

UC SANTA BARBARA

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## **UCSB Historian Examines Current Economic Crisis and the New Deal**

During the Great Depression of the 1930's, the United States struggled with the collapse of its financial system, which led to surging unemployment, great disparities between rich and poor, soaring budget deficits, and a pummeling of the global economy. Sound familiar?

In response, President Franklin Roosevelt established the New Deal to relieve economic stress, promote economic recovery, advance social justice, and protect against future depressions. In an Economics Town Forum, W. Elliot Brownlee, professor emeritus of history at UC Santa Barbara, will discuss Roosevelt's efforts and whether they provide any guidance for the current economic crisis.

Brownlee's talk, titled "Economic Crises and Lessons From the New Deal," begins at 7:30 p.m. on Wednesday, April 29, at First Presbyterian Church Fellowship Hall, 21 E. Constance Ave. It is co-sponsored by the UCSB Affiliates and the UCSB History Associates. Admission is \$8 for UCSB Affiliates, History Associates, or Chancellor's Council members, and \$10 for all others. Advance registration is recommended by calling the UCSB Office of Community Relations at (805) 893-4388.

"The current economic collapse is reminiscent of the early parts of the Great Depression," said Brownlee. "The similar elements are the shocking financial crisis, large-scale destruction of equity values, swift increase in unemployment, and the rapid spreading of economic collapse across the globe." He noted that the most

worrisome aspects in the current crisis are the declines in global stock markets and world trade. Both are worse now than they were in 1930, he said.

"One lesson the current administration can learn from FDR's New Deal is that modest fiscal policies have only very modest stimulative effects," Brownlee continued. "In the early phases of their administrations, both Herbert Hoover and FDR applied modest fiscal responses and didn't have much in the way of positive results. The latter part of the New Deal demonstrated that aggressive fiscal policy does work to stimulate economic recovery."

Another lesson from the New Deal, Brownlee added, is the importance of effective monetary policy. "Monetary policy works, even when interest rates are near zero. Through an open market, one can stimulate the money supply and encourage the growth of economic output," he said. "FDR's monetary policy was the most effective tool in promoting recovery between 1933 and 1937.

Brownlee does see a road to recovery from the current economic crisis. "If we can fix the banking system and enable fiscal and monetary policy to work -- and if the international economy doesn't push everyone further down -- we could see significant recovery by the end of 2011," he said. "The economy that emerges, however, could be significantly different than what currently exists. Rates of saving, taxing, and public investment may be higher, the world may have to rely less on the demands created by American consumption, and financial regulation may well be more stringent."

A specialist in the history of taxation and public finance and comparative political economy, Brownlee taught economic history at UCSB for 35 years. Most recently, his research and writing have focused on the history of public finance and taxation during national crises in the United States and Japan. Currently, he is exploring the relationships between national crises and the emergence of new fiscal regimes.

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