Why Is the Cato Institute Desperate To Bury the Truth about FDR?

by Nancy Spannaus

It was a cozy little group of approximately 60 people, most of them male, which gathered in the Friedrich von Hayek Auditorium at the Cato Institute in Washington, D.C. on Dec. 3, to listen to author Jim Powell present the highlights of his recent book, *FDR's Folly, How Franklin D. Roosevelt and His New Deal Prolonged the Great Depression.* Having permitted FDR admirer Michael Barone to present a mildly critical commentary on Powell's presentation, moderator David Boaz, vice-president of the libertarian Cato Institute, was not about to brook any other criticism of Powell's specious diatribe against FDR. Thus, this author, sitting directly in front of Boaz in the second row, and raising her hand immediately to confront Powell, was ignored for half an hour. Apparently, the chairman had noticed that I was not applauding the drivel coming from the podium.

When asked after the forum ended why he only called on his friends in the audience, Boaz acknowledged the fact: "Yes, I guess I did," he said, with no apology. Apparently, these Cato "scholars" do not feel comfortable having to defend their rabidly free-trade, literally pro-fascist conclusions from trenchant opposition.

Thus the exposé will have to be presented in these pages—with an even wider audience than the webcast the Cato event provided.

Powell's Assertions

While I have not read Powell's book, his presentation undoubtedly stressed his major conclusions. In addition, there is circulating on the Internet a set of self-proclaimed "tough questions for defenders of the New Deal," which corresponded almost precisely to the points which Powell made in his opening presentation.

Perhaps not so coincidentally, Powell's questions had been submitted to Presidential pre-candidate Lyndon LaRouche, the leading representative of the FDR tradition in the United States today, only a couple of days before. These questions, and LaRouche's answers, are included with this report, in full. LaRouche was relatively harsh with the interlocutor—an attitude more than fully justified, as the lies Powell tells about FDR will show.

I asked Powell after the event, whether he had been the one to submit the questions to LaRouche. He denied it; I referred him to the larouchein2004 website, in order to review the replies.

LaRouche did not know the character of his interlocutor when he answered these queries, but he clearly smelled a rat. The reality is that the Cato Institute, for whom Powell is a "senior fellow," is a direct descendant to the monetarist school of the Austrian Friedrich von Hayek, whose economic theories call for a de facto return to feudalism, through the abandonment of nation-state controls over the economy. The means which von Hayek chooses is ultra-free trade.

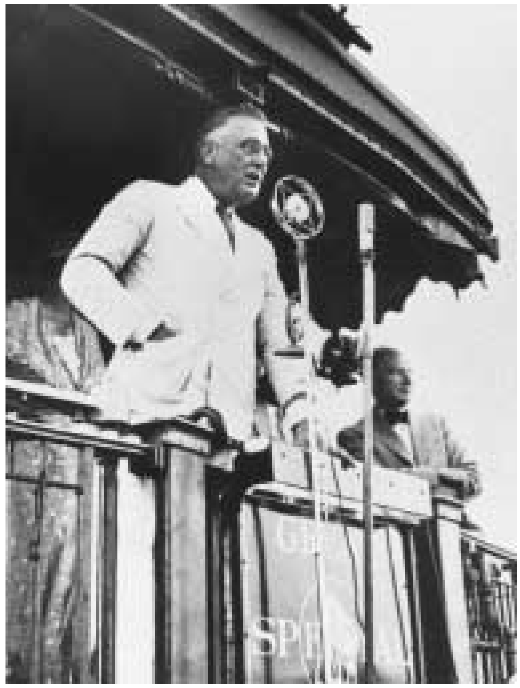
Although Powell only hinted at this fact, what has the Cato coterie so upset about FDR is the fact that the current financial-monetary breakdown crisis is creating the conditions for that great President's approach to be revived. This crew—which is represented as well by *Wall Street Journal* former editor Robert Bartley, a frequent critic of LaRouche—understands that LaRouche has put an FDR-style alternative to their fascist prescriptions on the world's agenda; and they are deathly afraid that this might catch on. The fact that Western Europe is making moves away from free trade, that Asian nations are advancing along the lines of LaRouche's Eurasian Land-Bridge, and that even notable "conservatives" such as Conrad Black and George Will are expressing positive views toward FDR, makes these ideologues' hearts tremble.

Thus, Powell began by pounding Black, Will, and even Irving Kristol for being soft on Roosevelt. Why this is relevant he didn't say, trying to stick instead to the question of "scholarship" on FDR. He tried to convey the idea that the academic world is coming around to agreeing with him that FDR's measures didn't work, and that they should never be tried again.

Barone's Critique

Michael Barone, a noted editor of political almanacs, was given 15 minutes or so to comment on Powell's blatantly incompetent presentation. He didn't attack the substance; his basic point was that FDR's economic "failure" didn't matter, because Roosevelt showed his fundamental greatness in leading the nation to victory in World War II. FDR simply wanted to stabilize the U.S. economy in order to prevent a revolution from occurring, Barone said, and in this he was successful.

Barone also argued that there was no reason to be concerned that FDR's approach would be revived today, since the World War II generation was dying out, and the regulatory



As the need for revival of Franklin Roosevelt (right)-styled recovery policies becomes so clear that even conservative pundits are waking up to it, the Friedrich von Hayek faction—the Cato Institute in Washington, for example—has launched a new book and campaign traducing FDR's legacy. LaRouche has answered some of these lies on the Internet.*

measures which FDR had put into effect—particularly the Glass-Steagall Act and the Public Utilities Holding Company Act—have now been largely repealed.

Sure, FDR was not a believer in market economics, Barone said, because he was actually part of the upper crust of American society. But he did succeed in "saving capitalism" and winning the war, and therefore should continue to be appreciated as a great President.

A Little Reality

Barone provided the perfect foil for what I wanted to say, had Boaz strayed from calling on his male friends. I had four points to make.

First, the gentlemen were totally wrong in claiming that FDR's policies were never coming back. In fact, LaRouche, as the leading representative of FDR's mode of thinking today, is rapidly gaining support internationally for his policies. In addition, I would have said, LaRouche has already answered Powell's specious economic analysis of Roosevelt's term, and the answers are available on his website, www.larouchein2004.com.

Second, Barone was right in asserting that FDR did not believe in market economics. In fact, FDR came from the tradition of Alexander Hamilton, through his great-grandfather Isaac Roosevelt, and shared with Hamilton the commitment to the American System of Economics. The American System directly contrasts with the von Hayekian free-trade system, in proposing that government control credit to the end of promoting the general welfare. Roosevelt returned to that approach in both phases of the New Deal: first, with his broad-reaching infrastructure programs of the 1930s; and later, with his science-driver program during the war buildup of the 1940s.

Third, I proposed to confront Powell with the reality of what would have happened if, as he continually suggested, FDR had simply "let market forces take their course." rather than intervene with the system of regulation which he did during his first Hundred Days. What FDR was doing, was battling the economic royalists—the Morgans, Mellons, and du Ponts, especially—who had created the Depression collapse. If FDR had not successfully done this, these financiers' program would have gone into effect unimpeded. And the example of what that program would have looked like is readily available—in Hitler's Nazi German state. In other words, what Powell and his Cato colleagues are proposing, is fascism.

My fourth point was even more extensive. Look at what Powell criticizes FDR for doing, I would have said, and look at what that criticism shows that Powell *advocates* for the economy. (This argument assumes, for the moment, that Powell is accurate in what he blames FDR for doing; so I only take those points where Powell's assertions have some correspondence to reality, unlike that about FDR "failing to reduce unemployment." In fact, as Powell indirectly admitted, if the millions of public works jobs which FDR created are taken into account, FDR did reduce unemployment rather dramatically.)

1. As opposed to what FDR did, Cato fellow Powell would

have had him maintain taxes low, or even reduce them. While Powell in his speech made a point of FDR's regressive taxation—such as FICA and unemployment—his major concern was FDR's taxing of corporations, inheritances, and undistributed profits. In other words, these free marketeers object mightily to any distinction being made between investment in productive plant and equipment, and speculation—through the tax system or otherwise. The financiers are to get a free lunch. (By the way, Cato is consistent—it also offers those attending its fora a "free lunch.")

2. As opposed to what FDR did, Powell would have had him maintain a system of *non-regulation.* Powell complained about the regulation of utilities, banks, securities, and just about anything else you can think of. He advocated an unrestricted opportunity for looting by all of these institutions—Enrons everywhere, with no government check. This is the cartel system which already was in place prior to FDR's coming to office—and precisely the kind of cartel-dominated government which characterized the Nazi state.

3. One of Powell's most vociferous complaints was that President Roosevelt took measures to raise both wages and profits, out of the deflationary spiral in which they found themselves when he took office. Powell prefers that business and workers be forced to sell themselves cheaper and cheaper ("competition"), in a struggle to survive. Such a system, of course, guarantees that many will simply die—or workers will be literally forced into slavery.

Were these von Hayekians honest, they would present their "theory" as the direct outgrowth of the British System of economics described by Henry Carey in his 1850 book *Harmony of Interests.* Carey counterposed the American System of economics and the British imperial system specifically on the question of wages and farm products: While the American System raises the value of labor, and its compensation, the British System reduces man to little more than a talking, working beast.

4. Lastly, and most strikingly, Powell lashed out at FDR's infrastructure programs, not only the public works in transportation, schools, and parks which still sustain a major portion of the U.S. economy, but also the Great Projects, such as the Tennessee Valley Authority. Powell was at pains to try to discredit the TVA as the major step forward in the development of the South, and the nation, which it was. He went so far as to argue that residents of the Tennessee Valley didn't really gain that much, because many lost land, and they really needed tractors and trucks, not electricity!

Very telling, in terms of the "grab the wealth as quick as you can" outlook of the von Hayekians, was Powell's complaint that the TVA didn't pay for itself for a full 40 years! This is true of most major infrastructure worth building, but it's too far ahead for these Leporellos of the oligarchy.

So, if Powell, and the von Hayekians generally, had had their way, the Federal government would not have had the ability to build the great dams and electrification projects which raised living standards all around the United States, and served as an inspiration to nations around the world.

Add it all up, and look at the world these free traders wanted to create: a world of huge cartels, free to dictate terms to everyone, large and small; able to lower wages and prices as much as they want; and undeterred by government moves to uplift the population, and the land, with great infrastructure projects for the benefit of the population as a whole. Sound familiar? It's either Nazi Germany, or feudalism—take your pick.

The Significance of FDR

The reality is that if LaRouche's proposals for a global recovery plan—along the lines of the principles established by FDR—are not implemented, we are headed for a global fascism under the prescriptions put forward by the likes of those at the Cato Institute. It is worth summarizing those principles once again, here, as they are so habitually trashed, or omitted, in the Establishment press.

Franklin Delano Roosevelt's economic recovery program was based upon a reassertion of the Federal government's role in the defending the general welfare, as prescribed in the Preamble to the U.S. Constitution. This role was reflected in the immediate application of regulation of private banking and business interests; the adoption of measures of social support for the "forgotten men and women" of the society; and a shift toward a large-scale increase of public and related employment in the building and maintenance of essential forms of both "soft" and "hard" basic economic infrastructure. These latter measures not only put people to work, but provided the basis for reviving private entrepreneurship, and for the later leap in productivity through investment in scientific and technological projects which depend upon that infrastructural basis.

In effect, FDR reasserted American national sovereignty, along the lines defined previously by the first Treasury Secretary, Alexander Hamilton, and by Presidents George Washington, John Quincy Adams, and Abraham Lincoln. He applied the same principles of support for the general welfare and national sovereignty in relations with other nations, by proposing to rid the world of colonialism. As such, while his measures were by no means perfect, FDR provided the indispensable leadership for preventing a global fascist dictatorship in the 1930s.

For this, the likes of Friedrich von Hayek, and the Synarchist bankers generally, will never forgive him or his leading advocate today, Lyndon LaRouche.

LaRouche Replies to Slanders Against FDR

Here are Lyndon LaRouche's replies to an e-mail set of questions he received at the end of November.

I reply *seriatim.* My replies will also be useful, not only to the sender of the request, but also by others who swallow the circulation of the the same false, right-wing assumptions embedded in each and of these questions:

Tough Questions for Defenders of the New Deal

http://www.cato.org/research/articles/powell-031106.html

1. Why did FDR triple Federal taxes during the Great Depression? Federal tax revenues more than tripled, from $1.6 billion in 1933 to $5.3 billion in 1940. Excise taxes, personal income taxes, inheritance taxes, corporate income taxes, holding company taxes, and "excess profits" taxes all went up. FDR introduced an undistributed profits tax. Consumers had less money to spend, and employers had less money for growth and jobs.

LaRouche replies: The question is typical of criticisms of FDR based upon the challenger's fallacy of composition. Roosevelt inherited a global, 1928-33, systemic collapse of the Versailles monetary system. The U.S. role in bringing about that collapse had been Woodrow Wilson's and Secretary of State Lansing's bungling and worse at Versailles; but the immediate cause of the 1929-33 collapse of the U.S. economy by more than 50% was chiefly the stubbornly persisting, monetarist "free trade" policies of the successive Coolidge and Hoover Administrations. Even during the last months he was in office, Hoover continued the brutish policies of Andrew Mellon and the Mellon-du Pont-Morgan gang generally, even attempting to prevent the incoming Roosevelt Administration from taking any of those measures which saved the U.S. from joining Germany in a plunge into a fascist regime here.

The complaint in the first question is a defense of those follies of Mellon, Coolidge, and Hoover which plunged the U.S. into an avoidable general financial-economic collapse.

2. Why did FDR discourage investors from taking the risks of funding growth and jobs? Frequent tax hikes (1933, 1934, 1935, 1936) created uncertainty that discouraged investment, and FDR further discouraged investors by denouncing them as "economic royalists," "economic dictators" and "privileged princes," among other epithets. No surprise, that private investment was at historically low levels during the New Deal era.

LaRouche replies: U.S. investment was plunged to low levels by, chiefly, the Anglo-American direction of the Versailles monetary system. Roosevelt consistently raised the levels from the bottom, where the policies of the Republican administration had left the U.S. economy in 1929-33.

3. Why did FDR channel government spending away from the poorest people? Little New Deal spending went to the South, the poorest region; most went to political "swing" states in the West and East, where incomes were more than 60% higher. The South was already overwhelmingly on FDR's side.

LaRouche replies: That question is based on false premises, and is thoroughly mistaken in its allegations as a fallacy of composition. FDR brought about a general recovery of the national economy, chiefly by emphasis on development of long-term investment in basic economic infrastructure, and a policy of improving the economy of all of the territory and all of the people. We are faced presently with a situation in which the monetarist policies of the Nixon, Carter, Reagan, Bush, Clinton, and Bush Administrations to date, have put the U.S. economy presently in a far worse peril than Coolidge, Hoover, and Mellon accomplished in 1928-1933.

4. Why did FDR make it more expensive for employers to hire people? By enforcing above-market wages, introducing excise taxes on payrolls and promoting compulsory unionism, the New Deal increased the costs of employing people about 25% from 1933 to 1940—a major reason why double-digit