

Though he seized the country's gold, Roosevelt did return booze to America's bars and parlor rooms. On his second Sunday in the White House, he remarked at dinner, "I think this would be a good time for beer."²⁰ That same night, he drafted a message asking Congress to end Prohibition. The House approved a repeal measure on Tuesday, the Senate passed it on Thursday and before the year was out, enough states had ratified it so that the 21st Amendment became part of the Constitution. One observer, commenting on this remarkable turn of events, noted that of two men walking down the street at the start of 1933—one with a gold coin in his pocket and the other with a bottle of whiskey in his coat—the man with the coin would be an upstanding citizen and the man with the whiskey would be the outlaw. A year later, precisely the reverse was true.

In the first year of the New Deal, Roosevelt proposed spending \$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.

He talked Congress into creating Social Security in 1935 and imposing the nation's first comprehensive minimum wage law in 1938. While Roosevelt to this day gets a great deal of credit for these two measures from the general public, many economists have a different perspective. The minimum wage law prices many of the inexperienced, the young, the unskilled, and the disadvantaged out of the labor market. (For example, the minimum wage provisions passed as part of another act in 1933 threw an estimated 500,000 blacks out of work).²¹ And current studies and estimates reveal

that Social Security has become such a long-term actuarial nightmare that it will either have to be privatized or the already high taxes needed to keep it afloat will have to be raised to the stratosphere.

Roosevelt secured passage of the Agricultural Adjustment Act (AAA), which levied a new tax on agricultural processors and used the revenue to supervise the wholesale destruction of valuable crops and cattle. Federal agents oversaw the ugly spectacle of perfectly good fields of cotton, wheat, and corn being plowed under (the mules had to be convinced to *trample*



TO MANY AMERICANS, the National Recovery Administration's bureaucracy and mind-numbing regulations became known as the "National Run Around."

the crops; they had been trained, of course, to walk *between* the rows). Healthy cattle, sheep, and pigs were slaughtered and buried in mass graves. Secretary of Agriculture Henry Wallace personally gave the order to slaughter six million baby pigs before they grew to full size. The administration also paid farmers for the first time for not working at all. Even if the AAA had helped farmers by curtailing supplies and raising prices, it could have done so only by hurting millions of others who had to

pay those prices or make do with less to eat.

Blue Eagles, Red Ducks

Perhaps the most radical aspect of the New Deal was the National Industrial Recovery Act (NIRA), passed in June 1933, which created a massive new bureaucracy called the National Recovery Administration. Under the NRA, most manufacturing industries were suddenly forced into government-mandated cartels. Codes that regulated prices and terms of sale briefly transformed much of the American economy into a fascist-style arrangement, while the NRA was financed by new taxes on the very industries it controlled. Some economists have estimated that the NRA boosted the cost of doing business by an average of 40 percent—not something a depressed economy needed for recovery.

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. Benjamin M. Anderson writes, "NRA was not a revival measure. It was an antirevival measure Through the whole of the NRA period industrial production did not rise as high as it had been in July 1933, before NRA came in."²²

The man Roosevelt picked to direct the NRA effort was General Hugh

“Iron Pants” Johnson, a profane, red-faced bully and professed admirer of Italian dictator Benito Mussolini. Thundered Johnson, “May Almighty God have mercy on anyone who attempts to interfere with the Blue Eagle” (the offi-

In *The Roosevelt Myth*, historian John T. Flynn described how the NRA’s partisans sometimes conducted “business”:

The NRA was discovering it could not enforce its rules. Black markets grew



THIS 1989 PHOTO is of a bridge built from 1936-41 as part of a Works Progress Administration (WPA) project in Coleman County, Texas. Many Americans saw such projects as helpful, without considering their high cost and the corruption that plagued the program.

cial symbol of the NRA, which one senator derisively referred to as the “Soviet duck”). Those who refused to comply with the NRA Johnson personally threatened with public boycotts and “a punch in the nose.”

There were ultimately more than 500 NRA codes, “ranging from the production of lightning rods to the manufacture of corsets and brassieres, covering more than 2 million employers and 22 million workers.”²³ There were codes for the production of hair tonic, dog leashes, and even musical comedies. A New Jersey tailor named Jack Magid was arrested and sent to jail for the “crime” of pressing a suit of clothes for 35 cents rather than the NRA-inspired “Tailor’s Code” of 40 cents.

up. Only the most violent police methods could procure enforcement. In Sidney Hillman’s garment industry the code authority employed enforcement police. They roamed through the garment district like storm troopers. They could enter a man’s factory, send him out, line up his employees, subject them to minute interrogation, take over his books on the instant. Night work was forbidden. Flying squadrons of these private coat-and-suit police went through the district at night, battering down doors with axes looking for men who were committing the crime of sewing together a pair of pants at night. But without these harsh methods many code authorities said there could be no compliance because the public was not back of it.²⁴

The Alphabet Commissars

Roosevelt next signed into law steep income tax rate increases on the high brackets and introduced a five-percent withholding tax on corporate dividends. He secured another tax increase in 1934. In fact, tax hikes became a favorite policy of Roosevelt for the next 10 years, culminating in a top income tax rate of 90 percent. Senator Arthur Vandenberg of Michigan, who opposed much of the New Deal, lambasted Roosevelt’s massive tax increases. A sound economy would not be restored, he said, by following the socialist notion that America could “lift the lower one-third up” by pulling “the upper two-thirds down.”²⁵ Vandenberg also condemned “the congressional surrender to alphabet commissars who deeply believe the American people need to be regimented by powerful overlords in order to be saved.”²⁶ Those alphabet commissars spent the public’s money like it was so much bilge.

Roosevelt’s Civil Works Administration (CWA) hired actors to give free shows and librarians to catalog ar-



MICHIGAN SENATOR Arthur Vandenberg argued that a sound economy could not be restored through FDR’s punitive tax and regulatory measures.

chives. It even paid researchers to study the history of the safety pin, hired 100 Washington workers to patrol the streets with balloons to frighten starlings away from public buildings, and put men on the public payroll to chase tumbleweeds on windy days.

The CWA, when it was started in the fall of 1933, was supposed to be a short-lived jobs program: Roosevelt assured Congress in his State of the Union message that any new such program would be abolished within a year. "The federal government," said the president, "must and shall quit this business of relief. I am not willing that the vitality of our people be further stopped by the giving of cash, of market baskets, of a few bits of weekly work cutting grass, raking leaves, or picking up papers in the public parks." Harry Hopkins was put in charge of the agency and later said, "I've got four million at work but for God's sake, don't ask me what they are doing." The CWA came to an end within a few months but was replaced with another temporary relief program that evolved into the Works Progress Administration, or WPA, by 1935. It is known today as the very government program that gave rise to the new term, "boondoggle," because it "produced" a lot more than the 77,000 bridges and 116,000 buildings to which its advocates loved to point as evidence of its efficacy.²⁷

With good reason, critics often referred to the WPA as "We Piddle Around." In Kentucky, WPA workers catalogued 350 different ways to cook spinach. The agency employed 6,000 "actors" though the nation's actors' union claimed only 4,500 members. Hundreds of WPA workers were used to collect campaign contributions for Democratic Party candidates. In Tennessee, WPA workers were fired if they refused to donate two percent of their wages to the incumbent governor. By

1941, only 59 percent of the WPA budget went to paying workers anything at all; the rest was sucked up in administration and overhead. The editors of *The New Republic* asked, "Has [Roosevelt] the moral stature to admit now that the WPA was a hasty and grandiose political gesture, that it is a wretched failure and should be abolished?"²⁸ The answer to that question, unfortunately, was no: The last of the WPA's projects was not eliminated until July of 1943.

Roosevelt has been lauded for his "job-creating" acts such as the CWA and the WPA. Many people think that they helped relieve the Depression. What they fail to realize is that it was the rest of Roosevelt's tinkering that prolonged the Depression and which largely prevented the jobless from finding real jobs in the first place. The stupefying roster of wasteful spending generated by these jobs programs represented a diversion of valuable resources to politically motivated and economically counterproductive purposes.

A brief analogy will illustrate this point. If a thief goes house to house robbing everybody in the neighborhood, then heads off to a nearby shopping mall to spend his ill-gotten loot, it is not assumed that because his spending "stimulated" the stores at the mall he has thereby performed a national service or provided a general economic benefit. Likewise, when the government hires someone to catalog the many ways of cooking spinach, his tax-supported paycheck cannot be counted as a net increase to the economy because the wealth used to pay him was simply diverted, not created. Economists today must still battle this "magical thinking" every time more government spending is proposed—as if money comes not from productive citizens, but rather from the tooth fairy.

"An astonishing rabble of impudent nobodies"

Roosevelt's haphazard economic interventions garnered credit from people who put high value on the appearance of being in charge and "doing something." The great majority of Americans were patient: They wanted very much to give this charismatic polio victim and former New York governor the benefit of the doubt. But Roosevelt always had his critics, and they would grow more numerous as the years groaned on. One of them was the inimitable "Sage of Baltimore," H. L. Mencken, who rhetorically threw everything but the kitchen sink at the president. Paul Johnson sums up Mencken's stinging but often-humorous barbs this way:

Mencken excelled himself in attacking the triumphant FDR, whose whiff of fraudulent collectivism filled him with genuine disgust. He was the 'Führer,' the 'Quack,' surrounded by 'an astonishing rabble of impudent nobodies,' 'a gang of half-educated pedagogues, nonconstitutional lawyers, starry-eyed uplifters and other such sorry wizards.' His New Deal was a 'political racket,' a 'series of stupendous bogus miracles,' with its 'constant appeals to class envy and hatred,' treating government as 'a milch-cow with 125 million teats' and marked by 'frequent repudiations of categorical pledges.'²⁹

Signs of Life

The American economy was soon relieved of the burden of some of the New Deal's worst excesses when the Supreme Court outlawed the NRA in 1935 and the AAA in 1936, earning Roosevelt's eternal wrath and derision. Recognizing much of what Roosevelt did as unconstitutional, the "nine old

men” of the Court also threw out other, more minor acts and programs which hindered recovery.

Freed from the worst of the New Deal, the economy showed some signs of life. Unemployment dropped to 18 percent in 1935, 14 percent in 1936, and even lower in 1937. But by 1938, it was back up to 20 percent as the economy slumped again. The stock market crashed nearly 50 percent between August 1937 and March 1938. The “economic stimulus” of Franklin Roosevelt’s New Deal had achieved a real “first”: *a depression within a depression!*

PHASE IV: THE WAGNER ACT

The stage was set for the 1937-38 collapse with the passage of the National Labor Relations Act in 1935—better known as the “Wagner Act” and organized labor’s “Magna Carta.” To quote Hans Sennholz again:

This law revolutionized American labor relations. It took labor disputes out of the courts of law and brought them under a newly created Federal agency, the National Labor Relations Board, which became prosecutor, judge, and jury, all in one. Labor union sympathizers on the Board further perverted this law, which already afforded legal immunities and privileges to labor unions. The U. S. thereby abandoned a great achievement of Western civilization, equality under the law.

The Wagner Act, or National Labor Relations Act, was passed in reaction to the Supreme Court’s voidance of NRA and its labor codes. It aimed at crushing all employer resistance to labor unions. Anything an employer might do in self-defense became an “unfair labor practice” punishable by the

Board. The law not only obliged employers to deal and bargain with the unions designated as the employees’ representative; later Board decisions also made it unlawful to resist the demands of labor union leaders.³⁰

Armed with these sweeping new powers, labor unions went on a militant organizing frenzy. Threats, boycotts, strikes, seizures of plants, and widespread violence pushed productivity down sharply and unemployment up dramatically. Membership in the nation’s labor unions soared: By 1941, there were two and a half times as many Americans in unions as had been the case in 1935. Historian William E. Leuchtenburg, himself no friend of free enterprise, ob-

marched, or threatened to march, from city to city.”³¹

An Unfriendly Climate for Business

From the White House on the heels of the Wagner Act came a thunderous barrage of insults against business. Businessmen, Roosevelt fumed, were obstacles on the road to recovery. He blasted them as “economic royalists” and said that businessmen as a class were “stupid.”³² He followed up the insults with a rash of new punitive measures. New strictures on the stock market were imposed. A tax on corporate retained earnings, called the “undistributed prof-



AT THE NADIR of the Great Depression, half of American industrial production was idle as the economy reeled under the weight of endless and destructive policies from both Republicans and Democrats in Washington.

served, “Property-minded citizens were scared by the seizure of factories, incensed when strikers interfered with the mails, vexed by the intimidation of nonunionists, and alarmed by flying squadrons of workers who

its tax,” was levied. “These soak-the-rich efforts,” writes economist Robert Higgs, “left little doubt that the president and his administration intended to push through Congress everything they could to extract wealth from the high-