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George Will Schools Robert Reich On Deficit Spending, FDR and Herbert Hoover

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George Will on Sunday gave Robert Reich a much-needed history lesson about deficit spending and liberal myths concerning Franklin Delano Roosevelt and Herbert Hoover.

As the Roundtable segment on ABC's "This Week" moved to the current state of the economy, Reich predictably called for another stimulus package.

"You can't even talk about stimulus because people say, 'Oh, that would create a deficit and that would generate inflation,'" declared one of the Left's favorite economists.

Fortunately for those actually interested in facts, Will was there to offer viewers the truth (video follows with partial transcript and commentary):



ROBERT REICH: It's not the summer of recovery. It's the summer of our discontent. We are, by many measures, heading into a double-dip. But the fact is many Americans have not even

gotten out of the first dip. And the interesting paradox here is that in this town, in Washington, you can't talk about a second stimulus. You can't even talk about stimulus because people say, "Oh, that would create a deficit and that would generate inflation." But, in fact, the bond markets are not predicting inflation. The bond markets are worried more about deflation. The Treasury bill is now, the yield is what, something like 2.6 percent on a ten-year Treasury bill.

Before we get to Will's response, it must be noted that this so-called economic genius doesn't know that T-bills only come in maturities of 3 months, six months, and one year. The Treasury auctions "notes" with maturities of two, five, and ten years, as well as "bonds" with a duration of 30.

That Reich doesn't know this is somewhat staggering, but I digress:

GEORGE WILL: Let's talk about how bad it is, first of all. If, in the last five months, about 1.1 million people had not become so discouraged that is to have essentially dropped out of the job market, the real unemployment rate today, if they were still counted, would be 10.4 percent. So, too much use of the word Nazi, too much use of the word Herbert Hoover, my friend. You're the one who's consistently saying that the town today is full of people like Herbert Hoover who don't want to spend money.

REICH: Herbert Hoover is being exhumed, George.

WILL: Let me tell you, Bob, per capita federal expenditures between 1929 when the stock market crashed and '32 when Hoover had his last full year in office doubled. He was, he responded to the coming recession with a gusher of federal spending. It didn't do a lick of good.

In fairness, Will was exaggerating just a tad. Here are the real numbers according to a marvelous [report](#) [1] on this subject from the Cato Institute:

From 1929 to 1933, under President Hoover's administration, real per capita federal expenditures (graphed in Figure 1), increased by 88 percent.

So, Will was a little aggressive. However, his point was still spectacular:

REICH: He didn't, by the way, by the way, we can debate history, but by 1932, 1933, the major issue and major proposal on the table coming from Andrew Millen, his Secretary of the Treasury, was balancing the budget. And all we heard...

WILL: In Forbes Field in Pittsburgh in a famous speech, FDR pledged to balance the budget.

REICH: Yes, FDR was, was, he was also a deficit hawk.

Well, he was a deficit hawk during his first presidential campaign, Bob. Democrats love to promise fiscal discipline while on the stump only to go back on such promises after they're elected.

As Newsweek's Jonathan Alter noted in his book "The Defining Moment: FDR's Hundred Days and the Triumph of Hope" (page 131):

At Pittsburgh's Forbes Field in October [1932], FDR bid to neutralize the old guard fiscal conservatives. He blasted Hoover for "reckless and extravagant spending" in increasing government outlays by 50 percent, and for waiting too long before raising taxes to help balance the budget.

As such, quite contrary to the modern liberal myth that Hoover was a deficit hawk that was too tight on spending after the Depression began, he was actually blasted by candidate Roosevelt for being too loose with federal coffers.

This is supported by the previously mentioned Cato report:

Under President Roosevelt's administration from 1933 to 1940, just before World War II, [real per capita federal spending] increased by only 74 percent [compared to Hoover's 88 percent]. Although Hoover started from a lower base, in percentage terms expenditures under Hoover increased more in four years than during the next seven New Deal years.

As such, contrary to what liberals like Reich suggest, Hoover was proportionately a bigger spender than Roosevelt.

Of course, more importantly as Will noted, *none of this* spending did a lick to solve the Great Depression, for the economy only fully recovered as our nation geared up for World War II.

With this in mind, Reich really ought to be more careful when he makes historical statements with George Will sitting next to him.

On the other hand, it's far more entertaining to see him get schooled this way on national television.

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[1] <http://www.cato.org/pubs/journal/cj16n2-2.html>