



The New Deal Dilemma

by John Hendrickson

In Our Country: The Shaping of America from Roosevelt to Reagan, Michael Barone wrote that “the New Deal changed American life by changing the relationship between Americans and their government.”¹ President Franklin D. Roosevelt’s New Deal, which consisted of the many “Alphabet Soup” agencies and programs, was designed to not only fight the Great Depression, but also bring about social and economic reforms. With the severity of the Great Depression, Roosevelt and other progressives believed that the federal government must build on the administrative state by providing economic security through programs such as Social Security. The emergence of the welfare state has grown tremendously in the aftermath of the New Deal, especially under President Lyndon B. Johnson’s Great Society. Today, the nation is facing a fiscal crisis that demands a solution that is rooted not in the tradition of the New Deal, but rather in constitutional limited government.

President Barack Obama and Democrats in Congress are pushing a similar agenda as Roosevelt, which consists of Keynesian-style stimulus programs, universal health care (something FDR supported), financial reform, and an increase of regulatory activity over the economy. In fact, former Secretary of Labor Robert Reich has called for a second Works Progress Administration (WPA) to roll back the 9.8 percent unemployment, while creating more demand in the economy.² President Obama is certainly pursuing a progressive reform agenda rooted in the philosophy of the New Deal. “In other words, he longs to be another FDR, building a New New Deal for the 21st century, dictating the politics of his age, and enshrining the Democrats as the new majority party for several decades to come,” noted Charles Kesler, a Professor of Political Science and editor of the *Claremont Review of Books*.³

The economic security that Roosevelt put in place and which was strengthened by Johnson’s Great Society created the entitlement state. Over time entitlement programs such as Social Security, Medicare, and Medicaid have grown into a “safety net.” As columnist Robert Samuelson wrote:

People who wonder what America’s budget problem is ultimately about should look to Europe. In the streets of Dublin, Athens and London, angry citizens are protesting government plans to cut programs and raise taxes. The social contract is being broken. People are furious; they feel betrayed...People expect them and consider them property rights.⁴

The Heritage Foundation noted that “entitlement spending currently accounts for 56 percent of total federal spending.”⁵ The cost of entitlement programs continues to grow and jeopardize the stability of each program and indeed the financial health of the nation. Entitlements are estimated

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by 2050 “to become 18.4 percent of the Gross Domestic Product (GDP),” which “would consume the entire budget so that other national priorities, such as defense, would be entirely paid for by deficit spending.”⁶ In addition, the Patient Protection and Affordable Care Act, unless repealed, will only add an additional albatross in the trillions to the federal budget.

Government spending continues to grow, anchored by large deficits (\$1.3 trillion in 2010, \$1.48 trillion projected for 2011) and a national debt over \$14 trillion, which as Michael Tanner, a Senior Fellow at Cato Institute, states, will increase to \$100 trillion with the unfunded obligations of the entitlement programs.⁷ A recent *Wall Street Journal* editorial noted that spending has increased to about 25 percent of GDP, while revenues have declined to 14.9 percent of GDP.⁸

The recent November midterm election demonstrated, especially by the growing Tea Party, that Americans are not only concerned, but support limited government policies based on reducing the deficit. Nevertheless, reducing the deficit, which will require cutting government spending and reforming entitlements, will not be an easy process. In a recent poll, 57 percent stated that “they were uncomfortable with gradually raising the Social Security retirement age to 69 over the next 60 years, while “70 percent were uncomfortable with making cuts to programs such as Medicare, Social Security, and defense in order to reduce the deficit.”⁹

President Ronald Reagan was the last President to directly challenge the philosophy of the New Deal. Reducing government spending and reforming entitlements must be done. In the fall of 1932, at the close of the presidential campaign, President Herbert Hoover stated that “this campaign is more than a contest between two men. It is more than a contest between two parties. It is a contest between two philosophies of government.”¹⁰ The battle to resolve the fiscal crisis will not just be an economic debate, but also a debate between a government that is rooted in constitutional limited government versus the New Deal philosophy. The legacy of the New Deal is still strong and the welfare state has become ingrained in our culture, but the only solution to the impending fiscal disaster resides in returning to constitutional principles.

Endnotes:

¹Michael Barone, *Our Country: The Shaping of America from Roosevelt to Reagan*, The Free Press, New York, 1990, p. 95.

²Robert Reich, “The American Jobs Emergency Requires Action,” *Robert Reich*, December 3, 2010, <<http://robertreich.org/post/2082971308>> accessed on December 9, 2010.

³Charles R. Kesler, “The New New Deal,” *Imprimis*, May/June 2010, Vol. 39, No. 5/6, Hillsdale College, p. 2.

⁴Robert Samuelson, “Supersized Government?” *Real Clear Politics*, December 6, 2010, <http://www.realclearpolitics.com/articles/2010/12/06/supersized_government_108147.html> accessed on ...

⁵Robert E. Moffit and Kathryn Nix, “The Future of Health Care Reform: Paul Ryan’s “Roadmap” and its Critics,” *Background*, No. 2495, December 3, 2010, The Heritage Foundation, Washington, D.C., p. 2.

⁶*Ibid.*

⁷Michael D. Tanner, “GOP’s Budget Cowardice,” *Cato Institute*, November 17, 2010.

⁸Editorial, “How to shrink the deficit,” *The Wall Street Journal*, December 3, 2010, <<http://online.wsj.com/article/SB10001424052748703377504575650733726487808.html>> accessed on December 9, 2010.

⁹Peter Wallsten, “Deficit Proposal Draws Mixed Review,” *The Wall Street Journal*, November 18, 2010, <<http://online.wsj.com/article/SB10001424052748703688704575620891838063332.html>> accessed on November 18, 2010.

¹⁰Herbert Hoover, “The Consequences of the Proposed New Deal: Madison Square Garden, New York,” October 21, 1932, *The New Deal*, compiled by Dr. Gordon Lloyd, Pepperdine University, <<http://publicpolicy.pepperdine.edu/faculty-research/new-deal/hoover-speeches/hh102132.htm>> accessed on December 9, 2010.

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