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COMMENTARY

Capitalism's Savior

EMAIL PRINT

By CONRAD BLACK

Those worried about the recent sluggishness of the American economy should look to the time of Franklin D. Roosevelt. When he entered office in 1933, unemployment was at 33%, there was almost no public-sector relief for the jobless, 45% of family homes had been -- or were in imminent danger of being -- foreclosed, and the Chicago Grain Exchange, the New York Stock Exchange and the banking system had collapsed. Almost no one was engaged in agriculture on an economically sustainable basis and the nation's food supply was apt to be severely interrupted at any time.

Most authentic historians credit Roosevelt with swiftly reviving the American banking system, guaranteeing bank deposits, minimizing the number of bank failures and substantially alleviating the Depression. Yet as with most other historical achievements, the revisionists have been hard at work. Jim Powell of the Cato Institute (cited approvingly in a recent column by Robert L. Bartley) argues in a new book that FDR actually prolonged the Depression!

Most would accept that FDR's system of raising farm income by having farmers vote by category to reduce production in exchange for subsidies and sustainable prices was a success. I know of no serious criticism of the Roosevelt administration's refinancing of home mortgages; low-yield loans to farmers with crops and farm animals as collateral; the Tennessee Valley Authority and the vast extension of rural electrification; the GI Bill of Rights, which produced a benign, posthumous socioeconomic revolution; the concept of Social Security, including unemployment insurance; and most of the public works and workfare schemes of the New Deal.


Franklin Roosevelt

If those employed in the workfare programs are counted as employed, the unemployment rate had declined to about 7% by September 1939, only slightly above where it is today. As resources were transferred from workfare to rearmament following the outbreak of war, unemployment declined to under 10% in absolute terms by Election Day, 1940. Unemployment was eliminated (under 1%) before the U.S. entry into the war 13 months later. Roosevelt also deserves credit for expanding the money supply. He rightly resisted a return to the gold standard and the pleas of the budget balancers, including Treasury Secretary Henry Morgenthau. Contrary to some accounts, Dean Acheson did not resign as Treasury undersecretary in protest over devaluation. Roosevelt fired him for challenging the constitutionality of the gold price-adjustment plan and for alleged indiscretions (of which he was in fact innocent).

As for Roosevelt's tax increases, the first was relatively marginal and included many methods of avoidance and mitigation, and was a response to extreme third parties, especially the movements led by Huey Long, Francis Townsend, Charles E. Coughlin and the agrarian radical Milo Reno, extremist groups that threatened to destabilize politics, radicalize workers and destroy the two-party system. Roosevelt sought to make America safe for people who lived as he did, in a 30-room house on a 1,000-acre property, between the Belmonts, Vanderbilts and Astors. Despite occasional impersonal but irksome rhetorical flourishes, he wrote nothing but the truth in his famous letter to Felix Frankfurter pronouncing himself "the greatest friend the profit system ever had." The second tax increase was entirely to finance the war and stop profiteering. It was unexceptionable as such, but it is a bipartisan scandal that the country had to wait 20 years after the end of the war to Lyndon Johnson for high-bracket income tax reduction.

Roosevelt won three consecutive peacetime elections by comfortable-to-huge margins, in anticipation and appreciation of what he did to banish the Depression. American economic performance was competitive with that of other advanced countries, without recourse to the methods most invoked: totalitarian measures or massive rearmament. Roosevelt's unequalled political success wasn't the result of merely having "lifted the nation's spirits," as Mr. Bartley dismissively suggests, though he recognized that psychology is an important part of economics.

The country was entitled to something more bracing than Hoover's defeatist, self-exculpatory gloom. Economics was then not as exact a science as it has become; Roosevelt was no economist and in policy terms he had a severely divided entourage. He produced a smorgasbord of measures and kept those that worked. He made fairly steady progress through the 1930s, co-opting the Progressive isolationists to Keynesian economics in the early years, and then ditching them in favor of pro-defense, pro-British Southern senators and congressmen when the time came to switch from pump-priming to rearmament, and saving the world from Hitler. In this intricate process, Roosevelt never singled out specific scapegoats, and preserved the moral integrity of the nation so he could focus national attention on America's real enemies, Nazi Germany and Imperial Japan.

Roosevelt spared the country the extremes of left and right that plagued every other Great Power in the '30s. He left the U.S. twice as wealthy as it was when he assumed the presidency. As economics, the New Deal deserves a passing grade, but as crisis management it was a huge success. And in the 1930s, Roosevelt was almost the only leader of an important country who was not either a barbarous dictator, or an appeaser of barbarous dictators, or an ineffectual ditherer. For these reasons, as well as his genius as a war leader, he is rightly judged the greatest American president since Lincoln.

Lord Black, chairman of Hollinger, is author of "Franklin Delano Roosevelt, Champion of Freedom," published next month by Public Affairs.

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