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America Needs A New New Deal

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The Bush administration has proposed the most expensive government spending plan in American history, allocating as much as \$700 billion to a Wall Street bailout. The proposal was attacked by members of both parties, who immediately began negotiations to find an alternative. The Bush plan was not only a political blunder; it was also a complete repudiation of the administration's own economic policies. It could not be justified by any of the core beliefs governing free enterprise and the free market.

As with the decision to invade Iraq, the administration sought to commit the federal government to massive spending without a clear exit strategy. Most important, it drew upon the New Deal's legacy of government intervention in the marketplace -- without any of the New Deal's fundamental concern for the well-being of ordinary Americans.

This year happens to be the 75th anniversary of the New Deal, a revolution in governmental philosophy that began with the Emergency Banking Act of 1933. That first piece of New Deal legislation was a hurried response to the worst banking crisis in U.S. history -- until now.

President Franklin Delano Roosevelt outlined the problem clearly in his first fireside chat, a week after taking office. "We had a bad banking situation," Roosevelt said. "Some of our bankers had shown themselves either incompetent or dishonest in the handling of people's funds. They had used the money entrusted to them in speculations and unwise loans . . . It was the government's job to straighten out this situation and do it as quickly as possible."

President Roosevelt's banking plan ended the panic. But it did much more than that. In Roosevelt's words, it "reorganized, simplified, and made more fair and just our monetary system."

Compare those aims and that achievement with what the Bush administration

proposed. Having championed the free market, small government and deregulation for years, the administration asked taxpayers to assume the costs of Wall Street's poor investments -- while allowing Wall Street to hold on to the good ones.

The size and scale of the Bush administration's proposal are mind-boggling. During the New Deal, the Roosevelt administration spent about \$250 billion (in today's dollars) on public-works projects, building about 8,000 parks, 40,000 public buildings, 72,000 schools and 80,000 bridges. The entire cost of all the New Deal programs (in today's dollars) was about \$500 billion. The secretary of the Treasury now wants to spend perhaps twice that amount, simply to prevent a financial collapse.

Of course, something must be done -- and quickly. "Government intervention is not only warranted," President George W. Bush said last week. "It is essential." With those nine words, he contradicted the governing philosophy of the Republican Party for the past 30 years.

According to President Roosevelt, the New Deal had three fundamental aims: relief, reform and reconstruction. On Wednesday night, President Bush described his far more expensive but far less inclusive spending plan as merely a "rescue effort." Mr. Bush's proposal -- to hand over \$700 billion to Wall Street banks without any Congressional oversight, without any means to prevent conflicts of interest, or without any measures to help ordinary Americans -- was disgraceful.

What we really need is a new New Deal: a systematic approach to the financial and economic problems of the U.S.

Firstly, we need relief for ordinary Americans. At the moment, four million households are behind on their mortgage payments and facing foreclosure. Some estimates suggest that an additional two million may face eviction next year.

On Wednesday in this newspaper, Sen. Hillary Clinton called for a revival of the Home Owner's Loan Corporation (HOLC). Organized in the early months of the New Deal, the HOLC avoided widespread foreclosures by purchasing troubled mortgages from banks and then reissuing them with more favorable terms. It proved a tremendous success -- for homeowners, taxpayers and banks.

A new HOLC should be created immediately, and with the power to keep people in their homes.

As winter approaches, millions of families will need help keeping those homes warm. During the past year, the cost of heating oil has increased about 30%. Meanwhile, the Bush administration is now trying to cut funding for the Low Income Energy Assistance Program. Instead of cutting, the federal government should more than double the current budget of \$2.6 billion. That is awfully small

change on Wall Street these days.

Second, we need reform. In recent years, one federal regulatory agency after another has been handed over to the industries they were created to regulate. It should come as no surprise that during the Bush administration the U. S. has witnessed the largest recall of contaminated beef in its history, thousands of deaths from unsafe prescription drugs, and one of our worst financial meltdowns.

Advocates of the free market must confront the fact that both the Great Depression and the current financial chaos were preceded by years of laissez-faire economic policies. Strictly enforced regulations not only protect consumers, they protect companies that behave ethically from those that don't. The sale of tainted baby food in China demonstrates, once again, that when industries are allowed to police themselves, there's absolutely no limit on what they'll do for money.

Third, we need reconstruction, not only of America's physical infrastructure, but also of its society. Today close to 50 million Americans lack health insurance. About 40% of the nation's adult population is facing medical debts, or having difficulty paying medical bills. A universal health-care system would help American families, while cutting the nation's long-term health-care costs. And a large-scale federal investment in renewable energy and public-works projects would build the foundation for a strong 21st century economy.

Contrary to the myth of the free market, direct government intervention has played a central role throughout American economic history, subsidizing the growth of the railroad, automobile, aerospace and computer industries, among others. It will take well-planned government investment to break our dependence on foreign oil and create millions of new Green jobs.

The events of the past month have proven, beyond any doubt, that the federal government must actively address America's great social and economic problems. That necessity was recognized by Franklin Delano Roosevelt during the 1930s -- and by his cousin, President Theodore Roosevelt, a generation earlier.

The opposing view, promoted by President Bush until recently, is now as bankrupt as one of our leading investment banks. A Wall Street bailout plan that relies upon the mechanisms of the New Deal, while betraying its underlying spirit, should be rejected. Federal relief should not be aimed at the top and somehow expected to trickle-down.

A new New Deal wouldn't require another alphabet soup of federal agencies, micromanaging every aspect of the economy. It would simply ensure that federal spending is driven by the needs of every American. Anything less than this -- any proposal that rewards those who created the problem and penalizes those who

can least afford it -- is a raw deal.

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