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Obama's jobs plan is nothing new

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"And that's why FDR brains-trusters Rexford Guy Tugwell and Raymond Moley acknowledged later that Hoover "really invented" all the devices of the New Deal. Frederick Lewis Allen might not have recognized that in 1940, but Joseph Nocera should. And if we don't want to relive the Great Depression, as Nocera worries, then we'd better learn what didn't work in 1929-33 any better than it worked in 1933-39."

—David Boaz The CATO Institute "[The Hoover Myth Marches On](#)"

President Obama's [latest jobs proposal](#), where infrastructure banks and public works projects are the rage, has been blocked by the Senate. But each day another paper showing the way forward appears and demands more government spending.

Avoiding the errors of President Herbert Hoover and not allowing deflation to roar unchecked by government is the chief argument for more stimulus. Liberal gospel states that Herbert Hoover did nothing from 1929 to 1932 to staunch the tide of deflation and debt liquidation in the run up to the Great Depression, and that FDR acted decisively and saved the day.

But is this popular thread in the American economic narrative really correct? Did Hoover do nothing compared with the bold "action" of FDR? Or are Hoover, Roosevelt and Obama equally all interventionists?

Joe Nocera made this [popular but erroneous point in his last New York Times column](#). But my friend David Boaz of the CATO Institute caught him in the act. In fact, Hoover did all the things that Obama has proposed and more. And Hoover only made things worse. FDR accelerated the growth of government greatly thereafter, but did so based upon the actions of his nominally Republican predecessor. Obama offers more of the same nonsense.

Hoover was a big government Republican who sought the Democratic nomination in 1920, a fact that makes Democrats cringe even today. But in a [new Cato Institute study](#) economist Steve Horwitz notes what Hoover really did to expand the scope of the government in the period leading up to the Depression.

In the study, Horwitz says that Hoover almost doubled federal spending from 1929 to 1933, expanded public works projects to "create jobs," and pressured businesses not to cut wages, even in the face of deflation. Hoover signed the Davis-Bacon Act and the Norris-LaGuardia acts to prop up unions, he signed the Smoot-Hawley tariff, created the Reconstruction Finance Corporation, and proposed and signed one of the largest peacetime tax increases in US history, the [Revenue Act of 1932](#), which raised [income tax](#) on the highest incomes from 25% to 63%.

Our liberal brothers who deride President Hoover as inactive and use him today as justification for even more federal debt and deficits need to find another argument. Hoover was the greatest technocrat of his age and not at all against government intervention. FDR would later expand this fascist model of Hoover into dozens of other *parastatal* agencies like Fannie Mae, the housing agency that arguably enabled and led us into the subprime crisis.

Proponents of further government intervention in the economy as a remedy for imagined Hoover inaction should also ponder one of my favorite U.S. economists, Irving Fisher. In [Debt-Deflation Theory of Great Depressions](#) (1933), he notes that the open market operations started by the Fed in the middle of 1932 had begun to address the deflation prior to FDR's election six months later. Fisher wrote:

In fact, under President Hoover, recovery was apparently well started by the Federal Reserve open-market purchases, which revived prices and business from May to September 1932. The efforts were not kept up and recovery was stopped by various circumstances, including the political campaign of fear.

The campaign of fear was FDR's attacks on business, a deliberate strategy to spread panic in the business community while a Democratic Congress thwarted the ability of the Fed and other agencies to help the economy and lend to solvent banks. Obama's attacks on business — Dodd-Frank and socialized health care — seem very similar to the anti-growth actions of FDR.

When FDR said in his famous inaugural speech that "we have nothing to fear but fear itself," he spoke of fear he had himself orchestrated for political reasons. Roosevelt pretended to be concerned about the plight of his fellow citizens, but the real agenda of FDR and the Democrats then, as today with Barack Obama, was to achieve and retain power by making Americans more dependent upon the state.

Once the private sector was in disarray, from 1933 through the start of WWII in 1939, FDR and his fellow travelers began to experiment in socialist engineering with the New Deal. His attempts to regiment American society in imitation of the fascist models of



Europe actually made the Depression far worse, but many Americans still think of FDR as a hero. Quite the reverse is the case, but never forget that Hoover enabled FDR.

Fisher told the American Economic Association in December 1933: "We should have been further on the road toward recovery today had there been no election last year. Recovery started under Mr. Hoover but ... a recession occurred because of fear over political uncertainties." In the days of intimidation and fear following the election of FDR, Fisher's public statement against the new president took courage.

Sad to say, after four years of bank bailouts, incompetence, and trillions in wasted federal stimulus spending, we could say the same thing about Barack Obama. Americans need to focus on rapid restructuring and building sustainable economic renewal based on reality. If we do this we can break the cycle of boom and bust, end deflation in housing, and restore public confidence.

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