

# THE CHRONICLE

of Higher Education

## Letters to the Editor

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March 13, 2009

### **The New Deal Deserves Another Look**

To the Editor:

I agree with Christopher Phelps in "Beyond Economic Revival" (The Chronicle Review, February 13) that President Obama should not blindly emulate Franklin D. Roosevelt's first 100 days in office. The key, however, is not to disregard the whole of the First New Deal, as Phelps suggests. Instead, the Obama administration must carefully examine which of FDR's programs actually worked, and then strive to update them for the 21st century. The Civilian Conservation Corps is one place to start.

Like President Obama, FDR, in one of his earliest addresses to Congress, also lamented rising unemployment, which had reached an astounding 25 percent in 1933. But Roosevelt also warned Congress that the country faced an environmental emergency, noting severe flooding occurring along the Ohio and Mississippi rivers — due in large part to deforestation along their banks. To combat simultaneously both crises — one economic, the other environmental — Roosevelt called for the creation of the Civilian Conservation Corps, one of the New Deal's first and most popular alphabet agencies.

During its nine-year existence, the corps helped battle both economic and environmental emergencies. From 1933 to 1942, the corps provided jobs for more than three million young men between the ages of 18 and 25 while funneling approximately \$60,000 in federal funds per year into local communities located near each of the country's approximately 1,400 camps affiliated with the agency. The corps was successful environmentally as well. Young men in the New Deal program planted more than two billion trees, helped farmers halt soil erosion on 40 million acres of farmland both within the Dust Bowl and beyond, and developed more than 800 new state parks and nearly every national park in the country.

While Barack Obama seems wary of linking his new employment program to the New Deal, other countries are less shy of the Great Depression's usable past. Local, state, and federal governments in

Brazil, in cooperation with corporations and nongovernmental organizations such as the Nature Conservancy, have begun putting jobless citizens to work planting trees across the country's Atlantic Forest. Yet rather than fund the program solely through federal spending, Brazil will rely on novel market mechanisms, including the sale of sequestration vouchers on the international carbon market as well as the collection of water-use fees in the reforested regions. Similar tree-planting programs reminiscent of FDR's corps are also now operating in China, Kenya, and even war-torn Afghanistan.

Barack Obama should follow suit by asking Congress to create a Civilian Conservation Corps, but with a twist. Along with planting trees, this improved corps should put young Americans to work planting windmills across the former Dust Bowl, solar-energy panels throughout the Sunbelt, and energy-efficient biofuels on farms in every corner of the country — all in an effort to reduce both unemployment and the production of greenhouse gasses that lead to global warming. Public spending for this new corps could also be greatly reduced through market mechanisms similar to those embraced by Brazil.

By creating such a program, the United States could use its historic past to put Americans to work while helping to better safeguard the planet's future.

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To the Editor:

Christopher Phelps's essay cannot go without comment. Phelps asserts, apropos of the current economic turmoil, "The recent riot of capitalist irresponsibility has shattered the fantasy that the free market, left to its own devices, will automatically produce rationality and prosperity." He also contends that what he calls the conservative position regarding the New Deal "ought, by all rights, to be on the ropes."

More indefensible claims have never been made. Phelps, a historian, simply doesn't know what he's talking about.

Ever since the economic implosion began, the standard line from statist politicians and intellectuals has been that it was due to "laissez-faire ideology" and deregulation. That notion has been refuted over and over. The great economic bubble could never have

arisen but for an array of government interventions that caused artificially low interest rates and then steered most of that money into the housing sector. The Federal Reserve is a nonmarket actor. Fannie Mae and Freddie Mac are government-sponsored enterprises that gave investors the impression that the securities they issued were backed by the federal government. The Community Reinvestment Act and the political mania for maximizing the number of people owning rather than renting was equally a creation of politics, not the market.

How those and other federal interventions created the conditions for the housing bubble has been frequently demonstrated — for example, in Steven Horwitz's "An Open Letter to my Friends on the Left" ([http://myslu.stlawu.edu/~shorwitz/open\\_letter.htm](http://myslu.stlawu.edu/~shorwitz/open_letter.htm)).

What many economists have to understand is that whenever the government promotes artificially cheap money and credit, the result is to distort the pattern of investment and resource allocation in the economy. We get overexpansion in those sectors of the economy most sensitive to interest rates, such as housing. Cheap credit leads to, as the Austrian economists Ludwig von Mises and Friedrich Hayek explained, malinvestments that cannot be sustained in the long run. Far from putting that argument "on the ropes," the events of the Great Depression and of our current recession strongly confirm it.

Blaming laissez-faire capitalism for the consequences of government interference with our system of money and credit, with the standards of lending institutions, and with many other aspects of the free market's allocation of resources, is an egregious case of blaming the victim.

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<http://chronicle.com> Section: The Chronicle Review Volume 55, Issue 27, Page B21

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