# ROOSEVELT VERSUS OBAMA: "SIMILAR" CRISES, DIFFERENT POLICIES?



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***Abstract:***

*The Great Depression of the 1930s and the economic crisis of the 2007-2010 shared several parallels and remarkable disparities in terms of economic performance, social outcomes and policy responses. Accordingly, the Roosevelt's New Deal and the Obama's American Recovery and Reinvestment Act (ARRA), also known as the Stimulus Plan, formed the bedrock plans of the two Democratic administrations to move the nation out of the slump. For this comparison purpose, the study reviews a host of pieces of literature based on theoretical and historical methods, statistics, and evidence-based analyses. Moreover, it deals with major relevant socio-economic theories including Liberalism, Socialism, Keynesianism, Neoliberalism and the capital-based economy "Laissez-Faire." This qualitative-based case-study paper uses the comparative approach to trace how the regular resurgence of socio-economic downturns led to the emergence of collective frustration and skepticism over capitalism in both periods, and how the two administrations tackled this issue. The research concludes that the capitalist system stands as both an ideal whose success generates a widespread prosperity and a plight whose failure leads to untold stories of economic decline and human suffering. Therefore, behind the economic failure of capitalism lies mass dissatisfaction and public desire for effective policy responses by the Roosevelt and Obama administrations.*

***Key words:*** *ARRA; Great Depression; Great Recession; New Deal; Obama; Roosevelt.*

## Introduction:

One major factor in the recovery from an economic crisis is the immediate and efficient official response. In contrast, the failure or insufficiency of this response may entail further deterioration to the economic condition. In this context, the 1930s Great Depression took place when Republicans were in office under the leadership of Herbert

Hoover. Similarly, the recent Great Recession occurred when George W. Bush presided over the destiny of the nation in 2008. In reality, the Hoover and Bush administrations took the initiative measures to address the first symptoms of the two severe economic crises. In this respect, though these policies proved controversial in their seriousness, width, and effectiveness, many scholars have drawn attention to their chief role in laying the basis for Democrats that came after, namely Franklin Delano Roosevelt and Barack Obama, to launch their ambitious plans to overcome the downturns. The Roosevelt's New Deal and the Obama's Stimulus Plan, therefore, formed the bedrock of the two Democratic administrations' plans to move the nation out of the slump.

Repeated events are part of the human history and this paves the ground for comparative theories to explore, describe and explicate similar experiences and contexts. Employing the comparative approach, this exploration attempts to join theory with empiricism. It involves two essential parts. First, part one will be a theoretical framework for the qualitative research and the comparative approach that tackle events with similar contexts. Part two will offer evidence for both the similarity and disparity of Roosevelt and Obama's socio-economic responses to the 1930s Great Depression and the 2008 Great Recession, which solidifies the notion that the adoption and commitment to capitalism marked a stark parallel.

## Methodology and Theoretical Framework

The present study accounts for assessing the socio-economic downturns that generated a reform agenda and paved the way for a broader government intervention in the economy and social life. This is through shedding light on the proper Democratic administrations, particularly the Roosevelt-Obama administrations' policies. In evaluating the socio-economic responses to the Great Depression and Great Recession in the United States, the qualitative research approach is opted for to explore the disparities and parallels characterizing the policies of both periods. This normative exploratory methodology allows to come up with hypotheses answering the "why" and "how" inquiries by tracing the causes and methods laying behind a given phenomenon in the endeavor of drawing logical conclusions. In this regard, the paper enables a chronological order in the comparison process through going back and forth in time to allow comparison and contrast of comparable events. In an attempt at delving into relevant hypotheses, this exploration employs the ideas of reliable theoreticians of comparative history including Heinz-Gerhard Haupt and Marc Block. According to them, the comparative approach, as an exploratory and explanatory mechanism for research, helps to go beyond vague generalizations and provide instead a variety of explanations, interpretations and perspectives. Its feasibility is implied in the potential to prove the inadequacy of a single approach to history (Gul, 2010, p. 149). Besides, Heinz-Gerhard Haupt makes it clear that history does not make headway without making comparisons. He contends that the workable comparative approach revealing similarities and differences enables researchers to avoid the national framework of

perceiving history by combining various contexts that have a common problematic (Haupt, 2007, p. 702).

## ROOSEVELT AND OBAMA'S RESPONSES: A COMPARATIVE PERSPECTIVE

By the time F.D. Roosevelt and Barack Obama took office, respectively in 1933 and 2009, the U.S. was facing historic economic crises at home. In fact, the capitalist approach adopted by the nation and the remarkable lack of control over markets led to these economic downturns. Therefore, the Roosevelt and Obama administrations took a wide range of measures to restore the economic recovery and assure the nation's prosperity. *The Financial Times* commented upon the recent financial crisis as follows: "Failures of untrammeled capitalism are blamed for the crisis. Discredited "socialist" solutions are back: banks are nationalized or rescued with taxpayers' funds; borrowed money is pumped into economies in a Keynesian effort to boost demand" (Groom, 2009). However, though the crises' causes had many remarkable similarities, policy responses implied significant disparities.

### First Section:

### Keynesianism and Government Intervention

The British economist John Maynard Keynes introduced a revolutionary approach in economics by emphasizing the notion of supply and demand (Keynes, 2013). He argued that unemployment and economic depressions are the result of the fall in demand for goods when it goes under the industrial output. In contrast, the inflation occurs when demand surpasses the national productivity. In this sense, he firmly argued that the demand for goods can be generated either by investments or by consumer and government spending. Most notably, Keynes strongly defended the idea that the decline in consumer spending and investments is an important cause of economic recessions. He argued, in order for the economy to recover and normalize, the government is required to respond by increasing spending to fill the void left by consumers and investors (Hanes and Hanes, 2002, p. 281).

Moreover, Keynes stressed the idea that the Central Bank should deal with an economic downturn first by reducing interest rates to trigger and increase investment and lessen the effects of the slump. Accordingly, Keynes urged the government involvement through public investment, protective tariffs and central bank cooperation as an immediate remedy. However, his skepticism toward bankers launching a monetary policy of reducing the interest rates led him to advocate public works as an alternative means to fight unemployment. Therefore, Keynes called for more government sustained spending on investment as a way out of the slump. He expressed his deep concern over a prolonged and perhaps unending depression unless direct state intervention took place to increase and subsidize new investments (Irwin, 2014, p. 217).

Furthermore, according to the Keynesian approach, the monetary authorities are invited to intervene in financial markets to regulate the interest rates, sell bonds to increase these rates, and buy bonds to drop it. In the time of economic crises, the fluctuations in the financial market affect the confidence of both entrepreneurs and ordinary citizens, and this, in turn, affects investment and purchasing habits. These practices help further exacerbate the Depression and prolong the recovery process. As a way out of the severe Depression, Keynes proposed a loan-financed public investment and a further government spending funded by the increase in tax revenues and savings in an attempt to provide the money supply required to overcome the deficit (Clarke, 1988, p. 237).

In alignment with Keynesians who argue that the cornerstone of fiscal policy in an economic crisis is government spending that is expected to drive the economy away from the downward spiral, decision-makers took a full range of measures during the 1930s Depression and the recent Recession to cure the American economy with significant increases in government expenditure (Atesoglu, 2013, p. 529).

According to Keynes, the lack of confidence among consumers profoundly affected the purchasing power of ordinary people and ruined the business community in the 1930s. In this context, in his March 1933 inaugural address, President Roosevelt stressed the adverse effects of the public lack of confidence and stressed the urgent need to restore people's trust in the economic system. From the very early beginning in office, he emphasized the importance of government involvement in the economy and indicated an inevitable end to the *Laissez-Faire* policy. In this respect, it was clear that as soon as Roosevelt took office, the substitution of *Laissez-Faire* by state interventionism was of prime concern and characterized its economic policy initiative known as "Primal Keynesian" which means that Roosevelt adopted primal Keynesianism prior to the development of Keynes' revolutionary economic theory. Therefore, the influence of Keynes' ideas on Roosevelt shaped the policy of his three successive terms (Canterbery, 2001, p. 216).

Roosevelt firmly believed in the active role the federal government must play in the economy along with business leaders. Nevertheless, he showed no hostility toward capitalism as a system but he revolted against its unleashed or uncontrolled form that led the American economy and society to collapse. In this regard, E. Ray Canterbery writes: “These economic policies, though not socialist, were certainly radical by peacetime standards, that is, they attempted to uproot the *Laissez-Faire* system and make government an active partner in the conscious steering of the economy” (Canterbery, 2001, p. 216). It is valuable to note that despite the skeptic campaign conducted against the New Deal as merely socialistic, this program meant primarily at protecting capitalism and restoring confidence in this shaken system. Accordingly, Canterbery indicates: “Although decried as outright socialism, the program was aimed at saving capitalism” (Canterbery, 2001, p. 216).

When it comes to the policy response to the 2009 Recession, it initially demonstrated a remarkable return to Keynesian economics as both Republicans and

Democrats had a tendency to enact the Troubled Asset Relief Program (TARP) under George Bush's leadership in 2008. This program provided $700 billion to the severely hit firms including banks, the insurance giant American International Group (AIG), and the auto industry (chiefly Chrysler and General Motors). Moreover, in an effort to unfreeze credit markets, the U.S. central banks followed the Keynesian model of cutting interest rates (Love and Mattern, 2011, p. 405).

Furthermore, in alignment with Keynesianism, Progressives proposed a host of programs funded by government to deal with major concerns such as the long-standing inequality in power, income, and wealth. Besides, these programs proposed an expansionary social welfare spending, a refined tax system, and further support for unions. Moreover, they suggested reforms to regulate financial and industrial markets and to create public service jobs. These programs would be funded by imposing more taxes on the wealthiest Americans. In fact, such programs clearly served both; they laid at the core of Keynesian approach of government spending and intervention on the one hand, and undermined capitalism and its neoliberal notions of free-enterprise system and market deregulation on the other hand (Love and Mattern, 2011, p. 406).

Keynes' ideas had a far-reaching influence over both the New Dealers and the Obama team in their longing for a solution to the socio-economic setbacks. The New Dealers urged Roosevelt to sustain government deficit spending instead of Roosevelt's attempt to seek a balanced budget. Consequently, the newly adopted expenditure approach characterized the Second New Deal programs. Accordingly, Roosevelt encouraged substantial funding for work relief to assure the efficiency of the Second New Deal. Indeed, the Emergency Relief Appropriations Act of April 1935 had been the largest bill ever funded by Congress (Hanes and Hanes, 2002, p. 281). Similarly, many economists consider the Obama Stimulus Plan as a high federal spending procedure overriding the high budget deficit and serving as the largest stimulus measure ever in U.S. history (Rosenberg, 2010, p. 11).

## Second Section:

## The New Deal and the Stimulus Plan: Analogous Measures, Equivalent Outcomes?

At the onset of the 1930s, the new-elect President Franklin Delano Roosevelt inherited a nation on the verge of collapse; the economy declined dramatically, unemployment and poverty soared quickly, and Americans were hopeless and ashamed of their individual failure. As a response, Roosevelt launched a set of economic, social, and political reforms known as the New Deal. Similarly, the American Recovery and Reinvestment Act (ARRA), commonly known as the Stimulus Plan, formed the bedrock of President Barack Obama's policy to attain an immediate economic recovery and to retain Americans' confidence in the remarkably shaken economic system (Rosenberg, 2010; p. 11). Despite the official declaration that the Recession ended in mid-2009, its effects lasted longer, went deeper, and required bold policy responses. In

this respect, Obama explicitly argued that a sound economy requires both thriving businesses and flourishing families. On the steps of F.D. Roosevelt and his social mobilization with optimism and hope in times of crises, Obama confidently declared: "[ ] no matter how great the challenge or how difficult the circumstance, change is always possible if you're willing to work for it, and fight for it, and, above all, believe in it" (Obama, 2008, p. 6).

In this respect, though F.D. Roosevelt had expressed a high confidence in his endeavor and ability to put an end to the Depression, he also reckoned the challenges that his administration was facing. As soon as Roosevelt took office on March 4, 1933, the new President immediately called Congress to a special session from March to June, historically known as the One Hundred Days, to work on an emergency Banking bill and other proposed legislations that would reshape the American economy. Moreover, by asking Congress for more executive power to combat the crisis, Roosevelt gained more privileges. Most of his bills meant primarily at establishing new government agencies capable of restoring the economic recovery. In this respect, one of the most notable periods in American legislative history is the first one hundred days of President Roosevelt in office. He proved to be a man of action after a remarkable mass frustration at Herbert Hoover's slow reaction to the crisis. In fact, the domination of Democrats over both Houses of Congress helped the new president go on in his "fundamental" reforms (Hanes and Hanes, 2002, p. 257). In this regard, according to Alexander Heffner and some other historians, Roosevelt's policy response to the Great Depression represented what he labeled "a radical departure from unchecked capitalism" (Heffner, 2011). In line with this, during his campaign as a presidential candidate, Obama had launched a severe attack on the policies of George Bush depicting his two terms as marked by failed leadership. Besides, he harshly criticized tax breaks oriented for the wealthiest Americans, the growth of health care costs, and the ideological commitment to what he labeled "discredited ideas" (Obama, 2008, p. 14). In this respect, journalist Peter Beinart asserts: "If [Obama] can do what F.D.R. did — make American capitalism stabler and less savage — he will establish a Democratic majority that dominates U.S. politics for a generation" (Beinart, 2008).

Proposed by Obama in January 2009 and signed by mid-February, ARRA formed a set of federal stimulus packages addressing the crisis. In this context, Obama proposed the largest stimulus measure in the history of the US reaching $825 billion and covering various sectors like tax cuts and credits, clean energy, spending for roads, social welfare services and federal assistance to states. In this regard, conservatives argued that the newly signed legislation would mark the highest federal spending ever. In fact, it was a double-edged Act. In addition to its economic orientation, it covered social issues involving $507 billion in spending programs and as much as $282 billion in tax relief. Accordingly, it provided individuals with credits of $400 and $800 for families. Besides, for those dependent on social security and government assistance, the Act granted them an amount of $250. Moreover, the Act aimed at helping the states balance their budget, and gave them $150 billion (Rosenberg, 2010, p. 12).

However, despite these efforts, state budgets kept suffering considerable deficits. More than one-third of the Act targeted tax cuts, which resulted in lowering taxes of most working citizens. The second-largest distribution of the Act's entire amount was designed to give direct relief to state governments, and the last third targeted roads building and other construction projects. As a result, by the mid-summer 2009, the US saw more than 30,000 projects approved (Rosenberg, 2010, p. 13).

By the time Roosevelt took office, the US was facing the most severe panic hitting banks. As an immediate response, he rushed first to banks and declared a "Bank Holiday" program in virtue of which a one-week long closure of all American banks would take place in an attempt to give inspectors time to investigate banks and review their solvency (Hanes and Hanes, 2002, p. 255). Meanwhile, in his first month in office, Congress passed the Emergency Banking Relief Act, which meant to determine banks' soundness in order to allow the sound ones to reopen, to empower the President to combat bank transactions, and to authorize the Reconstruction Finance Corporation (RFC) to buy and sell bank stock (Rauchway, 2008, p. 137). Indeed, the reopening of relicensed and reassured sound banks gave more acclaim and credibility to Roosevelt's program. Accordingly, it was clear that a widespread public confidence in the newly launched banking system led people to rush with their previously withdrawn money to banks in order to deposit their savings. Consequently, the public trust generated a common sense of hope and ended a severe, long-lasting financial panic (Hanes and Hanes, 2002, p. 256).

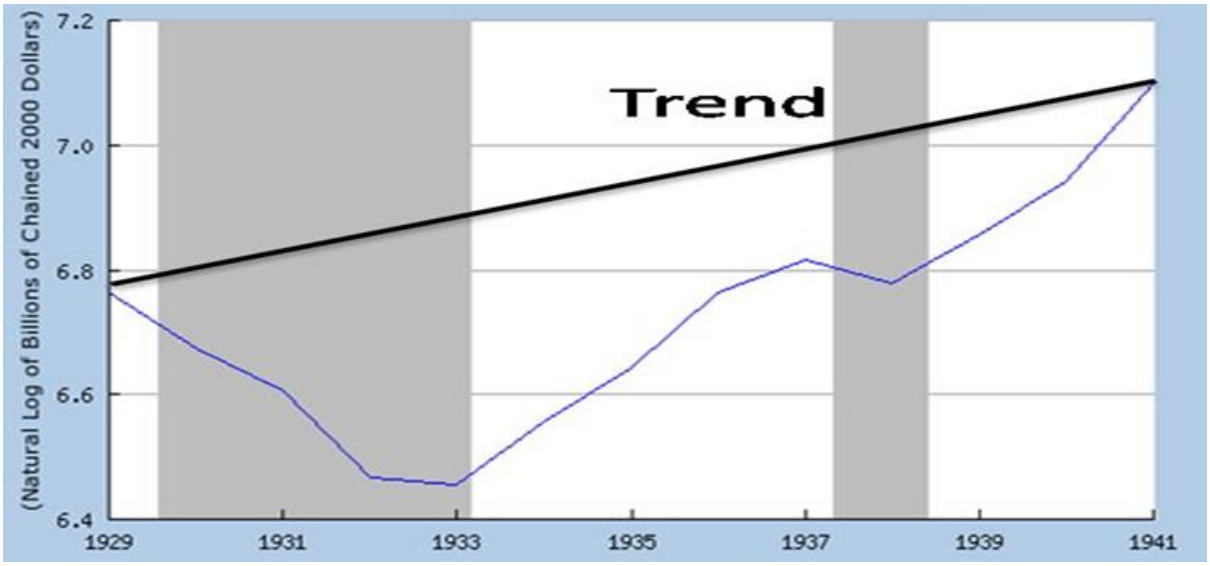



***Figure 1.*** *Real Gross Domestic Product during the Great Depression Years (Krugman, P., The New York Times, 2008)*

The line graph reveals that the GDP of the US plummeting in 1929 reaching almost 6.4 $ billion started to increase steadily after 1933 to reach as much as 7.1 $ billion in 1941. This steady rise is attributed to the New Deal accomplishments that

helped restore the economic prosperity and social normal functioning during the period.

Obama's policy targeted financial and banking reform though this sector witnessed less progress compared with the other sectors. In this respect, Obama launched several procedures such as imposing new taxes on the largest U.S. financial institutions in an attempt at recovering the budget financial losses, creating an independent agency in an effort to assure the consumer's fiscal protection, and implementing new federal regulations to restrict the role of commercial banks in assets and properties trading (Peschek, 2011, p. 439). As a result to these measures, the American GDP witnessed a remarkable increase shortly afterwards as the figure below reveals.

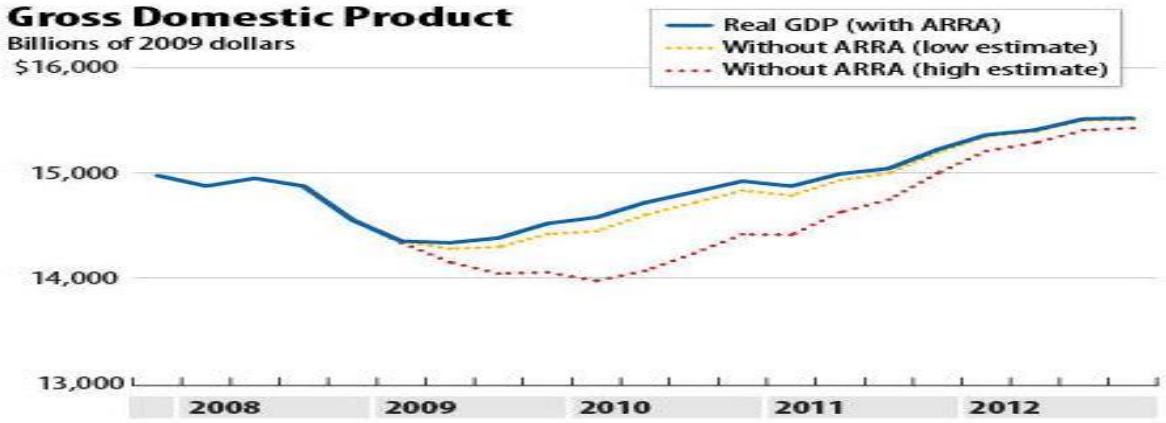



***Figure 2.*** *Gross Domestic Product during the Great Recession Years (Leachman, M., Center on Budget and Policy Priorities, 2011)*

As the line graph demonstrates, it seems clear that the fiscal stimulus program performed by the Obama administration helped maintain the U.S. GDP and prevented a massive drop of 1,000 $ billion between 2008 and 2010. After 2011, the GDP started to restore its levels and keep increasing moderately. Apparently, the consequences without the implementation of ARRA would have been much worse on both economy and society.

Another bill passed by Congress addressing the financial sector was the Economy Act. Roosevelt stressed the balanced government budgets when spending to be compatible with the revenue and income. In virtue of this Act, Roosevelt succeeded in saving as much as $243 million. Indeed, he economized in some sectors' spending by reducing federal worker salaries, revising pensions of military veterans, and integrating some federal programs to reduce expenditure (Peschek, 2011, p. 439). In another step to regain business credibility and protect investors, Congress passed the Federal Securities Act on May 27, 1933. The latter aimed at preventing fraud and other negative aspects in business. This measure required corporations to register securities with a federal agency called the Federal Trade Commission (Rauchway, 2008, p. 138).

Moreover, Congress passed the Glass-Steagall Banking Act in an attempt to revive the shaken confidence in the banking system through giving long-term assurance that banks would be trusted, and deposits would be safe. This Act allowed the separation of commercial banks from investment ones and created the Federal Deposit Insurance Corporation (FDIC). This agency regained depositors' trust in banks through providing them with federal insurance to guarantee deposits up to $2500 in case of bankruptcy. Besides, the Act allowed more federal intervention in banks and business procedures that were exclusively operated by bankers and business leaders in the past (Hanes and Hanes, 2002, p. 260).

Similarly, through financing the government's bank rescue plan in February 2009 and through proposing an amount of $350 billion of the TARP, the Obama administration sought to restore financial stability and banking system recovery. This rescue plan formed the cornerstone of Obama's endeavor to address the plight of ailing banks. It involved an injection of capital into banks and a set of Federal Reserve programs to help banks eliminate toxic assets. Accordingly, the government undertook several measures to urge lending practices to the private sector as a way out to banks of bad loans and assets (Rosenberg, 2010, p. 44).

Concerning the widespread feeling of individual failure and personal distress generated by the slump among the unemployed, the Roosevelt administration, after fixing the banks panic, turned its attention to restoring hope within the social domain. April 1933 witnessed the creation of the Civilian Conservation Corps (CCC), which targeted unemployed men in an effort to give them a purpose in life after a period of unemployment, despair, and frustration. Consequently, CCC employed 275,000 men in 1,300 camps assigned for particular periods to build roads, plant trees, and fight forest fires and other natural disasters. The program expanded to cover one million men in 1935 and employed three million later in 1942. The Act proved to be beneficial to young men as well as their families (Rosenberg, 2010, p. 258).

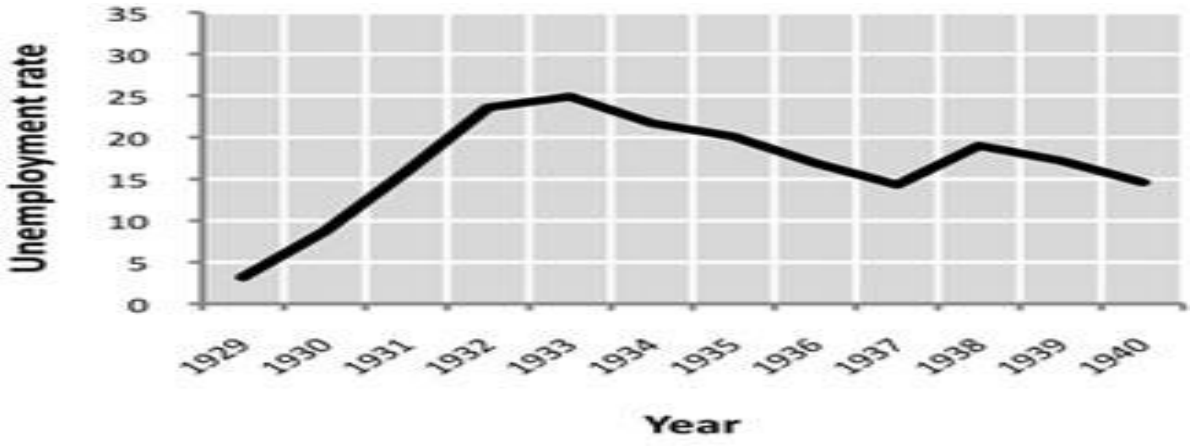



***Figure 3.*** *Unemployment Rates along the Great Recession Years (Amantiku, A., Wordpress, 2015)*

The graph reveals that the unemployment rate reached its climax in 1932 reaching 25%. Yet, it began to decrease steadily after that to count 15% in mid-1937. Clearly, the New Deal showed a deep concern for the plight of American workers and the government urged the establishment of several agencies to help mitigate the effects of the crisis on the employment sector.

Concerning Obama's policy addressing social purposes, he made it clear that he would be on the side of those vulnerable when he pledged that middle class households will obtain tax cuts and the most vulnerable segments in society will benefit from the most considerable rise in assistance in decades (Obama, 2009). Despite the severe deficit in the federal budget, he expanded federal outlays compared to his predecessor. Besides, he signed a health care reform bill on March 23, 2010, known as the Patient Protection and Affordable Care Act. This reform meant at expanding health care coverage as well as the number of its recipients. Though this Act was an extension of previous health care programs like Medicare and Medicaid, it formed a substantial expansion that would make coverage affordable for those in need, to regulate health insurance markets, and to respond to growing social concerns of halting the increase in health care premiums (Peschek, 2011, p. 438).

Progressive economists cordially welcomed the Obama ARRA as it urged stimulus approach and launched a neo-Keynesian measure to combat the crisis. In this context, among the major achievements of ARRA are that it provided substantial tax cuts, direct aid to state and local governments, unemployment assistance, and a set of construction projects. In this context, Peschek revealed that ARRA managed to employ 3.6 million Americans, to maintain and create jobs, and to increase the number of working hours (Peschek, 2011, p. 437).

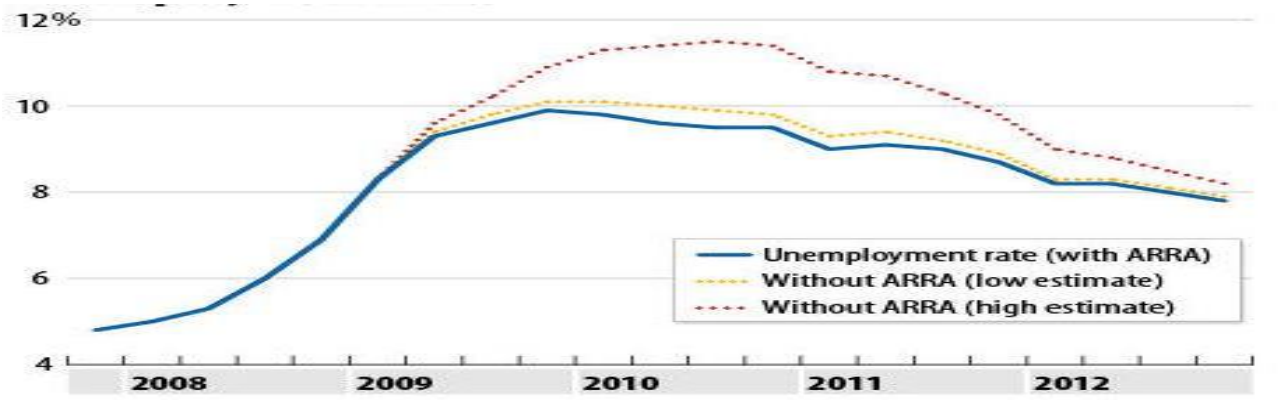



***Figure 4.*** *Unemployment Rates With and Without ARRA (Leachman, M., Center on Budget and Policy Priorities, 2011)*

According to the line graph, the program helped keep unemployment rate decreasing to reach less than 8% after its summit of 10% in late 2009. This is through

maintaining millions of jobs and preventing the economy from turning into a devastating deflation rather than the little inflation that the U.S. economy experienced.

Concerning business, it took as much of Roosevelt's attention as the other sectors of finance, agriculture, and employment. Therefore, in response to the crisis' severe impact on industry causing employee wage cuts, dropping prices of manufactured output and widespread worker layoffs, Congress passed the National Industry Recovery Act (NIRA) on June 16, 1933. The program sought to create a process to regulate competition and guarantee fair practice. The latter urged the implementation of agreements that require competing industries to submit to regulations regarding prices, wages and production. In this context, the Act established the National Recovery Administration (NRA) that set prices for products, allocated work hours standards, prohibited new technologies that generated employee layoffs and made child labor illegal.

In conformity with the New Deal, the ARRA's financial and fiscal programs played a significant role in mitigating the impact of the Recession. These measures, therefore, helped both shorten the crisis duration and lessen its depth. In this context, economists argue that the immediate response of the Obama administration and the effective measures of ARRA prevented an economic escalation equal, in its duration and depth, to that of the 1930s (Lee, 2011). As a matter of fact, much like the Roosevelt's New Deal Programs, ARRA received criticism by some political groups and did not survive the skeptical views of its supposedly radical and Socialist orientations (Peschek, 2011, p. 439).

Therefore, it is of value to point to the controversial nature of the Roosevelt NIRA which received criticism; charges claimed that a set of violations took place under this Act that favored big business and gave more freedom to forming socialist-oriented unions. Still, it was clear that there was no consensus among the various social segments over the reform changes performed under the First New Deal. Meanwhile, Roosevelt had been facing a decline in his popularity and fears of raising taxes, mass unemployment and social dislocation by the late 1934. Roosevelt, in response, proved practical and turned his attention to social reforms under the Second New Deal of 1935 (Peschek, 2011, p. 269). Despite the views that tend to refer to the Second New Deal as an indication of Roosevelt's radical shift to the left, it formed a continuity to Roosevelt's pragmatism and practicality to overcome the most severe crisis in American history.

Much alike, some of the underlying policies of ARRA generated controversy as they failed to fulfill the desired results; notably, the job creation and housing policy. In fact, massive efforts were made to create jobs. Nevertheless, unemployment rate witnessed a remarkable increase from 8.2 percent (12.7 million) to 10 percent (15.2 million) between the early and late 2009. Moreover, as unemployment affected all Americans, its impact on the Black and Latino workers was considerably higher. Although the 2010 reports indicate a slight decline in the national unemployment rate from 10 percent to 9.7 percent among the white population, it remarkably kept rising

among Blacks. Thus, it seems controversial that the employment-oriented measures of ARRA did not reach all social and demographic segments (Reece *et al*., 2010, p. 2).

The subprime crisis is still having a far-reaching and long-lasting impact. In this context, a criticism of "Too Little, Too Late" targeted the federal measure known as the Neighborhood Stabilization Program (NSP). The latter is a foreclosure prevention effort meant to provide significant aids to communities in order to help them buy and occupy vacant homes. These critics pointed to the considerable number of homes that the NSP failed to salvage. Moreover, they complained about the regional imbalance of the program to address the foreclosure crisis. Critics argue that NSP primarily targeted the most-hit neighborhoods, and this is what led to help some communities at the expense of others (Reece *et al*., 2010, p. 2).

Furthermore, critics argue that the Making Home Affordable Program, one of the Obama administration's housing measures, proved inadequate as it covered few American families among millions facing foreclosure. With its two parts Home Affordable Refinance Program (HARP) and Home Affordable Modification Program (HAMP), the measure provided loan modifications to homeowners on their home mortgage debt. In reality, out of five million eligible homeowners, only 130,000 received loan modifications under HARP in October 2009. While HAMP provided an amount of 850,000 loan modifications in late December, at a time when the number of those identified as eligible was more than three million homeowners. Consequently, these two vital sectors of unemployment and housing deeply affected the assessment process of ARRA since joblessness kept rising and home prices kept falling (Reece *et al*., 2010, p. 3).

When assessing the New Deal's socio-economic achievements, though the programs fulfilled by the Roosevelt administration helped restore people's hope and improve the economic conditions compared with the first years of the downturn, they did not put a full end to the Great Depression without the role of WWII (Kim, 2010, p. 227). Nevertheless, the New Deal marked a turning point in American history and its impact exceeded the socio-economic programs addressing the crisis as it laid the basis for much of the modern U.S. political-economic system allowing more government regulations (Heffner, 2011). About seven decades later, Obama had to face a serious crisis with the Stimulus Plan of 2009. Remarkably, ARRA kept the Recession from being deeper, lasting longer, and poverty from being higher. Besides, it increased safety net expenditures on low-income families and expanded unemployment insurance. However, the Obama administration poorly explained the program and the media further misreported it. Indeed, unemployment was falling but slowly, less-educated workers were still suffering low wages, no noticeable drop in income and wealth inequalities, states were adopting austerity through cutting social programs, and the reduction of safety net programs due to deficit mania.

## Third Section:

## A Disparity over Policies, a Consensus over Capitalism

Capitalism generated a set of economic crises to the American economy, most notably the severe Great Depression and the Great Recession. From the New Deal onward, the successive American administrations launched a set of reforms addressing both the economic and social issues. These reforms marked a reaction to the severe crises of a deregulated free market economy. Notwithstanding, the policy responses of the different political administrations meant primarily at saving, rather than going beyond, capitalism. Despite the socio-political crises generated by capitalism in both the early 1930s and the late 2000s, and the eventual power shift from the Republicans to Democrats, the steadfast commitment of both political spectrums to capitalism remains unquestionable. In this context, the fact that capitalism was more embedded during the 2008 crisis than during the 1930s, and some other factors, represent major causes of the disparity in policy responses of the Roosevelt and Obama administrations.

All the responses to the crises aimed exclusively at rebuilding the capitalist economy through a broad range of reforms and measures targeting the real sectors that chiefly caused the downturns, particularly the financial sector. Much like the Roosevelt's New Deal that had overcome the Depression, the Obama government intervention and its stimulus packages helped the U.S. economy move, though slowly, out of the Recession. However, despite the substantial amount of money and measures directed to overcome the economic slump and its severe effects, recovery was not a fast and complete process. Therefore, the frequency of such severe economic crises puts capitalism at crossroads (Kim, 2010, p. 226).

What justifies the disparity between Roosevelt's policy response that created new institutions and agencies and Obama who kept the same institutions and only reformed them is the fact that capitalism was likely less embedded and less globally extensive in the 1930s compared to its situation during the Obama period (Roberts, 2009, p. i). In fact, neoliberalism, despite the widespread public displeasure, was still profoundly dominating the global capitalist system both ideologically and institutionally (Cahill, 2014, p. 150). In this context, Alexander Heffner notes:

> Since the Recovery and Reinvestment Act of 2009 — which Obama and his advisers seem to have believed, incorrectly, would offer a self-perpetuating boost to the economy — Obama has experimented neither boldly nor persistently with programs on the scale of FDR's initiatives (Heffner, 2011).

Some scholars tend to attribute the responsibility for the substantial rise of neoliberalism and its "financialization" and "securitization" exclusively to the conservative politicians. Yet, many others drew the attention to the joint liability of both conservative and liberal parties for the expansion of market deregulation practices on both global and local scales (De Vogli and Owusu, 2014, p. 5). In this respect, E. Ray Canterbery shows that though Roosevelt, through implementing his New Deal, launched radical policies but he was not against capitalism as a system. He simply

intended to fine-tune capitalism and its *Laissez-Faire* policy since it was, as widely argued, the chief cause of leading the American economy and society to the most severe crisis in U.S. history (Canterbery, 2001, p. 216).

Moreover, in a controversial step among the adherents of capitalism, it is widely argued that through signing the Social Security Act that took place on August 14, 1935, President Franklin Roosevelt laid the basis for an ambitious welfare state policy (Brown, 1936, p. 186). Similarly, the 2010 passage of the Affordable Care Act (ACA) under Obama's leadership marked a liberal success that counteracts the long-standing conservative campaign of welfare reform agenda (Mahboub, 2021, p. 84). Nevertheless, the Obama response remains less transformational compared to the Roosevelt policy on both economic and social perspectives, largely due to the disparity in duration and magnitude of the two crises. In this regard, Alexander Heffner justifies the difference between the two administrations by noting: unlike Obama, FDR "had *carte blanche* to rectify the economy because he became president after the country became in full-blown depression" (Heffner, 2011). However, the deterioration of the economy was not long and bad enough for Obama to engage in bold transformational reforms.

In their assessment of the Democratic policy responses to the crises, namely the Roosevelt and Obama administrations, William Niemi and David Plante argue that the Roosevelt's New Deal aimed chiefly at restructuring the existing political-economic capitalist institutions. Therefore, his response to the Great Depression targeted fundamental change of the shaken socio-economic institutions and sectors (Niemi and Plante, 2011, p. 413). In this context, in his assessment of Obama's policy, Joseph Peschek indicates that despite the Obama administration's ambitious measures to address the Great Recession, it had no remarkable institutional changes. According to Peschek, Obama has a tendency to adopt a centrist dimension that characterizes his policy through sustaining continuity with neoliberal economic policies (Peschek, 2011, p. 432). Therefore, Obama proved reluctant in leading an entire institutional reform process, and this is what enabled conservative politicians to take the initiative and helped maintain the *status quo* (Love and Mattern, 2011, p. 407).

Neoliberalism maintains its pre-Recession status in the economic institutions and even further proposes solutions to its noticeable flaws during the 2009 crisis. As a political ideology and institutional presence, it is deeply engendered in society among policy-makers and corporations. Therefore, the policy responses to the crisis, though emphasizing anti-deregulation procedures, showed that neoliberalism was reshaping itself through new government regulations that still favor business and accumulation pattern. The Obama policy responses are nothing more than new versions of neoliberalism or anti-neoliberal strategies that though reject certain policies they maintain the existing institutions (Love and Mattern, 2011, p. 409).

There seems to be a constant hegemonic state of free market capitalism despite the anti-deregulation views that characterized the post-crisis period (Rice and Bond, 2013, p. 211). In this respect, among the major policies adopted to mitigate the impact

of the crisis was austerity. In the US, at the time the Obama administration launched its major stimulus plan, state and local governments carried out a wide range of austerity strategies. The latter affected the living standards of working class through reducing jobs, cutting in wages, and increasing the amount of taxes on pension and health care services of this social group. In 2013, *The Guardian* feature writer Jon Henley revealed that since the beginning of the Recession, as much as five million American job losers had further lost access to healthcare services. Moreover, other austerity practices targeted education (Cahill, 2014: 142; Henley, 2013). It is important to note that despite the significant disparity of conservative-liberal explanations of the crises and the Republican-Democratic responses to them, and the difference within Democrats themselves (the Roosevelt and Obama administrations), they shared a habit of blaming institutions, while overriding systemic matters. Though they differed in commitment to free markets, they had a consensus on the commitment to capitalism (Love and Mattern, 2011, p. 404).

Austerity is the result of a long-lived accumulative neoliberal practices by a set of neoliberal oriented institutions dominating the financial market for about three decades. Indeed, unlike the 1930s capitalism and its organizations, current financial institutions like European Central Bank (EBC), and International Monetary Fund (IMF) provided substantial bailouts to the hard-hit nations if these countries launched more austerity and cut expenditures. These cuts in budgets oriented to social protection programs, along with other measures such as deregulation and privatization, marked a further prevailing institutionalization of neoliberal norms (Cahill, 2014, p. 142).

Another evidence of the strength of modern capitalism (the 1980s onward neoliberalism) compared to that of the 1930s is the fact that, unlike the New Deal period, there is a resistance to the current attempts of change. As a reaction to the Recession, there was a remarkable deglobalization of finance reversing the financial liberalization and globalization that marked the last three decades, and some views emphasized the urgent need to revive the post-WWII Keynesian interventionism. However, the conservative attitude still shows a strong commitment to market fundamentalism where the free market and deregulation represent the norm and the solution to natural short-breaks of the economy (Kim, 2010, p. 230).

Besides, what justifies the disparity in policy responses was the fact that the New Deal liberalism from the 1930s till the 1960s introduced a positive perspective of welfare as a helpful measure to assist and guarantee the minimum level of well-being to those in need. In contrast, Obama came in a time of embedded capitalism. From the 1980s onward, a new conservative paradigm emphasized the negative impact of welfare and focused upon the dependency behavior that welfare would spread among its recipients. In this regard, the raising official fears of dependency culture surpassed the fear of poverty itself and, in a rampant neoliberal order, remarkably accelerated the welfare reform agenda under the Republican leadership (Béland and Waddan, 2012, p. 69).

Unlike their successors, the federal governments under Herbert Hoover and George Bush played a little socio-economic role in the lives of Americans during the 1920s and early 2000s. In the late 1920s, President Hoover, behaving in alignment with his conservative beliefs, favored business leaders, adopted the *Laissez-Faire* policy, and emphasized the self-correcting nature of the market. Similarly, during the 2009 Recession, the Bush administration took a little action, stressed the notion of the self-regulatory market, and showed a strong commitment to Republican order of minimum government involvement in economic affairs. Hence, as people went through hard times marred by hardships and a long-lasting duality of unemployment and poverty, this situation created growing concerns among citizens eagerly longing for change and action.

The liberal Democrats, namely Roosevelt and Obama, took office in critical times in American history. These periods required ambitious agendas to overcome the Great Depression and the Great Recession. Accordingly, the Roosevelt New Deal and the Obama Stimulus Plan developed a broad range of measures that, remarkably, helped mitigate the impact of the two most severe economic crises hitting the nation. In this respect, the adoption and commitment to capitalism as a *de facto* system marked a stark parallel and characterized the policies of both the Roosevelt and Obama administrations. However, there was a significant disparity in these policies implemented to address the economic crises, both during the 1930s and in modern America. Roosevelt launched radical reforms because the 1930s US was experiencing, for the first time in its entire history, as severe crisis as the Great Depression. Whereas the Obama team, along with other post-WWII administrations, had learned lessons from the Depression and benefited from the host of socio-economic programs dating back to the 1930s.

Overall, despite the remarkable similarities drawn between the Roosevelt and Obama administrations, the essence of the disparity between the nature of the two periods and, accordingly, the gap between the response policies set them apart. The Roosevelt policy proved to be different from the Obama plan. While the former response had bold initiatives, targeted fundamental changes and launched pivotal reforms of the shaken socio-economic institutions and agencies, the latter – for many reasons – proved reluctant, preferred the continuity of the existing set of embedded and complex institutions and remained less transformational on both economic and social scales. In this regard, Alexander Heffner depicts the two relevant plans in a definite statement: “The new liberal order, whatever it is, is not a revival of FDR’s politics. As we now know, Obama was no new New Deal” (Heffner, 2011). Among the relevant reasons, one can highlight:

- The nature of the two crises was different as both were triggered by financial downturns but the sectors affected were dissimilar.

- The disparity in duration and magnitude of the two crises as the Recession lasted much shorter, had less impact, and, therefore, required less scale of response by the Obama administration.

- The embededness, rootedness, and globalization of capitalism from the 1970s onward prevented Obama from launching as bold initiatives as Roosevelt did.

- Global institutions like IMF (1945) and ECB (1998) did not exist in the 1930s. However, in the last decade, they led to the interconnectedness, interrelation, and intersection of the world economies.

- Neoliberalism, with its widespread and complex institutions, is profoundly dominating the global capitalist system both ideologically and institutionally.

## Conclusion:

The present paper unveiled that the economic downturns have a habit of generating a reform agenda to push the economy forward and cure social scars. Historically, the disparity between Roosevelt and Obama's responses to the two most devastating economic downturns in the U.S. history represents an issue of prime concern in American socio-economic arena. The multi-dimensional policy of the New Deal and the Stimulus Plan, therefore, aimed primarily at regaining an immediate recovery of major economic sectors and retaining people's hope for safe future and stable community. This research made it clear that both Roosevelt and Obama emphasized the sense of cooperation and collectivism, and attempted to reduce the eagerness to competition among banks, corporations, states and ordinary citizens. In this respect, Roosevelt and Obama's responses countered the demand that called for less government regulation of the economy. Despite the controversial attitudes towards the success of both administrations in solving the economic meltdowns and social miseries, the official intervention remarkably brought about more governmental supervision and less private dominance over markets.

Economically, this exploration has answered a critical question related to the disparity in the responses to the Depression and the Recession by the proper American administrations. In this regard, the downturns were multifaceted: business, finance, agriculture, labor market and housing market crises that eventually triggered multidimensional policies including monetary, fiscal, and social welfare programs. The difference in the scope and nature of these two crises generated a distinct kind of policies implemented by the decision-makers. Indeed, Roosevelt immediately rushed to the banking sector that had a direct role in the crisis, favoring sound banks and closing those at great risk that only exhausted the economy, and the business sector that highly suffered even during the 1920s prosperous years, let alone throughout the 1930s. However, Obama's Stimulus Plan targeted the market and aimed primarily at reducing the devastating effects of the subprime mortgage crisis and regulating the severely hit assets value caused by a boom then burst in asset prices, especially houses, and backing up big businesses to maintain jobs and avoid further layoffs.

Socially, Roosevelt was the pioneer in launching new economic institutions and social "safety net" programs that proved effective in mitigating the effects of unemployment and poverty whether during the Depression or in the subsequent economic recessions including the recent one. Seemingly, the impact of these programs

was active last decade as they prevented both the economy from heading to the 1930s scenario and Obama from creating new institutions and responding more firmly. In this respect, depending on the previous experiences with economic downturns, chiefly the Great Depression, Obama's role confined to providing relief to homeowners hit by the housing crisis. Accordingly, the worst hit states had the priority in receiving federal aid to work on preventing more workers' layoffs, creating new jobs, and preventing a possible reduction in social services, while keeping the already existing socio-economic institutions.

As for the implications for future research, the frequent resurgence of these economic crises proved periodic and chronic, and the widespread human suffering they brought sustains the assumption that the problem was and still "of capitalism." This Research, moreover, with other in-kind works, contributed to the calls for a new model alternative to neoliberalism, and the calls for a long-term serious planning for a new socio-economic system that goes beyond hegemonic capital-based economy and all other discredited systems. The future studies, therefore, can discuss the possibility of a potential end to capitalist models, particularly neoliberalism on the short-term, provide achievable credited policy strategies to overcome the frequent economic downturns, and propose reliable socio-economic systems that have enough credibility to succeed capitalism in the long run.

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