

FDR's First Hundred Days vs. Today's Fraudulent 'Economic Stimulus'

by Carl Osgood

During his 12 years in the White House, Franklin Delano Roosevelt faced both a serious economic crisis, and a destructive world war. To each, he applied dirigistic economic measures that, by the time of his death in 1945, made the U.S. economy the most powerful in the world, able to meet not only its own needs, but also those of much of the rest of the world. Under Roosevelt's leadership, the U.S. industrial economy achieved levels of production that were said to be impossible, even in the months leading up to the attack on Pearl Harbor.

From the outset of his Presidency, Roosevelt made it clear how he would use the power of government to attack the crisis. In his first inaugural speech, on March 4, 1933, Roosevelt said that putting people back to work would be accomplished "by direct recruiting by the government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize our natural resources." He called for a "strict supervision of all banking and credits and investments, so that there will be an end to speculation with other people's money; and there must be provision for an adequate but sound currency."

Roosevelt did not flinch from telling the nation that Wall Street was at the center of the crisis. He said that while "plenty is at our doorstep . . . generous use of it languishes in the very sight of the supply. Primarily this is because rulers of the exchange of mankind's goods have failed through their own stubbornness and their own incompetence, have admitted their failure and have abdicated." Furthermore, these "rulers" had nothing new to offer. "Faced by failure of credit, they have proposed only the lending of more money. Stripped of the lure of profit by which to induce people to follow their false leadership, they have resorted to exhortations, pleading tearfully for restored confidence."

Serious Measures Not Discussed

Today, the United States faces the twin dangers of a global financial blowout and a "clash of civilizations"-inspired global war. Such a threat again calls for the leadership qualities such as those exhibited by Franklin Roosevelt. Instead, we're treated to the spectacle of a Congress that is rent by partisan warfare, and where policy debate is reduced to a false choice between cutting taxes and increasing government spending. Since Congress returned from its Thanksgiving

break, proposal and counterproposal, charges and countercharges have been flying back and forth between the House and Senate, and between the Republicans and the Democrats. So far, no agreement is in sight, much less a discussion of any measures that would actually address the crisis.

The current round of pointless debate began in the days after the Sept. 11 attacks on the World Trade Center and the Pentagon. Even before that, however, on Sept. 7—when shockingly bad economic and production reports were released—it began to dawn on at least a handful of members of Congress that the much-touted tax cuts of last Spring were not going to bring about an economic recovery. After Sept. 11, Sen. Harry Reid (D-Nev.) began talking about the importance of infrastructure building as an economic stimulus. For every \$1 billion spent on infrastructure construction, he said, 42,000 jobs would be created. While the scope of what he was proposing, \$20 billion in public works spending, was far too small, at least the directionality was right.

Then, on Oct. 24, the House passed, by a near party-line vote of 216 to 214, a \$175 billion tax cut bill, much larger than what the Bush Administration had been calling for, and heavily weighted toward financial interests. The package included a retroactive repeal of the corporate alternative minimum tax, which would be, in effect, an approximately \$25 billion gift to a handful of America's largest corporations. GOP claims to the contrary, there's no guarantee that these companies would use their new windfall, should they get it, to create jobs, not when the number-one concern in board rooms these days is propping up collapsing share values.

The Senate brought a bill to the floor three weeks after the House did. It was a Democrat-crafted bill that focussed on providing assistance to the recently unemployed—mostly in the form of extended unemployment and health insurance benefits—as well as a package of small business tax cuts. The bill also included a package of \$15 billion in homeland security spending.

But the last remnants of Reid's infrastructure proposal had been squeezed out of it by Senate Majority Leader Tom Daschle (D-S.D.), who apparently thought that without the Reid package, he could get the GOP to go along with it. He was wrong. Debate on the bill abruptly stopped when Sen. Phil Gramm (R-Tex.) made a point of order that the bill was in violation of the fiscal year 2002 budget resolution. Daschle needed 60 votes to get past that, and he could only come up

with 51.

Since Thanksgiving, the leadership of both the House and the Senate have been wrangling over how to proceed. The Republicans have blamed Daschle for the impasse, and President George Bush has been pressuring Senate Democrats to come to some sort of accommodation with the GOP. A number of alternative proposals have been put forward. One of these is a payroll tax holiday suggested by Sen. Pete Domenici (R-N.M.). Domenici claims that his plan would immediately put \$43 billion into the pockets of consumers. Daschle has said Democrats would be willing to look at it, but has questioned whether it's workable. Ironically, it's been denounced by Republican members of the House Social Security subcommittee, who consider the Social Security trust fund sacrosanct, and are not swayed by Domenici's insistence that the cost of the tax holiday will be made up from the general fund.

Other proposals have also been made, in an effort to find common ground. Daschle offered to cut the homeland security package to \$7.5 billion and attach it to the defense appropriations bill. In reply, Domenici offered to forgo the alternative minimum tax repeal. While these offers and counteroffers were being made, a dispute erupted over the composition of the negotiating team. Apparently, House Republicans proposed a plan that excluded House Minority Leader Richard Gephardt (D-Mo.). When that was rejected, both sides accepted a plan that provided two Republicans and one Democrat for the House and two Democrats and one Republican for the Senate.

The real common ground that exists between the two sides, however, is the fraud that neither will challenge. That fraud is that the economy has only been in recession since March 2001, and that a stimulus package must be of short duration, because if it isn't, the economy will begin a recovery before it can take effect.

Roosevelt's Mobilization

Contrast this nonsense with Franklin Roosevelt's first 100 days. From the moment Roosevelt took office, he began a forced-march mobilization of the nation's resources. Congress gave him much of what he wanted, but he was prepared to use every means available to him to address the crisis. The following list of measures enacted in the months after he was sworn in, gives an indication of how forcefully Roosevelt took the initiative:

March 9: Emergency Banking Act;

March 10: Act entitled "To Maintain the Credit of the United States";

March 13: Act to legalize manufacture and sales of beer and light wines;

March 16: Agricultural Adjustment Act;

March 21: Act to create a Civilian Conservation Corps;

March 21: Federal Emergency Relief Act, which created the Federal Emergency Relief Administration (FERA), headed by Harry Hopkins;

March 29: Act creating Federal oversight of traffic in

investment securities in interstate commerce;

March 29: Banking bill of 1933, separating commercial banks from their securities affiliates;

April 10: Act creating Tennessee Valley Authority;

April 13: Act to save small home mortgages from foreclosure;

May 4: Act for emergency railroad legislation;

May 17: National Industrial Recovery Act, which was a grab bag of different things, the most important of which was the Public Works Administration, under Harold Ickes. The PWA provided \$3.3 billion in public works construction, the largest in America up to that time.

As can be seen from this list, Roosevelt pushed through measures that addressed both short-term emergency needs and long-term economic requirements. The TVA project was not one that would generate millions of jobs in the first 100 days, but was rather a long-term project to transform an entire section of the country, one that is still paying dividends, today. Under the assumptions that the Bush White House and present Congress are operating, such a long-term perspective is precluded, even though, as one Republican member of Congress admitted to this author, it is known to be valid. In contrast, the PWA—under Ickes—and the FERA, and later the Works Progress Administration—both under Hopkins—worked in a complementary fashion. The programs under Hopkins provided immediate relief for the unemployed, first in the form of cash payments, and then later in the form of short-term projects that could be mobilized quickly. The PWA's mandate was "projects to stimulate and reorganize our natural resources."

Go With 'American System'

Today, we are being told by both the Bush Administration and Congress that we are waging a two-front war. One front is the war in Afghanistan against the Taliban and al-Qaeda. The second front is at home, to secure our territory from further terrorist attacks. However, aside from heightened security measures, some of which, such as increased aviation and border security, are needed, there is no mobilization of the U.S. population such as that carried out by President Roosevelt against the Great Depression, and then again during World War II. Instead, we're told that the patriotic thing to do is to buy consumer products.

It's important to note that not every program of the New Deal was successful, and that Roosevelt faced tremendous political obstacles throughout his tenure, especially from Wall Street. It can be argued that Roosevelt moved hesitantly, at times, on mobilizing the economy in the years between Nazi Germany's attack on Poland, and the Japanese attack on Pearl Harbor. However, what he established was a directionality based on American System principles. It is an approach which is being resurrected today by Lyndon LaRouche, in his calls for a bankruptcy-style reorganization of the U.S. economy, and the imposition of a New Bretton Woods structure on the global financial system.