An Assessment to the New Deal to Determine How Neoliberal Ideology Threatens Democracy

Neoliberal Ideology Threatens Democracy

This paper will assess the New Deal and argue that the desire to dismantle it through laissez-faire capitalism or neoliberalism threatens the wellbeing of all citizens. The Stock Market Crash of 1929 set the stage for the Great Depression, which was Franklin D. Roosevelt's ticket into the White House against his Republican foe Herbert Hoover. The U.S. economy had been crippled severely and was in dire need of economic stimulation. Consumers had lost confidence and hope within the banking system causing the American people to withdraw their money in record numbers. Unemployment and poverty spiraled out of control. As he campaigned, Franklin D. Roosevelt metaphorically proclaimed that the American people were in need of a new deal, one in which that would restore their faith in the United States. When FDR took the Oval Office, he setout passing massive legislations. President Roosevelt's objectives were simple and clear.

His first goal was to restore consumer confidence within the banking system. His second goal was to reduce the level of unemployment and poverty. These series of legislative acts and executive orders passed by FDR and Congress became famously known as the New Deal. Indisputably, the New Deal worked, creating a more sustainable and harmonious economy.

However, the ideological liberalism that was once prominent made its way to the center of the stage one again, calling for a breakdown of these government programs. It is important to note, that the term liberalism has changed over time and the term conservatism has changed out of response to this transformation of the word liberalism. Prior to the era of the New Deal, the liberal ideology advocated for an unhampered market economy, deregulation, privatization, and limiting public expenditure. In the case of the New Deal, liberal meant reform that benefited the well being of all through protective regulatory measures and welfare programs

In 1932, September 23rd, Franklin Roosevelt delivered a presidential campaign speech in San Francisco called the Commonwealth Club Address. His message was that individualism must make way for collective action. The ideological liberalism that has allowed for the U.S. economy to spiral out of control through its commendation of free market enterprise and lack of government intervention must come to a halt.

“Some of my friends tell me that they do not want the Government in business. With this I agree; but I wonder whether they realize the implications of the past. For while it has been American doctrine that the government must not go into business in competition with private enterprises, still it has been traditional particularly in Republican administrations for business urgently to ask the government to put at private disposal all kinds of government assistance. The same man who tells you that he does not want to see the government interfere in business—and he means it, and has plenty of good reasons for saying so—is the first to go to Washington and ask the government for a prohibitory tariff on his product. " (Franklin Roosevelt, Commonwealth Club Address)

Franklin Roosevelt acknowledged that the lack of regulation, especially in the banking industry contributed to the poor economic conditions of the Great Depression. When he took office in 1933, that March, President Roosevelt proclaimed a Bank Holiday, shutting down the banking system. This put an end to the bank runs consumers were making on U.S. banks. FDR understood the importance of the financial system to the economy. Although he wanted to regulate it, he knew he must restore consumer confidence in the financial system and their government. On March 13th, when the institutions reopened for business depositors stood in line to return their cash to their neighborhood banks. Before two weeks had even passed, Americans had redeposited more than half of the currency that they had hoarded prior to the suspension. Even the stock market was suspended and recorded the largest one-day percentage increase once reopened. Franklin D Roosevelt knew in order to jumpstart the economy he had to build the American people's confidence in the institutions. Thus, it was ironic when businessmen were calling for less government intervention, when it was government intervention that solved the Great Depression.

During a speech he gave while on campaign for reelection, he metaphorically referred to the private sector as a train that has gone off the rails. He states that this train did not uplift itself out of the ditch but was hauled out by the Government. This strong message had to have been reassuring to the citizens of United States. With FDR leading the United States Government, deflation and falling prices ceased, industrial workers had more purchasing power, interest rates, power rates, and transportation rates were reduced, the rate of unemployment rate and poverty even fell.

These things happened because of a strong central government that sought to create fair conditions for the public. Under FDR, social welfare programs were immense and life changing. For example, the Civilian Conservation Corps (CCC) was a public work relief program that operated for unemployed, unmarried men from relief families as part of the New Deal. Also the Works Progress Administration (renamed in 1935 as the Work Projects Administration; WPA) was the largest and most ambitious American New Deal agency, employing millions of unemployed people to carry out work to be done in the public sector, mainly infrastructure. Millions of dollars were injected into the economy through the Reconstruction Finance

Corporation, liquidating the assets of the closed banks. Millions of dollars were pumped into the economy through the Federal Housing Program, which loaned money out to finance and build homes. This sort of public expenditure allowed money to circulate once again. The government spending on social welfare for the public put money into circulation for the economy to spend itself.

President Roosevelt felt that it was his administration's duty to combat this increase in income inequality and save American democracy, against the abuse of concentration of economic power that had been insidiously growing up among us in the past fifty years. FDR even recalled a warning of one of the Founding Fathers, Thomas Jefferson. President Jefferson forewarned that increasing poverty with a large concentration of wealth couldn't sustain side by side in a democracy.

However after World War II, it did not take too long for entrepreneurs to revert back to their desire to limit the government. In fact, many of them thought the government should only intervene as a last resort when the economy cannot be stimulated through the private sector. This allowed for classical liberalism to revive itself. While some liberals (welfare liberals) came to embrace the government for its growth promoting, economy-managing and its concern for social welfare, there were a minority (corporate liberals) that evolved into an anti-state faction within the conservative party that only wanted growth. "As government became more responsive to political movements for reform, conservatives became more suspicious of government while liberals became more attracted to it." (American Political Thought) Another dilemma arose from this division amongst liberals, and that is whether the have-nots were entitled to a large share of economic opportunities and wealth.

There grew a huge resentment for the focus the nation had placed on social welfare. Daniel Bell, sociologist wrote a booked titled The End of Ideology arguing that the material benefits of modern capitalism had been so widely shared that, the nation had solved all the major economic issues between classes or groups of people. Therefore, suggesting for a reemergence of a free market enterprise. Ultimately meaning, the government had done its job and can go away until needed. By the 1980s, the neoliberal ideology had fully revived itself, especially with Milton Friedman, free-market economist serving as an advisor to president Reagan. It is hard to fathom, how the neoliberalism can thrive when there is empirical and historical data showing that the government's involvement in the economy creates a sustainable and stable market environment. As public expenditure increases it serves as spending money for the people and businesses within the economy. As long as neoliberalism remains the dominant ideology in the U.S. income inequality will only continue increase. Therefore, it serves as a threat to the bottom middle-class and lower-class citizens of society.