DEPRESSION AND WAR

It's interesting to speculate how very different history might have been if King George II (b. 1683, r. 1727-1760), who died in 1760, had lived another five years or so.

George II was succeeded by his grandson, George III, who hated granddad and granddad's ministers, in particular William Pitt (1708-1778), arguably Britain's greatest statesman until Winston Churchill (Pittsburgh, founded in 1758, is named after him). On becoming king, George III replaced them with Tory cronies as limited as he in intelligence and character.

Pitt had guided Britain to victory in the Seven Years War, which here was called the French and Indian War. When it ended, the American colonies fell deeply into recession. There were no more orders for food for the British army, wood for the British navy, or pay for colonial militia.

George III's Tory ministers compounded economic hardship by imposing a series of taxes. History books record Americans railed against the Townshend Acts, the Stamp Act, and the tax on tea because of their outrage at being taxed without representation. But much of this outrage was fueled by the real economic hardship the taxes would have imposed.

Pitt -- who loved Americans and was loved by them -- never would have imposed such taxes. Had he remained in power during this critical period, I think it probable there would not have been an American Revolution.

The connection between depression and war is greater than most people realize. Hard economic times tend to radicalize people, and to turn them towards violence. Hitler never would have ruled Germany, nor Mussolini Italy, if it hadn't been for the Great Depression.

Conservative Republicans are fond of saying that it wasn't Franklin Roosevelt's New Deal that ended the Great Depression: it was World War II.

Conservative Republicans are fond of saying this because it is indisputably true. There was a "depression within the Depression" in 1937 and 1938. Unemployment was at 15 percent -- double today's figure -- in 1940. It wasn't until industrial production was revived by military orders, and unemployed young men were being drafted -- that the economy began solidly to grow.

But conservative Republicans rarely reflect on *why* it was that World War II ended the Great Depression. One who has is economist Bruce Bartlett, a Treasury department official in the administrations of Ronald Reagan and the first President Bush.

FDR made many mistakes which deepened and prolonged the Depression. But deficit spending -- which conservative Republicans then and now criticized -- wasn't one of them. FDR should have run much larger deficits, Mr. Bartlett said. When World War II forced him to, the economy

recovered.

Deficit spending is bad, conservatives say, because it crowds out private sector borrowing, driving up interest rates and spurring inflation. In normal times, this is true. But in deflationary times -- like those in the Great Depression and now -- it is not.

What's wrong with the "stimulus" bill President Obama signed Tuesday is not its size -- Mr. Bartlett thinks it's too small -- but what it's being spent on, and when it will be spent.

The fastest way to inject stimulus into an economy is through tax cuts. That's also the fastest way to build wealth. But there are precious few tax cuts in the Porkalooza. Only 11 percent of the spending in the bill will take place in 2009, which means it will come too late to help when help is needed most.

FDR's public spending left projects of lasting value, like the Triborough bridge in New York and the Muscle Shoals dam in Alabama. But most of the spending in the Porkalooza is for entitlement programs, which are a dead weight on the economy, not a stimulus. The Porkalooza is a recipe not for recovery, but for Carter-style stagflation.

The American Revolution worked out all right for us, and for the British, too. But poor political leadership in a time of crisis usually has unhappier results. It's important for both liberals and conservatives to get stimulus right, because war is a fearful price to pay for economic recovery, and this time another war might not bail us out.

Jack Kelly is a former Marine and Green Beret and a former deputy assistant secretary of the Air Force in the Reagan administration. He is national security writer for the Pittsburgh Post-Gazette.