

**The New Deal's Contradictory Policies:
Why Remedy the Problem? How Best to Fix It?**

David R. Riemer

Who cares if the New Deal created four policy clusters of which two pairs—economic security vs. poverty remediation, and market regulation vs. market interference—are out of sync or in conflict? Should we not be satisfied with the results that New Deal *writ large* created and bequeathed to us? Why should its policy incongruences and contradictions even bother us, much less justify an overhaul?

While some on the far left and far right will grumble, there is broad agreement and strong evidence that the New Deal's expansion of governmental over the last 80 years did an enormous amount of good. We survived a Great Depression. We weathered a Great Recession. Employment, income, health, education, housing, productivity, and other measures of success all improved, at least through the mid-1970s and in some cases beyond. If the New Deal *writ large* helped to produce outcomes like these, who cares whether two sets of its four policy clusters are working at cross-purposes?

The problem is that, despite the huge positive achievements of the New Deal *writ large*, the policies of American government have failed to solve some of the nation's most serious problem. And the conflicts between two sets of the New Deal's policy clusters—first, the conflict between economic security policies and poverty remediation policies; and, second, the conflict between market regulation policies and market intervention policies—bear much of the responsibility for the failure to solve those serious problems.

Yes, the New Deal *writ large* achieved a large measure of success in much that it undertook. Yet at the same time, virtually everyone now acknowledges that the government policies we have in place in the U.S. have not fully succeeded. Far from it. Millions of Americans—especially black men—remain unemployed for long periods. Earnings and income for the bottom two-thirds are stagnant. Poverty is stuck at 10-15%. Over 25 million Americans remain uninsured. Some health measures, such as diabetes and obesity, have worsened. The cost of health care, approaching 20% of GDP, is a drag on the economy. Millions of our children do not graduate from high school with the basic reading, math, and other skills they need—and the economy needs. The cost of college education deters millions from obtaining the higher education they want and the nation needs, and millions who do graduate bear staggering debt loads. The nation continues to face threats to its

environment, workers, consumers, and investors. There are growing signs that our economy is declining in relative terms as new competitors—particularly China—stock our shelves and swallows up our debt.

To restate these failures in terms of the broad purposes of government: America has failed to provide virtually all of its citizens with economic security and equal opportunity, *and* it has failed to create a market that is effective in maximizing productivity and wealth.

The incongruity of the New Deal's two clusters of government policies is not an innocent bystander that has nothing to do with the problem. The gaps and flaws in the economic security system that gave rise to an incongruous patchwork of "poverty-requiring" poverty remediation programs is a huge part of the problem. Likewise, the fundamental tension between a system of market regulation that aims to put Americans and productivity in charge of the economy vs. a system of governmental rigging of the economy to benefit politically-favored sectors and firms is an equally large part of the problem.

These two fundamental conflicts in public policy—rooted in the original New Deal, extended over the 80-year course of the New Deal *writ large*, and intermixed with the New Deal's many extraordinary successes—are now imposing giant roadblocks to the United States' achievement of both true economic security and truly effective markets.

As we proceed into the 21st century, our saving grace is that so many of its major competitors are making so many of the same errors. We cannot rely indefinitely, however, on the mistakes of our competitors. We need to fix the problem.

We can do so, if we wish. As Alexis de Tocqueville observed nearly 200 years ago, "The greatness of America lies ... in her ability to repair her faults."

Fixing the Problem

What, then, is the repair? The answer is simple, although the politics of getting there will obviously be difficult.

Of the *four* clusters of public policy that the New Deal *writ large* created over the last 80 years, *two* clusters should be retained: economic security and market regulation. Within each of these two clusters, however, there are gaping holes that need to be filled, and many specific policies have major flaws that need to be fixed. Describing those holes and flaws, and then detailing how to fill and fix them, is the heart of this website.

As we proceed to expand and improve the nation's cluster of economic security programs, and wisely strengthen the nation's cluster of market regulation policies, these two clusters of federal policy, we can largely eliminate the *other two* clusters of federal policy: poverty remediation and market regulation. A properly constructed system of economic security will largely eliminate the need to remediate poverty. Similarly, a reformed system of market regulation justifies any vestigial need for the government to manipulate the market.

Although the central argument of the website can thus be summed up in a few paragraphs, the details are extremely important. Each key component of the new model will be spelled in this website in programmatic and fiscal detail in order to make the overall paradigm clear and compelling.

What Would FDR Do...Today?

Had he lived a few more decades, the one person who would have recognized both the enormous accomplishments and serious shortcomings of the New Deal *writ large* was Franklin D. Roosevelt himself. During his 1932 campaign, FDR underscored the need to act boldly, examine candidly whether policies are succeeding, and if failing replace them with better policies.

Speaking on May 22, 1932, at Oglethorpe University in Georgia, FDR declared:

The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it: If it fails, admit it frankly and try another. But above all, try something. The millions who are in want will not stand by silently forever while the things to satisfy their needs are within easy reach.

We need enthusiasm, imagination and the ability to face facts, even unpleasant ones, bravely. We need to correct, by drastic means if necessary, the faults in our economic system from which we now suffer.

FDR never saw the New Deal as a monument. Nor would he have wanted the New Deal's expansion over the following decades to calcify into stone. He understood from the very moment of his swearing in that he and his fellow New Dealers were engaged in an extraordinary experiment, that consequently they would get many things right but also make a lot of mistakes, and that they should replace mistaken policies with better ones. Had FDR lived longer, perhaps more than any other New Dealer, he would have urged the nation to be candid—a favorite FDR word—about the New Deal's successes and failures, to retain what worked, to add what was missing, and to jettison policies that were harmful or ineffective and replace them with more sensible policies.

The shorthand version of this analysis could be: If Franklin Roosevelt were alive today, what would he do? Since FDR cannot answer that question, we must.