federal Reserve chairman) was a strong advocate of lower taxes, and neither was anyone else who was audible in the United States, then or for nearly 30 years.

His support for "compulsory unionism" was sporadic and lukewarm and was presented as a sop to labor after he encouraged cartelism in the NIRA in 1933, to try to raise prices. Neither cartelism nor unionization achieved much that was useful and Roosevelt was mistrustful or contemptuous of most labor leaders. Roosevelt's famous "A plague on both their houses!" accurately represented his views and was a fair judgment. The farm price support program did restore farm incomes and the Surplus Relief Corporation did distribute large quantities of food and clothes to disadvantaged people.

Roosevelt was reasonably successful at balancing the need for higher farm incomes against the necessity of avoiding hunger among the poor. His banking policy was too restrictive, but the

country's banking system had collapsed when he entered office and he revived it. He gets no credit from Jim Powell for that, nor for refinancing the mortgages of a quarter of the whole population before they were ejected from their homes, nor for the GI Bill of Rights (the fifth and posthumous New Deal), which uplifted the American working class, or any of a host of other intelligent measures. He attacks the TVA because without it farmers would have moved more quickly to the cities, and then would have enjoyed a faster-rising standard of living. Is Roosevelt seriously to be blamed for not wanting to starve the farmers off their land, where they sat in misery in their hovels by the light of oil lamps until he brought them electricity?

It is a bit rich to accuse Roosevelt of prolonging the Depression -- the man who, albeit imperfectly, saved the country and the capitalist system from the Depression. Compared with a mythical alternative leader with perfect economic insight, perhaps this would be true for the year 1938 only. Compared with his real opponents and contemporaries in other advanced countries, it is grossly unjust.

Conrad Black

Toronto

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