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Idaho Common Sense™



Craig L. Bosley, MD

Roosevelt or Reagan?

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Our country's leaders believe President Franklin Roosevelt's New Deal ended the Great Depression and saved the economy. Are they right? Did his New Deal end the depression or even shorten it? Take a moment and consider the Roosevelt logic Congress is using with our current situation. They believe they can fix the economy if they interfere with market forces and spend unprecedented sums of money. But, if all that is needed to end a recession is government meddling and spending, how could we ever get into a recession in the first place?

How do we fix the economy? Two former Presidents. Two choices.

Franklin Roosevelt took office in 1933, inheriting the Great Depression. Many of his New Deal programs manipulated the economy, allowing companies to price fix because he was convinced artificially inflating prices would boost the economy. In return, companies had to agree to collective bargaining, allowing wages to also be artificially inflated. Later, more than a few of his programs were ruled unconstitutional by the Supreme Court, despite his unprecedented attempts to circumvent the Constitution by manipulating the Court's composition to secure favorable rulings.

The result of his economic interference? He prolonged the recovery by years and it wasn't until our entrance into World War II that the economy recovered. The New Deal is practical proof that market manipulation, massive influxes of money, and massaging the Constitution does not lead to economic recovery. So, what do we do?

Let's look at another approach, one our socialist-minded Congress does not like because it focuses on less government involvement and control, not more. President Ronald Reagan saw the economy much differently than Roosevelt. He believed economic

stability and growth could only be achieved and maintained by cutting taxes, lowering interest rates, and getting money back into the hands of the people, allowing the entrepreneur spirit to flourish. He cut taxes for individuals by 25% and allowed faster write-offs for business. His policies lowered the unemployment rate from over 10% to about 5%, lowered inflation from a high of over 13% in the 1970s to about 5%, and gave us the longest peacetime expansion of the economy in history.

Why then is Congress blindly regurgitating President Roosevelt's New Deal, even though it was a failure and significant parts of it ruled unconstitutional? Reagan predicted our current Congress when he said, "Government's view of the economy could be summed up in a few short phrases: "If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."

And subsidize it Congress will, determined not to allow factual information to interfere with their decision-making process.

The automakers and their unions are at the current forefront of this economic crisis, a picture of New Deal logic. Although management and the unions saddle one another with blame, the reality is both artificially inflated their incomes beyond what natural market forces would have allowed, setting the stage for their failure.

And now Congress wants us to bail them and other industries out or face economic disaster. But there might be a better option – bankruptcy. Bankruptcy forces a failing company to get its act together, restructuring itself, including paying reasonable salaries to management and workers. Bankruptcy would recognize that a company is in such disrepair it needs to be rebuilt, not just given a facelift by Congress. The concessions some companies are trying

to negotiate only postpone the problem rather than solve it. Allow bankruptcy to serve its purpose. Allow it to work.

Further, does the government even have the constitutional authority to interfere with the economy, especially to the extent it plans? In his first inaugural address President Roosevelt tried to quietly change how we should view the Constitution saying, "Our Constitution is so simple and practical that it is possible always to meet extraordinary needs by changes in emphasis and arrangement without loss of essential form. But it may be that an unprecedented demand and need for undelayed action may call for temporary departure from that normal balance of public procedure."

Congress prefers this Roosevelt model of a "living" Constitution, open to interpretation and evolving, subservient to the issues and the times. Perhaps they forgot Thomas Jefferson's admonition, "They (Congress) are not to lay taxes ad libitum for any purpose they please; but only to pay the debts or provide for the welfare of the Union. In like manner, they are not to do anything they please to provide for the general welfare, but only to lay taxes for that purpose." The Constitution is not a living, evolving document, nor was it intended to be.

Roosevelt manipulated the economy, flaunted the Constitution and failed. Reagan gave the money to the people, honored the Constitution, and succeeded. Our choice.

Dr. Craig Bosley is an emergency physician practicing in Pocatello, Idaho. His column appears in the Idaho State Journal each Monday. If you would like to contact him directly, you can email him at craig@craigbosley.com or visit his Website, www.craigbosley.com where all of his columns are available.