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THE ‘GREEN’ NEW DEAL
IN LIGHT OF ROOSEVELT´S NEW DEAL
Working Paper No. 11

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Abstract: This inquiry seeks to establish that the current proposal for a Green New Deal shares similarities and dissimilarities with Roosevelt´s New Deal. The House Resolution submitted to Congress at the beginning of 2019 proposes public policies that aim to address global warming, inspired by how Franklin Roosevelt´s New Deal addressed the Great Depression. The first part of this essay will analyze the origin and the main policies of Roosevelt´s New Deal. Moreover, the article will examine the policy foundations proposed on the Green New Deal House Resolution. Finally, the inquiry will try to understand the connections between the original New Deal and the Green New Deal, establishing its similarities and dissimilarities.

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New Deal, Public Policy

This inquiry seeks to establish that the Green New Deal under discussion shares similarities and dissimilarities with Franklin Roosevelt´s New Deal. Roosevelt was elected President in 1933, on the hopes he could take the country out of the depression that started in 1929. The New Deal can be understood as a set of policies that aimed increasing employment and output. Alexandria Ocasio-Cortez (AOC) was elected as a U.S. Congress representative for New York in 2018. In February 2019, AOC, supported by 70 members of Congress, submitted the Green New Deal resolution. The Green New Deal is a set of policies proposed to address climate change, and promote employment.

The name chosen by AOC resolution refers to Roosevelt´s economic plan. Economists dispute the success of the original New Deal; however, there is a generally positive consensus among the population that the program achieved its goals and built the foundation for the prosperity in the following years. Using the name "New Deal" could have a positive effect on public opinion. First by connecting it to the original New Deal, and second by making a set of complex policies more straightforward to understand by the population. Was this name choice more related to the content of the project, or was it a political choice? In other words, how similar is the Green New Deal to the original New Deal?

Roosevelt´s New Deal

The Decade of the 1930s registers synonymous with the Great Depression. The Depression was characterized by a long period of economic downturn. According to Hughes and Cain (2011, 478-479), the Great Depression started after the Wall Street bubble burst in 1929 and the value of equities and other assets collapsed. In the following year, GDP fell 12%. Economic activity kept decreasing until 1933. Economic activity was now 45.6% percent smaller than in 1929 in nominal terms and 26.5 percent in real terms. Herbert Hoover, president at the time, was a conservative and believed that the solution would come from the market itself. In 1933, Franklin Delano Roosevelt won the election against Hoover, suggesting during the campaign a more offensive approach to taking the country out of the depression. This approach was named The New Deal.

According to Hughes and Cain (2011, 505-510), scholars divide the New Deal programs and institutions into two parts, one before 1935 and another after. A few measures of the first part of the program deserve more attention: The National Recovery Act (NIRA) was an attempt to re-edit the command economy of the First World War. The program was designed to reduce competition. The idea was that businesses could plan prices and production that would guarantee profits and full-employment. The project did not live for long, after around two years active, the Supreme Court ruled against it. NIRA failed; however, the Public Works Administration (PWA), one of the most important instruments of the New Deal, was a direct result from it. The PWA had the objective of generating input in the construction industry. Despite spending billions, the program resulted in insufficient employment creation, which led the Congress to push for the increase in government projects that aimed reducing unemployment. The Work Progress Administration (WPA) and the Civilian Conservation Corps (CCC) were the institutions created to lead that process, through building sewers and water systems, sidewalks and roads. In 1941, the WPA was responsible for employing an estimated 16% of the workforce. We can also highlight the Agricultural Adjustment Act (AAA), which gave the basis to modern farm policy, was an attempt to control agricultural prices by reduction of supply and production incentives (credit). In Addition, financial reforms led to the creation of the Federal Reserve (FED) and the Securities and Exchange Commission (SEC), increasing regulation in the financial markets.

In the second part of the New Deal, Hughes and Cain (2011, 510-514) highlight some measures as the most significant: The Fair Labor Standards Act (FLSA) established minimum wages, working hours, overtime wages, and working conditions. The Wagner Act and the FLSA offered breakthroughs that completely changed workers and employers relations. Employers had to start negotiating with unions and respect maximum number of hours, minimum wages and working conditions. The Wagner Act also protected organized labor. Employees had now the right to organize, elect their negotiation agents, and bargain collectively, generating a wave of unionization. Another essential addition of the New Deal was the creation of the Rural Electrification Administration (REA), which was vital as it connected millions of American farms to the power lines, leading to an industrialization second round in the farmland. Finally, the Social Security Act, which aimed at providing a more robust security net for the American society, creating a basic income for older people, a system of unemployment compensation financed by the employers of labor, and aids for the old, blind, and children.

Drawing from Hughes and Cain (2011, 515-518) we can conclude that the New Deal produced great transformations in American society. The policies implemented by FDR changed the expectations of the American people concerning its government. The most significant innovation was the expansion of the scope of the federal government, who was now also responsible for prices, income, employment, and economic growth. Social security programs implemented by the New Deal offered minimal coverage and very regressive taxes to support it; however, the use of federal power to set up social security nets for employees, with mandatory participation, was another critical innovation of the program. Federal support of organized labor was another important aspect of the New Deal, changing the power balance in the employee-employer relations. The industrial policy under the New Deal was focused on the construction industry. The program aimed at considerable investments in expanding infrastructure and housing. New Deal spent 20% of its total investment in employment creation. Federal sponsor industrial cartelization was attempted under NIRA but failed. There was no federal policy of an innovative nature toward the manufacturing industry.

Policy Foundations of the 'Green' New Deal

The current Green New Deal proposes a set of policies for addressing climate change. According to the House Resolution 109 (2019, 2-3), the document was a direct response to the 2018 Intergovernmental Panel on Climate Change report named "Special Report on Global Warming 1.5 °C" and by the November 2018 Fourth National Climate Assessment report. These reports found that the primary cause of climate change in the past century is human activity. In addition, the reports conclude that climate change is responsible for rising sea levels, wildfires increase, droughts, severe storms, and other weather events are a danger to human life, communities' health and infrastructure. The reports predict that a rise of 2

°C on the pre-industrialization levels would have serious consequences. First, regions that will be most affected by climate change will experience mass migrations. Second, the US will lose more than $500 billion a year in output by the year 2100. Third, wildfires will be at least twice more damaging by 2050 than the ones before 2019. Fourth, practically all the coral´s on Earth will disappear. Fifth, by 2050 an additional 350 million people will suffer from deadly heat stress in the world. Sixth, $1 trillion in real estate and public infrastructure would be at risk of damage. The only way to avoid all these consequences is by keeping global temperatures below 1.5 °C above pre-industrialization levels. To accomplish this goal, greenhouse gas emissions will have to be reduced by 40% to 60% from 2010 levels by 2030, and the world should reach net-zero emissions by 2050.

Drawing from the H. Res. 109 (2019, 3-4), we learn that the US has been responsible for a disproportion amount of the world greenhouse gas emissions – It is estimated that the country has emitted 20% of global emissions through 2014. The resolution defends that the US should use its technological capacity to take the leadership role in reducing emissions. In addition, the document analyses that the country has been going through a series of related crises that should also be addressed simultaneously. Life expectancy has been declining due to a lack of basic needs such as healthy food, clean water, clean air, and adequate education, transportation, housing, and health care. In the past four decades wages have been stagnated despite the increase in work productivity, the economy has deindustrialized, and anti-labor policies have passed in Congress, resulting in low socioeconomic mobility, lower wages and loss of bargaining power by the American worker and the highest income inequality since the 1920s.

Climate change also increases social injustices. The H. Res 109 (2019, 4) points out that the environmental consequences have a more significant impact in communities of color, indigenous peoples, depopulated rural communities, deindustrialized communities, migrant communities, the poor, the elderly, the unhoused, the youth, low-income workers and people with disabilities.

This Green New Deal registers as a historic opportunity. According to the H. Res 109 (2019, 4-5), the economic, environmental, and social impact imposed by climate change represent a direct threat to US´s national security and requires a Federal Government led mobilization not seen since World War Two and the New Deal. The economic mobilization needed is an opportunity to create millions of high-wage jobs, provide economic prosperity and security to the American people, and correct systemic injustices. The program should have five main objectives: (1) Achieve net-zero greenhouse gas emissions, guaranteeing a just transition for all workers and communities; (2) Create millions of high-wage jobs; (3) Invest in industry and infrastructure in order to meet the sustainability challenges; (4) Secure to the American future generations clean air and water, healthy food, community and climate resilience, access to nature and a sustainable environment; (5) Promote equity and justice to oppressed minorities. These five goals should be accomplished in 10 years.

A series of projects should be undertaken to achieve the five Green New Deal goals explained above. The first set of projects described by the H. Res 109 (2019, 7-11) aim to invest in infrastructure for protecting against possible climate change related disasters. Moreover, the resolution addresses infrastructure investment in order to eliminate pollution and emissions, as much is technologically feasible, and to provide universal clean water. Another set of projects target investing in improving energy distribution and upgrading all buildings in the US to energy and water efficiency. The program predicts actively sponsoring clean manufacturing and clean farming in the US, expanding the use of renewable energy and reducing greenhouse gas emissions. More specifically, the government should support family farming, invest in sustainable agriculture, and create a food system that will produce healthy food for all Americans. Transportation disruption is another critical part of the resolution. This should be achieved by investment in zero-emissions vehicle manufacturing and infrastructure, investment in public transport, and high-speed rail. The Green New Deal also proposes a set of projects providing funding to mitigate the long-term effects of climate change and for solutions that increase land preservation, reforestation, restoring fragile ecosystems and cleaning hazardous waste. An exciting point included in the resolution is the idea of international cooperation. One of the projects suggested aims to promote international exchange of technology, products, expertise, services, and funding helping the Green New Deal spread to other countries.

The proposition establishes some fundamental pillars for ensuring the success of the projects suggested. The H. Res 109 (2019, 11-14) define those mains pillars as: (1) Ensuring that the public get appropriate ownership and returns on investment on Green New Deal Projects; (2) Federal provision of high quality education and training, including higher education; (3) Public investments in R&D for clean energy and industries technology; (4) Federal Government should direct investments to boost economic development, diversifying industry and business, prioritizing quality job creation in the most vulnerable communities affected by the transition to low emissions industries; (5) Strong labor protection, guaranteeing adequate wages, medical leave, paid vacations, retirement security, rights of workers to organize, and join unions and collectively negotiate with employers; (6) Ensure a business environment free from domestic or international monopolies; (7) Providing American people with health-care, adequate housing, economic security, clean air and water, healthy food and access to nature.

Similarities and Dissimilarities

The New Deal and the Green New Deal were created for dealing with different economic environments. The 2007 crisis of the subprime mortgage markets led to an economic downturn called the Great Recession. According to the World Bank (2019), the recession lasted for two consecutive years. At the end of 2009, the US economy had lost 3% of its GDP. The US economy has been growing ever since. Average growth reached 2.1% from 2010 to 2017 and output is 12% larger than before the crisis. Unemployment reached the highest point of the period in 2010 at 9.6% and has been decreasing year-by-year, reaching 4% in 2018. Analyzing this data and comparing it to the economic depression in the time the New Deal was launched, we can conclude that the two programs had entirely different origins and objectives. The New Deal was a direct response to the economic downturn and unemployment, while the Green New Deal was primarily created as a response to global warming. The two programs differ in their origin and their main objective, one has economic growth as its primary target, while the other has greenhouse gas emissions as the primary objective.

We can say that the investment in infrastructure projects is one of the main instruments in both projects. The New Deal under the WPA and the CCC aimed at investing heavily in the construction industry, with the objective of increasing output and reducing unemployment. The Green New Deal also suggests big infrastructure projects, such as infrastructure for zero-emission vehicles, public transport, high-speed rail, reforestation, restoring fragile ecosystems, cleaning hazardous waste, energy distribution and upgrading all buildings in the US to energy and water efficiency. Both projects have slightly different objectives for using infrastructure investments. The New Deal main objective is generating jobs, while the Green New Deal also aims to create jobs; however, their first objective is reducing greenhouse gas emissions. In addition, the Green New Deal wants to create high-wage jobs, in contrast with low-wage construction jobs created in the New Deal.

Both projects targeted reducing social injustices and increasing labor protection. The New Deal under the FLSA, established minimum wages, working hours, overtime wages, and good working conditions. In addition, the Wagner Act also protected organized labor. Employees had now the right to organize, elect their negotiation agents, and bargain collectively.

Finally, the Social Security Act, which aimed at providing a more robust security net for the American society, creating a basic income for older people and a system of unemployment compensation. Most of these policies were reduced or lost strength over the last few years. The Green New Deal defends increasing policies against social injustices and stronger labor protection policies. In addition to guaranteeing adequate wages, rights of workers to organize, join unions and collectively negotiate with employers, the project supports medical leave, paid vacations and retirement security. The plan also advocates for universal health-care, adequate housing, clean air and water, healthy food access, access to nature, as well as the provision of high-quality education and training, including higher education.

Another point that both of the projects have in common is their will of regulating competitiveness in the business sector. The New Deal under NIRA was designed to control competition. The idea was that businesses could plan prices and production that would guarantee profits and full-employment. The NIRA failed to reach its objective as the Supreme Court ruled it unconstitutional. On the other hand, the Green New Deal seeks to regulate the business environment to ensure it will be monopoly free.

There are two interesting structural dissimilarities in the projects. The New Deal had no particular time frame. It started in 1933 with the objective of ending the economic depression. This objective was only accomplished by the end of the Second World War in 1945. The Green New Deal has specified that it should achieve its goals in 10 years. This time constraint is related to the fact that increasing global warming has to stop before the temperature reaches catastrophic levels.

Another essential difference between the two projects is how they connect to the rest of the world. The New Deal was strictly a national project. Its only objective was related to national economic recovery. The Green New Deal, despite promoting actions almost exclusively in the US, clearly states its global importance. The project is presented as the first step for the fight against global warming around the world. Also, the Green New Deal aims to promote international exchange of technology, products, expertise, services and funding helping the Green New Deal spread to other countries.

Conclusion

This inquiry sought to establish that The Green New Deal shares similarities and dissimilarities with Roosevelt´s New Deal. The most crucial divergence between the projects are their origin and primary objectives. The New Deal main objective was generating jobs and increasing output, while the Green New Deal has reducing greenhouse gas emissions as a first objective. The other essential dissimilarities are regarding the structure of both projects. The New Deal had no time limit and was only focused on national results, while the Green New Deal has a 10-year time frame and has objectives and actions outside the US; however, the projects have strong similarities. The most important one is the use of infrastructure projects as main instruments to achieve their objectives. We can also highlight that both projects target reducing social injustice and increasing labor protection. Fundamentally, what makes both projects very similar and, consequently, makes the name relation acceptable, is the fact that both put the state as the primary force in leading economic and social transformation.

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