Book Reviews

Demystifying the New Deal

Carola Binder

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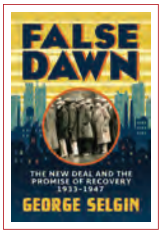

FALSE DAWN: The New Deal and the Promise of Recovery, 1933–1947

George Selgin

University of Chicago Press

Chicago, IL, 2025, 384 pp., $35

US PRESIDENT Franklin D. Roosevelt's New Deal projects and regulations were so wide-ranging in their aims and scope that it's hard to reach a simple verdict on their effectiveness. George Selgin rightly avoids attempting to do so in *False Dawn*, his new book examining the administration's 1933–39 policies and the recovery from the Great Depression.

Selgin, a senior fellow at the Cato Institute's Center for Monetary and Financial Alternatives and economics professor emeritus at the University of Georgia, challenges the idea that the New Deal was a coherent plan that Roosevelt designed before taking office. Rather, key components were cobbled together after his inauguration, often without Roosevelt's initial support.

Selgin takes on these components one by one, from the 1933 bank holiday and the gold programs to the alphabet soup of agencies, including the Federal Deposit Insurance Corporation (FDIC), the Reconstruction Finance Corporation (RFC), the Agricultural Adjustment Administration (AAA), the National Recovery Administration (NRA), and the Home Owners' Loan Corporation (HOLC).

In these chapters, Selgin describes the conventional wisdom about some aspects of the New Deal, the challenges to the conventional wisdom, and the challenges to the challenges. He evaluates the literature and his own read of the historical record. By the end of each chapter, we know exactly where he stands, how firmly, and on what strength of evidence.

Selgin pinpoints where evidence is shaky or missing, making the book a treasure trove of research ideas for economic historians. For example, he also points to a need for improved empirical studies estimating the effects of policy uncertainty on investment—an especially important topic today, with some measures of economic policy uncertainty at record highs.

For a more general audience, the book's most important contribution is its debunking of what Selgin calls the "Keynesian myth," or "popular tendency to identify the New Deal with Keynesian economics," which has "had an unfortunate effect on discourses concerning the merits of each." Selgin cites Eric Rauchway's 2015 book *The Money Makers* as Keynesian mythmaking, specifically its assertion that Roosevelt "conducted an active monetary and fiscal program of recovery...working along lines suggested by Keynes." Selgin shows that Roosevelt was *not* influenced by Keynes. He was firmly committed to fiscal conservatism until after 1937, and the Federal Reserve did not deliberately use monetary stimulus in response to the Depression.

Perhaps even more important than the decidedly un-Keynesian monetary and fiscal policy was Roosevelt's disregard for Keynes's warnings about expectations. Keynes recognized that Roosevelt's antibusiness attitude and various New Deal policies, especially the National Industrial Recovery Act, were breeding fear and uncertainty and precluded the possibility of an investment-led recovery.

Business leaders shared Keynes's sense that the policy uncertainty generated by the New Deal was highly counterproductive. Selgin quotes Lammot du Pont II, president of the chemical company Dupont, who remarked in 1937 that "uncertainty rules the tax situation, the labor situation, the monetary situation and practically every legal condition under which industry must operate...The whole future is a gigantic question mark." Selgin explains that "it isn't simply bad outcomes that frighten investors; it's also not knowing what's in store." **F&D**

CAROLA BINDER *is an associate professor of economics and an economic historian at the University of Texas at Austin's School of Civic Leadership.*