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DEBATE OVER ECONOMIC IMPACT OF NEW DEAL LABOR LAWS OFFERS IMPORTANT LESSONS FOR CURRENT POLICY DEBATE, LEVY STUDY SAYS

ANNANDALE-ON-HUDSON, N.Y.—With a very weak job market expected to linger well into next year, economists and policymakers continue to explore ways of addressing the impacts of recession. These government initiatives, from direct stimulus plans to efforts to address health care costs and the need for financial regulation, have sparked a renewed and vigorous public debate among scholars about the economic impact of the New Deal, in particular the National Industrial Recovery Act (NIRA) of 1933 and the National Labor Relations Act (NLRA) of 1935. While a wave of revisionist work claims that prolabor legislation such as NIRA and NLRA slowed the recovery from the Depression in the period from 1933 to 1939, a new public policy brief from The Levy Economics Institute of Bard College contends that the New Deal as a whole not only had a positive and significant impact on economic growth in the 1930s but also offers relevant lessons for policymakers in their efforts to deal with the current recession.

In their new brief, *The New New Deal Fracas: Did Roosevelt’s “Anticompetitive” Legislation Slow the Recovery from the Great Depression?*, Levy Institute President Dimitri B. Papadimitriou and Research Scholar Greg Hannsgen explore the arguments made by Amity Shlaes in her book *The Forgotten Man* (2007), which asserts that New Deal government intervention “helped to make the Depression Great,” and those by economists Harold Cole and Lee Ohanian, who contend that the Depression lasted longer than it should have because of “anti-competitive” government policies such as NIRA and NLRA. While acknowledging some shortcomings in both pieces of legislation, Papadimitriou and Hannsgen suggest that the adverse effects of NIRA and NLRA on market-based incentives to work, save, and invest “were probably so inconsequential as to be easily overshadowed

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by the obvious benefits of legislative accomplishments such as Social Security and federal deposit insurance.” In conclusion, they write, “NIRA, and to a lesser extent NLRA, admittedly had many flaws, but these blemishes should not obscure the fact that the New Deal helped the country through a desperate time and lay the basis for a quarter century of relative prosperity following World War II. Business interests who oppose a new New Deal would do well to remember that it was not only labor that prospered: the inflation-adjusted, aftertax profits of corporations rose 377 percent from 1935 to 1970.”

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Public Policy Brief No. 104: The New New Deal Fracas: Did Roosevelt’s “Anticompetitive” Legislation Slow the Recovery from the Great Depression?

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