



New Deal or Raw Deal?: How FDR's Economic Legacy Has Damaged America

By *Burton W. Folsom Jr.*

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A sharply critical new look at Franklin D. Roosevelt's presidency reveals government policies that hindered economic recovery from the Great Depression -- and are still hurting America today.

In this shocking and groundbreaking new book, economic historian Burton W. Folsom exposes the idyllic legend of Franklin D. Roosevelt as a myth of epic proportions. With questionable moral character and a vendetta against the business elite, Roosevelt created New Deal programs marked by inconsistent planning, wasteful spending, and opportunity for political gain -- ultimately elevating public opinion of his administration but falling flat in achieving the economic revitalization that America so desperately needed from the Great Depression. Folsom takes a critical, revisionist look at Roosevelt's presidency, his economic policies, and his personal life.

Elected in 1932 on a buoyant tide of promises to balance the increasingly uncontrollable national budget and reduce the catastrophic unemployment rate, the charismatic thirty-second president not only neglected to pursue those goals, he made dramatic changes to federal programming that directly contradicted his campaign promises. Price fixing, court packing, regressive taxes, and patronism were all hidden inside the alphabet soup of his popular New Deal, putting a financial strain on the already suffering lower classes and discouraging the upper classes from taking business risks that potentially could have jostled national cash flow from dormancy. Many government programs that are widely used today have their seeds in the New Deal. Farm subsidies, minimum wage, and welfare, among others, all stifle economic growth -- encouraging decreased productivity and exacerbating unemployment.

Roosevelt's imperious approach to the presidency changed American politics forever, and as he manipulated public opinion, American citizens became unwitting accomplices to the stilted economic growth of the 1930s. More than sixty years after FDR died in office, we still struggle with the damaging repercussions of his legacy.

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Editorial Review

Review

"I have been proud to support research for this book." -- William F. Buckley, Jr.

"History books and politicians in both parties sing the praises for Franklin Delano Roosevelt's presidency and its measures to get America out of the Great Depression. What goes unappreciated is the fact that many of those measures exacerbated and extended the economic downturn of the 1930s. *New Deal or Raw Deal?* is a careful documentation and analysis of those measures that allows us to reach only one conclusion: While President Roosevelt was a great man in some respects, his economic policy was a disaster. What's worse is that public ignorance of those policy failures has lent support for similar policies in later years. Professor Burt Folsom has produced a highly readable book and has done a yeoman's job in exposing the New Deal." -
- Walter E. Williams, John M. Olin Distinguished Professor of Economics, George Mason University

About the Author

Burton W. Folsom, Jr., Ph.D., a professor of history at Hillsdale College in Michigan, is the author of several books. A regular columnist for *The Freeman*, he has also written for *The Wall Street Journal*, *American Spectator*, *Policy Review*, and *Human Events*.

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THE MAKING OF THE MYTH:

FDR AND THE NEW DEAL

On May 9, 1939, Henry Morgenthau, Jr., the secretary of the treasury and one of the most powerful men in America, had a startling confession to make. He made this remarkable admission before the influential Democrats who ran the House Ways and Means Committee. As he bared his soul before his fellow Democrats, Morgenthau may have pondered the irony of his situation.

Here he was -- a major cabinet head, a man of great authority. The source of his power, of course, was his intimate friendship with President Franklin Delano Roosevelt. Morgenthau was the president's longtime neighbor, close confidant, and -- would be for over a decade -- his loyal secretary of the treasury. Few men knew the president better, talked with him more, or defended him more faithfully. Eleanor Roosevelt once said Morgenthau was one of only two men who could tell her husband "categorically" that he was wrong and get away with it. Roosevelt and Morgenthau liked to banter back and forth at cabinet meetings, pass each other secret notes, meet regularly for lunch, and talk frequently on the phone. Morgenthau cherished a photo of himself and the president in a car, side by side, friends forever, with Roosevelt's inscription: "To Henry," it read, "from one of two of a kind."

But in May 1939, Morgenthau had a problem. The Great Depression -- the most devastating economic catastrophe in American history -- was not only persisting, in some ways it was getting worse. Unemployment, for example, the previous month had again passed the 20 percent mark. Here was

Morgenthau, the secretary of the treasury, an expert on finance, a fount of statistics on the American economy during the 1930s; his best friend was the president of the United States and the author of the New Deal; key public policy decisions had to go through Morgenthau to get a hearing. And yet, with all this power, Morgenthau felt helpless. After almost two full terms of Roosevelt and the New Deal, here are Morgenthau's startling words -- his confession -- spoken candidly before his fellow Democrats on the House Ways and Means Committee:

We have tried spending money. We are spending more than we have ever spent before and it does not work. And I have just one interest, and if I am wrong...somebody else can have my job. I want to see this country prosperous. I want to see people get a job. I want to see people get enough to eat. 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!

In these words, Morgenthau summarized a decade of disaster, especially during the years Roosevelt was in power. Indeed average unemployment for the whole year in 1939 would be higher than that in 1931, the year before Roosevelt captured the presidency from Herbert Hoover. Fully 17.2 percent of Americans, or 9,480,000, remained unemployed in 1939, up from 16.3 percent, or 8,020,000 in 1931. On the positive side, 1939 was better than 1932 and 1933, when the Great Depression was at its nadir, but 1939 was still worse than 1931, which at that time was almost the worst unemployment year in U.S. history. No depression, or recession, had ever lasted even half this long.

Put another way, if the unemployed in 1931 under Hoover would have been lined up one after the other in three separate lines side by side, they would have extended from Los Angeles across the country to the border of Maine. In 1939, eight years later, the three lines of unemployed Americans would have lengthened, heading from the border of Maine south to Boston, then to New York City, to Philadelphia, to Washington, D.C., and finally into Virginia. That line of unemployed people from the border of Maine into Virginia was mostly added when Roosevelt was president.

We can visualize this hypothetical line of unemployed Americans, but what about the human story of their suffering. Who were some of them, and what were they thinking? In the line at Chicago, we would encounter salesman Ben Isaacs. "Wherever I went to get a job, I couldn't get no job," Isaacs said of the prolonged depression. "I went around selling razor blades and shoe laces. There was a day I would go over all the streets and come home with fifty cents, making a sale. That kept going until 1940, practically." Letters to President Roosevelt tell other stories. For example, in Chicago, a twelve-year-old Chicago boy wrote the president, "We haven't paid the gas bill, and the electric bill, haven't paid grocery bill for 3 months....My father he staying home. All the time he's crying because he can't find work. I told him why are you crying daddy, and daddy said why shouldn't I cry when there is nothing in the house." In our hypothetical unemployment line at Latrobe, Pennsylvania, we might see the man who wrote in 1934, "No home, no work, no money. We cannot go along this way. They have shut the water supply from us. No means of sanitation. We cannot keep the children clean and tidy as they should be." From Augusta, Georgia, in 1935 came this letter to the president: "I am eating flour bread and drinking water, and no grease and nothing in the bread....I aint even got bed[d]ing to sleep on...." But even he was better off than the man from Beaver Dam, Virginia, who wrote the president, "We right now, have no work, no winter bed clothes....Wife don't even have a winter coat. What are we going to do through these cold times coming on? Just looks we will have to freeze and starve together."

High unemployment was just one of many tragic areas that made the 1930s a decade of disaster. *The Historical Statistics of the United States*, compiled by the Census Bureau, fills out the rest of the grim

picture. The stock market, which picked up in the mid-1930s, had a collapse later in the decade. The value of all stocks dropped almost in half from 1937 to 1939. Car sales plummeted one-third in those same years, and were lower in 1939 than in any of the last seven years of the 1920s. Business failures jumped 50 percent from 1937 to 1939; patent applications for inventions were lower in 1939 than for any year of the 1920s. Real estate foreclosures, which did decrease steadily during the 1930s, were still higher in 1939 than in any year during the next two decades.

Another disaster sign in the 1930s was the spiraling national debt. The United States had budget surpluses in 1930 and 1931, but soon government spending ballooned and far outstripped revenue from taxes. The national debt stood at \$16 billion in 1931; by the end of the decade the debt had more than doubled to more than \$40 billion. Put another way, the national debt during the last eight years of the 1930s, less than one decade, grew more than it had in the previous 150 years of our country's existence. From 1776 to 1931, the spending to support seven wars and at least five recessions was more than offset by the debt acquired during the 1930s. Put yet another way, if Christopher Columbus, on that October day when he discovered the New World, could have arranged to put \$100 a minute in a special account to defray the American debt, by 1939 his account would not yet have accumulated enough cash to pay for just the national debt acquired in the 1930s alone. In other words, if we were to pay \$100 a minute (in 1930s dollars) into a special '30s debt account, we would need more than 450 years to raise enough money to pay off the debt of that decade.

The economic travail of the New Deal years can also be seen in the seven consecutive years of unbalanced trade from 1934 to 1940. Much of our government spending during the decade went to prop up prices of wheat, shirts, steel, and other exports, which in turn, because of the higher prices, made them less desirable as exports to other countries. From 1870 to 1970, only during the depression years plus the year 1888 did the United States have an unfavorable balance of trade.

Hard times are often followed by social problems. The United States in the 1930s was no exception. For example, the American birthrate dropped sharply, and the country's population increased only 7 percent in that decade. During the more prosperous 1920s, by contrast, the birthrate was higher and the country's population increased 16 percent.

For many Americans, the prolonged Great Depression of the 1930s became a time of death. As one eighty-year-old wrote, "Now [December 1934] there are a lot of us [who] will choose suicide in preference to being herded into the poor house." Apparently, thousands of Americans agreed with her, because suicides increased from 1929 to 1930 and remained high throughout the 1930s. Equally sad were the people who gave up on life after prolonged despair and took their lives more subtly, through an accidental fall, reckless driving, or being hit by a train. All three of these categories hit record numbers of deaths per capita during the New Deal years.

The loss of the will to live was also reflected in life expectancy during the 1930s. When Franklin Roosevelt became president in 1933, life expectancy in the United States was 63.3 years. Since 1900, it had steadily increased sixteen years -- almost half a year each year of the first third of the twentieth century. In 1940, however, after more than seven years of the New Deal, life expectancy had dropped to 62.9 years. Granted, the slight decline during these years was not consistent -- two of the seven years showed an increase over 1933. But the steady increase in life expectancy from 1900 to 1933 and from 1940 to the end of the century was clearly interrupted only during the New Deal years.

The halt in improved life expectancy hit blacks even harder than whites. In 1933, black Americans could expect to live only 54.7 years, but in 1940 that had dropped to 53.1 years. Both before and after the Great Depression, the gap in life expectancy between blacks and whites had narrowed, but from 1933 to 1940 it actually widened. Strong indications are that blacks suffered more than whites during Roosevelt's first ter...

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