COMMUNITIES DIGITAL NEWS

Celebrating the economic legacy of FDR and Obama

Stephen Z. Nemo

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It had to be the dumbest headline ever to appear on the financial news site CNBC: "Dow posts biggest quarterly comeback since 1933."

Talk about putting lipstick on a pig.

So, let's take a stroll down Memory Lane and remember some events from 1933:

- It is the darkest year in the Great Depression. Unemployment is 25.2 percent; one in four Americans is out of work.
- Both Adolf Hitler and Franklin Delano Roosevelt come to power – with the blessing of the voters of their respective countries.
- Thirty-six hours after taking office, President Roosevelt signs an executive order declaring a "bank holiday," which prevents citizens from withdrawing their own savings and, more importantly, blocks all redemptions in gold for deflating Federal Reserve notes. Gold reserves at the New York Fed drop below the legal limit. Saving Wall Street comes at the expense of Main Street.
- After a vigorous debate at Oxford University, England's best and brightest resolve that they will "in no circumstance fight for king and country."
- Heinrich Himmler, head of Nazi Germany's SS, opens the first concentration camp at Dachau.
- The German Reichstag (legislature) passes a measure allowing Adolf Hitler to rule by pen and phone and issue edicts without bothering to consult them.
- FDR signs an executive order making it **illegal for U.S. citizens to own gold** and another that uncouples the dollar's value from the shiny yellow metal.
- The natural disaster known as the "Dust Bowl" begins.

- Thousands die in the Ukraine, the first victims of economic equality policies undertaken by Soviet dictator Joseph Stalin under his first "five-year plan."

Shortly after Barack Obama assumed the presidency in 2009, Time magazine's David Kennedy wrote that the financial crisis of the 1930s "provided an object lesson in the relationship between economic danger and political opportunity… it appears he [Obama] has looked to the example of FDR, whose presidency – and the very idea of activist government that it represents – is very much back in the public mind."

But Kennedy was intellectually honest when discussing the economic benefits of FDR's "activist government":

"It's old news that FDR's New Deal did not end the Depression. On that score, there was little difference between Roosevelt and Herbert Hoover," wrote Kennedy.

As Cato Institute Senior Fellow Jim Powell noted, "Throughout the New Deal era, the median annual unemployment rate was 17.2 percent. At no point during the 1930s did unemployment go below 14 percent. Although there was episodic recovery, the 1937 peak for per capita output was lower than the previous peak in 1929. And the 1937 peak was followed by a crash."

Economists Milton Friedman and Anna Jacobson Schwartz described that crash as "the only occasion in our record when one deep depression followed immediately on the heels of another."

Friday's jobs report (nonfarm payroll employment up 215,000 in March) sent the New York Times over the moon – sort of. "After years of economic desperation, American workers are finally regaining some of the ground they lost in the last decade's recession and the pallid recovery that followed," said the Times.

Here is what the U.S. Bureau of Labor Statistics actually said:

> In March, the labor force participation rate (63.0 percent) and the employment-population ratio (59.9 percent) changed little. Both measures were up by 0.6 percentage point since September… The number of persons employed part time for economic reasons (also referred to as involuntary part-time workers) was about unchanged in March at 6.1 million and has shown little movement since November… Employment in manufacturing declined by 29,000 in March. Most of the job losses occurred in durable goods industries (-24,000), including machinery (-7,000), primary metals (-3,000), and semiconductors and electronic components (-3,000).

That last bit of information most likely shows China's cyber-theft of intellectual property in Silicon Valley is starting to affect employment in America's high-tech sector.

And there was more good news, "U.S. layoffs ease to 48,207 in March," proclaimed CNBC.

What the report from Challenger, Gray & Christmas actually said, CEO John Challenger explained to CNBC, is that “job cuts slowed since surging in the first two months of the year, but the pace is still well above that of 2015.”

And it isn’t until you read a little further down in the story that the reporter admits that “on a year-over-year basis, total layoffs were up nearly 32 percent both in March and for the first quarter of 2016.”

And according to credit-rating agency S&P Capital IQ, corporate credit ratings have fallen “below the average we recorded in the aftermath of the 2008-2009 credit crisis… The average credit rating for U.S. nonfinancial corporate issuers has fallen to a record low due to the continued rapid rise of lower-quality borrowers.”

You may recall that it was easy-money, subprime lending that exploded the U.S. housing market, which cascaded through the global economy, triggering the worst financial crisis since the Great Depression.

The Fed’s easy-money, near zero interest rate policies appear to be having the same effect on shaky corporations struggling to survive in our zero-growth economy.

To paraphrase the late economist Milton Friedman, it looks like America is about to experience, for a second time, one deep recession followed immediately on the heels of another.

When FDR ran for president against the clueless and overwhelmed Republican incumbent Herbert Hoover in 1933, he chose the song “Happy Days Are Here Again!” as his campaign theme.

I guess CNBC is right after all. It is starting to look a lot like 1933.