

# An Invitation to Debate the New Deal

By Amity Shlaes

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In his Feb. 13 Ideas piece, "Revisionists' Blind View of New Deal," Matthew Dallek takes issue with me and my book, "The Forgotten Man." The gist of his article is that the New Deal "worked." The gist of "The Forgotten Man," which has been out for nearly two years, is that neither Herbert Hoover nor Franklin D. Roosevelt promulgated policies that worked, especially not in the sense that we use the word "work" today.

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Today, our government is reacting with warnings of catastrophe at a point when unemployment is 7 percent or 8 percent. New Deal-era unemployment averaged, even by more sympathetic analyses, well into the teens. Today, we expect the Dow Jones Industrial Average to return to its high within a few years. In the 1930s, it never did. Today, we expect companies to invest in the future. Then, net domestic private investment was at times negative.

It seems best to address Dallek's allegations point by point.

Dallek says: "Shlaes cited unemployment figures that excluded Americans who had New Deal-generated jobs."

This is inaccurate. "The Forgotten Man" and articles after it cite Bureau of Labor Statistics unemployment figures. These include the many permanent jobs created by the New Deal, such as tax collector, Agricultural Department employee and staffer at the Tennessee Valley Authority. "The Forgotten Man" does not include a second set, the part-time make-work jobs of the New Deal relief programs. That is because the Bureau of Labor Statistics data do not, either.

It is telling that Dallek alleges these data are extreme. The figures are, again, from the Bureau of Labor Statistics. They have also been used by Richard Vedder in his book on unemployment, "Out of Work," as well as other books, including Gene Smiley's "Rethinking the Great Depression." The data have also apparently been used by non-revisionist public figures such as the president. President Barack Obama spoke of unemployment at 25 percent in recent months. That is the same data series "The Forgotten Man" uses.

There is indeed a debate about the New Deal data. Some scholars count the millions of part-time jobs, many short-term, generated by New Deal relief-type programs. But even if one uses the alternate data to which Dallek is presumably referring, those of Michael Darby et al, one doesn't get unemployment down to anything we would consider tolerable. Darby reckons an average unemployment rate for the decade of 14 percent.

As David M. Kennedy sums up in "Freedom From Fear," the 1930s was a "dreary decade of unemployment." It is odd to see Dallek, a commentator who probably does not consider himself right-wing, claiming a recovery with an image of a decade that punished workers as no Americans alive today can recall.

Dallek says that my book "virtually ignored the authoritative reference work Historical Statistics of the United States."

"The Forgotten Man" may not mention this book, which carries data also available elsewhere, but it does address the data in the bibliographic essay of "The Forgotten Man," the part which talks explicitly about theory, as opposed to offering historical narrative. See page 403.

Dallek says "The Forgotten Man" ignores, or I ignore, growth in the 1930s.

Over the past two years, I have published or spoken many times on the growth of the period, calling it "a calculus of frustration, the always recovering but never recovered economy." One example of this is in a Wall Street Journal piece.

"The Forgotten Man" covers the Roosevelt rally but also points out that, in that rally, the economy never permanently made it back to the 1929 level. The base point from which the New Deal started was very low. So any movement forward looked large. Dallek is using snapshots of growth in individual years; no one disagrees with these snapshots. What matters more is the big picture.

Two measures tell it all: the Dow Jones Industrial Average and unemployment. The Dow recovered only in 1954. Nominal data show the gross domestic product never hitting its 1929 level in the 1930s. Some GDP data that are adjusted for deflation show GDP just touching the 1929 level or just touching the 1929 level and then falling back. That agrees with the story "The Forgotten Man" tells of Treasury Secretary Henry Morgenthau and the Fed's Marriner Eccles, who failed to manage monetary policy. (The Statistical History of the United States, Basic Books, 1976, and BEA.)

Dallek writes: "Shlaes, [Sen. Mitch] McConnell and their ideological allies ..." Dallek's suggestion is that anyone who comments on current politics cannot write history. That would then apply to a lot of other writers in the field: Jon Alter, whom I have debated so often, Jon Meacham, George Will, Doris Kearns Goodwin and Michael Barone all come to mind.

The headline on Dallek's piece calls me "blind," but it blindly overlooks the fact that I have been skeptical about stimuli of both parties. In 2002, for example, the Bush administration was furious when I published a syndicated article likening Bush to Hoover in the headline ("Hoover's Disasters Revisited: What Happens When Presidents (Read Bush) Tinker Too Much," Chicago Tribune, Aug. 21, 2002.)

Dallek also ignores chronology for the sake of his own convenience with his use of the word "ally." "The Forgotten Man" has no ideological allies in re the stimulus. "The Forgotten Man" proposal was sold to HarperCollins editor Tim Duggan in 2000, a point when stimuli were scarcely a topic, the U.S. budget was reasonably sound and President Obama was still in the Illinois Legislature. It reflects not the work of any anti-Obama team but, rather, the agony of those in the 1930s who perceived the imperfection of policy. "The Forgotten Man" also acknowledges the legitimacy of some newer thought of recent decades, mostly from professional economists and several Nobel Prize winners, who are taking a second look at the New Deal.

The two schools of thought they work from are public choice theory and classical economics. These themes will be discussed at the Council on Foreign Relations on March 30, when NYU's Stern School of Business and the Council are co-hosting a conference looking at such work, as well as older, Keynesian, work.

This piece constitutes an invitation to Dallek to participate.

Economists have always puzzled at the weakness of the economy in the mid-1930s. As Lee Ohanian of the University of California, Los Angeles, notes, wages were well above trend even as joblessness was high. This paradox, his work suggests, may have something to do with the egregious nature of the Wagner Act of 1935, and the subsequent aggressive interpretation of that act. John L. Lewis' union workers got jobs; the rest did not. This dynamic is captured in the phrase, "Nice work if you can get it."

The most compelling analysis of the limits of the New Deal came from Morgenthau in the late 1930s:

"We have tried spending money. We are spending more money than we have ever spent before, and it does not work. ... I want to see the country prosperous. I want to see people get a job. I want to see people get enough to eat. We have never made good on our promises. I say, after eight years of this administration, we have just as much unemployment as when we started ... and an enormous debt to boot."

Such results are something with which Dallek fails to grapple.

The late Arthur Schlesinger Jr., who was generous in sharing his wisdom with me on the very part of the decade that is now so contentious, the later '30s, used to cite historian Pieter Geyl, saying history is "an argument without end." That, Schlesinger said, is why we love it so. Schlesinger's open spirit should be the one in which we discuss this relevant topic.

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