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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

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private sector unemployment persisted throughout the New Deal era.

LaRouche replies: It was not easy to overcome the economic ruin and related unemployment which had been created by ten years under Coolidge, Hoover, and Mellon.

5. Why did FDR destroy all that food when millions were hungry? FDR promoted higher food prices by paying farmers to plow under some 10 million acres of crops and slaughter and discard some six million farm animals. The food destruction program mainly benefited big farmers, since they had more food to destroy than small farmers. This policy, and subsequent programs to pay farmers for not producing, victimized the 100 million Americans who were consumers.

LaRouche replies: You don't understand American agriculture. The gut of American agriculture, especially since President Abraham Lincoln's reforms, has been the family farm, or extended family farm, of typically 200 to 400 acres for farming, or larger for ranching. To defend these farmers against the predatory free-trade practices of the international financial cartels, it is essential to provide parity support as a weapon against the international grain cartel. People who are ignorant of real economics are easily taken in by the type of propaganda underlying your question on this point.

6. Why did FDR make everything more expensive during the Depression? Americans needed bargains, but FDR signed the National Industrial Recovery Act to establish some 700 industrial cartel codes that forced consumers to pay above-market prices for goods and services. Moreover, he banned discounting by signing the Anti-Chain Store Act (1936) and the Retail Price Maintenance Act (1937).

LaRouche replies: It sounds as if you are defending international predators such as Wal-Mart.

7. Why did FDR break up the strongest banks? FDR broke up the strongest banks, which diversified with both commercial banking and investment banking. FDR's Federal Deposit Insurance didn't stop bank failures, but it transferred the cost to taxpayers. About 90% of bank failures occurred because of unit banking laws that prevented small banks from diversifying through branches. Canada, free from branching restrictions, didn't have a single bank failure during the Depression.

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LaRouche replies: The cause of the banking crisis was the massive swindle run by the financier circles of Mellon-du Pont-Morgan throughout the 1920s and into the 1930s. Your argument is a reflection of your victimization by the continuing spread of long discredited, utterly false propaganda spread by the likes of Synarchist Robert Mundell around *The Wall Street Urinal.*

8. What was the point of New Deal securities laws that made it harder for employers to raise capital and didn't help investors to do better? Employers desperately needed to raise capital, but FDR made this harder. New Deal securities laws led to costly regulations for issuing stocks. These laws impeded the raising of capital. The rate of return from new stock issues failed to improve after the SEC was established.

LaRouche replies: Your implicitly alleged facts are simply false, like a grave-robbers' exhumation of the Piltdown Man.

9. How did the Tennessee Valley Authority become a drag on the economy? FDR taxed 98% of the American people who didn't live in the Tennessee Valley, then used this revenue for the TVA power-generating monopoly, exempt from Federal and state taxes and regulations. But non-TVA Southern states such as North Carolina and Georgia grew faster than TVA states, because there was a faster exodus out of farming and into manufacturing and services, which offered higher incomes.

LaRouche replies: The TVA was the single biggest factor in laying the basis for the FDR recovery from which the U.S.A. appeared as not only the world's leading economy, but virtually the only world economic power, from World War II. The misinformation you received on the TVA was really wildly outside of the known universe.

10. Why did FDR disrupt companies employing millions? In 1938, FDR authorized an unprecedented barrage of anti-trust lawsuits against about 150 employers and industries. FDR had big employers tied up in court, discouraging investment for growth and jobs.

LaRouche replies: Bunk. The causal relationship attributed to such factors never existed in the real universe. It is almost as if you had been seduced by dangerous right-wing fanatics such as the Siena gang's Robert Mundell.

Not only are the assumptions underlying your queries based on assumptions floating outside the real universe; but any candidate foolish enough to adopt the point of view of those mythical versions of history would tend to transform the present economic disaster into the death of the U.S.A. Read my website for an introduction to real economics. The best and worst thing about a Hoover brand of product, is that it sucks.

—Lyndon.