

Time for a new New Deal for California

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The Great Recession hit California hard. Long the largest and most dynamic part of the American economy, the state has fallen far and fast. Unemployment stands at the third-highest level of any state, and underemployment is catastrophic: 1 in 5 Californians.

What can be done? This is no natural disaster but a man-made one. We are not helpless in the face of a faltering economy. When the private sector fails to generate enough investment and jobs, government can act to combat the economic downturn and get people back to work.

It's an old lesson, first learned in the Great Depression of the 1930s. Too many of us have forgotten it, while some are mulishly blind to it, preferring to believe that the market can do no wrong. Does anyone still believe that after the financial fiasco of last year?

The lesson was taught the nation by the New Deal. After three years of economic collapse, Franklin Roosevelt was elected in 1932 and went to work reviving the country. His actions marked a radical break with the previous administration of Herbert Hoover, which had studiously balanced the budget in the belief that government deficits are always harmful.



The New Deal began by sorting out the mess at the banks. Then it put millions to work within months and ultimately employed about 12 million people in public works. It reduced unemployment by 60 percent and spurred a dramatic revival of the whole economy, which was back to normal growth by 1942.

At the outset, no one was sure the New Deal would work, but it did. Soon afterward, economist John Maynard Keynes provided the reasoning: Contrary to economic orthodoxy, government action and deficit spending are essential tools to combat the failure of the private economy in a depression.

Today, we face a similar crisis. The Obama administration is wisely applying New Deal tactics with its stimulus package of \$750 billion. The Great Recession would be worse without it.

Meanwhile, what is California doing? The governor and Legislature are applying the same tactics as Hoover, the state's onetime favorite son. They are balancing the budget by cutting spending. It is a formula for disaster.

The results are the same as they were in Hoover's time: making the Great Recession worse. Cities, counties, schools and universities are laying off workers, cutting expenditures and charging more, thereby raising unemployment and reducing consumer spending.

Meanwhile, there is silence from President Obama and the California congressional delegation (dominated by Democrats) about the meltdown in the Golden State. Have we learned nothing from the past?

Our representatives in Washington and Sacramento should all be crying out for a second stimulus and, above all, for aid to states and local governments. The Republicans cut such aid out of the first stimulus. Now it must be restored.

The cost to cover all the yawning deficits, including California's, would be about \$200 billion in 2010. This is about one year's worth of war in Afghanistan and Iraq.

Then the federal government should add \$500 billion more for public works to put the unemployed back to work.

The New Deal stimulus package ran on two legs, while Obama's stimulus is limping along on one.

During the New Deal, the Public Works Administration (PWA) built fundamental infrastructure, like dams and buildings; these are costly, require long lead times and employ mostly skilled workers. This is what Obama is doing.

By contrast, the Works Progress Administration (WPA) and Civilian Conservation Corps (CCC) built smaller and simpler projects, such as roads, sidewalks and picnic grounds, but put to work many more ordinary people.

It was money well spent. Not only did the New Deal give millions of desperate people hope, it served vital public needs. In California, the great Long Beach earthquake of 1933 wrecked schools throughout Southern California. Within three years, New Deal workers built or rehabilitated 536 school buildings.

They were built so well that most are still in use seven decades later. Scarcely a town in California lacks a PWA or WPA school. Entire campuses, such as the Spanish Revival acropolis of San Diego State University, rose virtually overnight, providing opportunity for generations of students to better themselves and their state.

The long-term economic payback for this burst of activity has been incalculable. Yet today's Californians are largely unaware that they have been benefiting from the public works of another era. Though New Deal structures are ubiquitous, most are unmarked and unrecognized.

So what are state leaders doing today? Instead of building, they are destroying - cutting back on state and local programs and, worst of all, gutting our schools, colleges and universities. The University of California alone has suffered a \$1 billion, or 20 percent, cutback, with more to come next year.

The benefits of California's public schools (once the nation's finest) and the world's greatest public university system have been incalculable. We know - we're both products of that educational opportunity. Now is the time for Californians to remember the lesson of what a great, public-spirited generation did for us. Instead of leaving our children a ruined public sector, we should be crying out for a new New Deal.

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