# ECONOMIC CRISIS IN THE UNITED STATES: MANAGEMENT STRATEGIES FOR A DEMOCRATIC ECONOMY

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## ABSTRACT

It has been argued that market capitalism is the most efficient, effective, and equitable method for the distribution of economic wealth in the history of the world. Those who support this point of view usually site the overall economic output of market growth in terms of both Gross Domestic Product (GDP) and Gross National Product (GNP). Some, on the other hand, would question this evidence by pointing to, not only the cyclical nature of the economy, but the collapse of the United States (US) economy during the Great Depression of 1932 and the near collapse of the economy in what has been described by economists as the Great Recession of 2008 (Krugman, 2009). Suffice it to say, these economic downturns have harmed people's lives, if not ruined them. To make matters even less optimistic, the current recession is still not over. If lessons are to be learned from these economic misfortunes, then the reexamination of market capitalism and comparative economic systems is in order. This will be done by providing: (1) an analysis of the current economic crisis faced by the US; (2) an alternative social and economic vision that might better serve a democratic society; and (3) a managerial strategy in public

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administration that provides greater accountability to the public.

## INTRODUCTION

During the Bush presidency (2001-2009), economic development was driven by an expansion of private debt, which for better or worse, led to a decline in credit markets and the withdrawal of business investment and consumer confidence. This pushed the economy into a “free-fall”, marked by nearly 10% unemployment nationwide, and up to 15% when underemployed was included. As a result, approximately 20 million American workers in 2011 sought full-time employment. Many of these workers who were unemployed or underemployed, lost their health benefits and defaulted on home and auto loans. Moreover, with the downturn in the economy, tax revenues also fell, forcing local governments (city, county, state) to reduce vitally needed public services – due to the lack of public funding - on education, water, sewer, emergency services, law enforcement, and human services. The Center on Budget and Policy Priorities (CBPP) has estimated that from 2008-2011, 10 million middle-income Americans have been pushed into poverty, and 6 million have descend into “deep poverty”(CBPP, 2011). Based on these economic indicators, a recession in the US economy was identified, and for that matter the industrialized world. The economy then continued its downward trend when borrowers started to default on easily available credit. While this was transpiring, consumer goods rose sharply in oil, transportation, food, and health care. Housing and auto industries, (two major industries in the US economy), were negatively affected by these patterns. Moreover, a substantial credit crisis affecting major financial institutions led to the bankruptcy of large and well established investment and commercial banks in the US and many nations around the world. Several economists and policy analysts expressed concern that there was no end in sight for this downturn. The most urgent concern was that the recession could be the worst since the Great Depression of the 1930s (Easterly, 2009; Stiglitz, 2009).

Economists such as Paul Krugman argue that if economic recovery is to take place, it will need what he describes as a “monetary transmission mechanism” to stimulate spending, increase income, and create jobs. Usually the Federal Reserve (The Fed) provides this “mechanism” by lowering interest rates to create some economic incentive for borrowing money. This would then translate into investment, jobs, income, and spending. However, even if people and businesses were able to borrow, there is no guarantee that spending by borrowers and consumers would follow, especially during a recession. For example, while there is currently a glut of unsold homes on the market there is no real incentive to build more homes no matter how low mortgage rates decline. The same holds true for business investment. Very few businesses, if any at the given time, are willing to spend and increase capacity with office buildings empty, strip malls in need of tenants, and industries standing idle. Suffice it to say, with workers concerned about job loss, durable and big ticket items that normally act as catalysts for economic recovery, such as refrigerators and automobiles, become very low priorities for consumers. For the current Fed chairman, Bernanke, the attempt to unfreeze the credit markets, lending facilities, and financial institutions has proven challenging. The realistic prospect that the Fed can redirect the economy seems uncertain at the present and the consequence of this is, what economists describe as, market failure (Sachs, 2009; Easterly, 2009; Stiglitz, 2009).

## LEGACY OF THE NEW DEAL

If the current problem with the economy is to be addressed, then a review of past remedies is in order, specifically a reexamination of some of the New Deal programs. During the Franklin Delano Roosevelt (FDR)/New Deal era, during the 1930s, the United States government was compelled to use tax funds to fix and repair financial institutions. The Reconstruction Finance Corporation (RFC) of the New Deal initially assumed a similar role to the Bush Administration's Troubled Assets Relief Program of 2008 (TARP) and the Obama Administration's American Recovery and Reinvestment Act of 2009 (ARRA). Like the TARP and ARRA, the RFC reinforced the cash position of struggling banks by using public funding to buy stock in those same banks. Nonetheless, the difference between FDR's RFC and Bush's TARP and Obama's ARRA was that FDR insisted that public funds be used to assist the public itself. As a result, the US government by 1935 owned approximately a third of the banking system. FDR used the government ownership of the banks to leverage other banks into lending money they were getting from the government. The banks in turn lent money directly to businesses, homebuyers, and homeowners, with the specific intention of helping homeowners restructure their mortgages in order not to default. On the other hand, the Bush and Obama administration refused to attach conditions to the aid it provided financial institutions through the various housing modification plans implemented by Congress over the past several years. Financial institutions helped themselves regain solvency first with public funding. Homeowners, were virtually left out of this aid.

The real test for the Obama administration at the present, will be to go beyond directing funds to banks and financial institutions; the focus must be on the creation of jobs and increased wages. In the past the New Deal missed this opportunity. The Works Progress Administration (WPA) of 1932 employed through the Civilian Conservation Corps (CCC) of 1933 millions of Americans in the construction of roads, schools, and dams. While this helped, the New Deal's job creation programs were neither big enough nor sustained enough to end the Great Depression. The economic support provided through federal funding gave the economy between 1933 and 1936 only enough funding to reduce unemployment, but hardly enough to increase employment to the healthy levels it experienced prior to the Depression. This was because in 1937 FDR became frightened of the mounting deficit that resulted from public funding. Even though the economic situation was still weak, FDR felt compelled to cut spending while simultaneously raising taxes. The result was a severe recession that undermined much of the progress that was made from earlier economic revisions. What finally brought the Great Depression to an end was the "giant" public works program called World War II (WWII), which necessitated even greater borrowing, spending, and deficits (Boulding, 1993; Solow, 2007; Reich, 2009). Here it is important to note that all the heavy federal spending for WWII served a dual purpose: (1) it addressed the present situation of joblessness by providing a source of income to check a devastated economy, while (2) providing at the same time future infrastructure investment which paid off in public savings to aid future commerce and industry needs.

While an argument for increased federal spending is plausible, the question of tax cuts persists. Even if a tax cut is implemented on an emergency short term basis, the tax cuts need to be directed primarily at lower- and middle-income Americans precisely because people in these demographic categories are more likely to spend their windfall than the affluent. Nevertheless, tax cuts should never be understood as the mechanism for fighting off and fixing an economic crisis; they are less efficient than infrastructure spending because there is no guarantee that consumers, especially the wealthy, spend their tax cut rebates. A number of economists estimate that it will take $300 billion in tax cuts, compared to $200 billion in public works infrastructure investment, to shave one point of the unemployment rate (DeLong, 2010; Zandi, 2009; Galbraith, 2009; Baker). As such more tax revenue will be needed for a healthy economic recovery plan since that revenue will act as a support to any job-creation program. Without this policy direction economic recovery is questionable. Currently, due to the "apparent" dissatisfaction with liberal spending policies in the deficit and the massive expense of health care reform, the Obama administration is looking into ways to cut spending. Because of the concern regarding deficit spending, more conservative arguments have pushed economic policy in the tax cut direction (Levy, 2009).[1]

Health care reform should also be tied to the economic recovery. This is of serious economic concern especially during difficult economic times since over 50% of economic calamity for Americans (i.e., housing foreclosures, bankruptcy, debt crisis, etc.) is tied to medical related debt (Robertson, Egelhof, Hoke, 2008; Himmelstein, Thorne, Warren, Steffie, Woolhandler, 2009). Other advanced nations have some form of guaranteed health care for its citizens. The current economic crisis should have provided an key lesson in the

[1] Critiques of the Obama Administration's American Recovery and Reinvestment Act 2009, can be noted in conservative economist, such as, Edward Prescott, Vernon Smith, James Buchanan, Alan Viard, and Russell Roberts. Also see Jeffrey Sachs who argues a "middle ground" that a marginal increase in taxes across all income levels and selected cuts in spending would be the best approach. See Time Magazine, February 15, 2010.

importance of universal health care in two very distinct ways. First, it has brought to light the precariousness of Americans whose health insurance is dependent on their employment. Extended benefits, such as COBRA (Consolidated Omnibus Reconciliation Act), are limited and very expensive. This in turn places a huge burden on individuals to purchase coverage on their own, usually at a high premium. Preconditions make this option (or rather did make this option) even more difficult for individuals to obtain coverage. Second, the current market driven health care approach is detrimental for business. For example, the Big Three automakers could potentially be more competitive in the international market if they were free from paying for the health care of both former and current workers. Other businesses in industrialized countries around the world do not pay for health insurance since this is provided in one form or another by host countries. As a result, policy strategists argue that the United States should move to a single-payer system in which Medicare would be provided for all.[2] This would not eliminate private insurance.

[2] Proponents of the single-payer plan include the AMA, AARP, U.S. Conference of Catholic Bishops (with the exception of abortion, sterilization, and contraception provisions). Basically the single-payer health care plan is the financing of the costs of delivering universal health care for an entire population through a single insurance pool out of which costs are met. There are multiple contributors to a single pool (i.e., insured persons, employers, governments, etc.). Single-payer health care insurance collects all medical fees and then pays for all services through a single government (or government related) source. In wealthy nations this form of publically managed health insurance is typically extended to all citizens and legal residents. Australia's Medicare, Canada's Medicare, the United Kingdom's National Health Service, and Taiwan's National Health Insurance are examples of single-payer universal health care systems. Medicare in the United States is an example of a single-payer system for a specified, limited group of persons within a country. Single-payer systems may contract for healthcare services from private organizations (as is the case in the

The current economic crisis creates an opening for further discussion on what political and economic arrangement might best prevail in a democratic society. While the following analysis may not be politically feasible at the present moment in American politics, the underlying ideas should nevertheless be considered and evaluated as an option to facilitate what I argue is needed today: democratic reform in the economy. The argument being asserted here is that a more democratic economy can better serve the needs of a democratic society by providing more accountability to the people the economy is meant to serve. An economy at the service of the elite does not necessarily guarantee that basic strategic resources, such as, food, clothing, affordable housing, health care, living wage employment and benefits – will remain affordable. I argue then, that a restructuring or re-prioritization of economic life must be accountable with respect to democratic principles of collective self-governance and self-determination.

Nonetheless, four fundamental questions remain regarding the US economy: (1) Can the United States continue using the current economic model as it is? (2) Can society in the United States continue to trust CEOs, stock holders (domestic and foreign), board members, politicians, special interests and political action committees, with strategic decisions that directly effect the economic well-being of people, especially since this responsibility has a direct impact on the lives of others? (3) Should society in the United States continue to allow economic decisions and related public policies to be made

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United Kingdom). The term single-payer thus only describes the funding mechanism – referring to health care being paid for by a single public body from a single fund – and does not specify the type of delivery. Neither does it specify for whom doctors work. Although the fund holder is usually the government, some forms of single-payer plans employ a public-private system.

by others, such as elites, knowing that the impact of economic decisions will directly harm other people? (4) Can a particular school of economic thought act as a risk-management strategy in order to insulate people from the negative externalities of the market?

## REVISITING ECONOMIC MODELS

While market capitalism dominates the US and most western industrialized nations, political economists remain sharply divided over how the market and government might best be integrated. Some theorists support a society with minimal government, while others favor a society in which the operation of the market is tightly regulated by government. Between these two extremes lies a broad continuum of ideas and policy proposals for combining the market and government in ways that capture the benefits of each institution while minimizing negative effects. At the present historical moment in the US it is important that various approaches to political economy be reassessed. The precariousness of the market in the past and present history of the US is clearly manifesting itself in the concrete experiences of investors and consumers who struggle with day-to-day financial issues for themselves and their families. Since "the market" affects the lives of people in both positive and negative ways, it is important to approach economic policy as a strategic resource that demands the promotion of a healthy economy. The following analysis will provide a comparative analysis of four political economy models that may bring to light the possibility of revisions in the US economy.

***Classical Liberal Political Economy***

Classical liberalism, based on Enlightenment philosophy, envisions society as an aggregation of autonomous individuals seeking to pursue private interests. Ideally, all social interaction should consist of voluntary exchanges between persons. The role of government should be at a minimum (Smith, 1776 [1976], Friedman, 1962; Hayek, 1976). Thus if individuals are to develop and maintain personal identities, then an irreducible core of their existence must remain separate from, and even opposed, to larger social processes such as government in whatever form it takes. Any government or society that represses the individual desire to formulate and pursue a personal set of goals (specifically as individual actors in the market) will undermine the right of the individual based on liberal theory. However, historically the changing nature of Western societies posed several challenges to classical liberalism's commitment to personal freedom and the market as the primary institution for organizing society. First, industrialization and urbanization contributed to a proliferation of "externalities" (i.e., public health, public sanitation, child labor, safe working conditions, etc.) that in fact called for the increased role of government on both a federal and local level. Second, the large-scale production required to take advantage of the economies of scale associated with modern technology have meant that government regulation is needed to protect both workers and consumers. Third, the market contains no mechanism for guiding self-interest into unified collective action. The same self-interest principle that motivates individuals and firms to compete in the market also motivates them to form special interest groups or political action committees that undermine each other. Here, classic liberals or libertarians face the dilemma that government may be necessary to minimize the role of individuals who may undermine the common good. This dilemma is intensified by the question of whether such a government would relinquish its power once it had depoliticized the economy. Finally, classical liberalism fails to adequately recognize the human desire for community and a sense of common purpose.

***Conservative Political Economy***

Conservatives tend to resist the two major trends stemming from the Enlightenment: individualism and egalitarianism. Conservatives have stressed the importance of maintaining a hierarchical form of society, established on elite authority and tradition. In it earliest form, market forces, particularly the "laissez faire" tendency within liberal capitalism, tended to promote a certain instability and even social chaos. It was in this context that conservatives first rejected the market forces of liberal capitalism since these forces tended to upset the "status quo" and potentially the very status of elites in society. Over time, however, conservatives began to embrace market forces, especially since conservatives, who were "elites" in society, tended to benefit the most form markets (Machan, 1990; Voeglin, 1975; von Misas, 1962). Yet the deeper concern for conservatives is that "rightful authority" will never be accepted in liberal society since true authority places limits on the scope of either individual or collective action. Conservatives argue that liberal sentiments will inevitably lead to either chaos or repression. In some cases, conservatives have argued that liberal democracy itself has been responsible for fomenting social anarchy. As such, conservatism has had a much more difficult time with the notion of egalitarianism, specifically when progressive movements in Western Europe collided with the conservative tendencies of National Socialism. Nevertheless, conservatism provided ample social critiques of what they would describe as the outcomes of the moral evils of egalitarianism (Hayek, 1979). Conservatives sight examples of the command economies of Eastern Europe, repression in Maoist China, and the rise of Marxist-Leninist totalitarian regimes around the world. Still, conservatism has thus far been unable to offer a concrete program for generating cultural renewal without resorting to national chauvinism, racism, and even repression. Today, conservatives are basically critical of the excesses of personal sexual ethics and collective action by government on behalf of the poor. However, individual initiative (personal or corporate) is lauded as the primary incentive in creating economic growth. Yet, much like the classical liberals, conservatives have a difficulty in trying to find a universal system of beliefs that can promote the common good.

***Modern Liberal Political Economy***

The roots of modern liberalism lie deep in the tradition of classical liberalism. Although the early classical liberal theorists such as Locke and Smith expressed reservations about the wisdom of sole reliance on the market to organize society, their commitment to individual liberty and private property precluded any significant action by government. Nonetheless, with the emergence of challenges to the capitalism during the 19$^{th}$ century, came a growing perception that laissez-faire policies were incapable of generating widespread political and economic support (Marshall, 1890, Keynes, 1935). In response to this problem, modern liberalism emerged as a synthesis of the most appealing elements of market forces and egalitarian sentiments. Thus the goal of modern liberals has been to promote social justice while preserving market forces, private property, and democracy. What developed as a result was a growing interest in Keynesian economics after World War II. Under the leadership of Paul Samuelson, American economists sought to salvage neoclassical theory by emphasizing Keynesian macroeconomics and neoclassical microeconomics

(Samuelson, 1947). The latter was useful for explaining the behavior of individual consumers and firms, while the former offered an understanding of the economy as a whole. Samuelson proposed a "neoclassical synthesis" in which both doctrines would peacefully coexist in what is known as Keynesian economics. However, the declining influence of modern liberalism in recent years can be explained by the emergence of stagflation in the early 1970s and high inflation in the late 70s. Moreover, modern liberal approaches to the economy came under attack from conservatives and libertarians for trying to maintain the liberal welfare state which they argued hurt the economy and business investment. On the other hand, liberal and radical critiques of modern liberal economic policy argued that the economy was still controlled by the "elite" who benefit from the economy and that the poor and marginalized in society have rights to economic well-being through the liberal welfare state.

***Radical Political Economy***

Although radical ideas can be traced back to antiquity, modern radicalism was born out of conflict between the democratic aspirations of the Enlightenment and the emerging power of capitalist development. Radicals (socialists, trade unionists, anarchists, and Marxists) claimed that greater equality and public control of the means of production were essential to attaining the Enlightenment values of freedom and justice (Marx, 1844; Marx and Engels, 1846). During the nineteenth century, as classical liberalism became increasingly anti-egalitarian, the influence of radicalism among the working class and intellectuals grew. However, the brutality of Leninism and Stalinism in the 20th century served to seriously discredit radicalism, while the anticommunism of the McCarthy era effectively suppressed radical voices until the 1960s and the rise of the New Left (Marcuse, 1964; Baran and

Sweezy, 1966). Today radical theory basically serves as a methodological form of social critique attempting to identify various contradictions within society. Nevertheless, radical demands for greater equality were largely incorporated into the agendas of liberal political parties and have been partially realized through the vehicle of the welfare state. By posing the threat of property confiscation in the Third World through revolution, or in the form of grass roots organizing for policy change, radicalism has forced the elites to make concessions to the working class. For example, the continual extension of civil and human rights in democratic societies has given workers greater protection against the power of employers. This also includes support for labor unions, minimum wage jobs, and some form of democratic or state control the competitive market (Marcuse, 1972; Bowles and Edwards, 1989). Yet the flaw, some would argue, at the core of any pure vision of the radical perspective is the neglect of the private sphere within which individuals formulate their life-plans and pursue their interests. While humans may have significantly greater capacities for sympathy and cooperation than have yet been exhibited, an irreducible core of each person, can and should remain self-interested.

## DEMOCRATIC ECONOMY AND MANAGEMENT

After assessing the four comparative economic models, I argue that the model best suited for the interests of a democratic society would be the "radical economy" model. Political economists who utilize radical approaches to economic organizing have been critical of market capitalism and its propensity to amass wealth in the hands of elites. Radical-egalitarian economists argue that economic life in society should be concerned with implementing democratic principles in the market. Kai Neilsen, R.G. Peffer, Manfred Max-Neef, argue that such a society would implement: (1) a system of ideas that provide a social critique of society; (2) a political and economic movement aimed at transforming society to a more just and egalitarian one; and (3) an establishment of institutions historically conditioned which have, in varying degrees of effectiveness, provided for the implementation of a more just and egalitarian society (Max-Neef, 1981; Nielsen, 1985; Peffer, 1990).[3] Furthermore, the radical model is more accountable to the people of the US and, other models, because those models – liberal, modern liberal, and conservative –fail to secure any mechanism for democratic control of the economy.[4] What this implies is a less ideological and dogmatic adherence to 18th and 19th century microeconomics. To this extent I argue that the egalitarian theories of Kai Nielson, R.G. Peffer, and Manfred Max-Neef provide a moral framework for a democratic economy. Here radical theory best suits democratic society as described by Cass Sunstein, where "markets are mere instruments to be evaluated by their effects . . . and social justice is a higher value than the protection of free markets"(9).

What is being presented here is an alternative economic model and management style that may better suit the needs of people in the twenty-first century. To be clear, it is not my intention to vitiate market capitalism and present the radical alternative as the new and best one. To the contrary, I argue along with Marx in *Capital* (1867) that capital and profit by themselves are not the cause of

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[4] I argue that stricter congressional oversight and regulation of the Securities and Exchange Commission (SEC) and the Federal Reserve (Fed) will not, by itself, solve the problems associated with the current economic crisis. Neither does a democratically controlled economy guarantee a healthy economy. However both a democratic economy and government regulation would at least provide a check against the abuses that result from little or no regulation.

economic dysfunction and injustice, but rather the distribution and equity derived from capital. This form of economic life, some argue, has no social accountability to the public at large, and therefore individual and corporate investment must be redirected to serve the common good as its foremost concern. And to understand market capitalism more precisely, and to make such a system work to the betterment of all, I concur with Smith in *The Theory of Moral Sentiments* (1761) that market capitalism can and should prioritize social justice.

What does this mean in terms of market capitalism and the economy today? It means that it is imperative to understand that the economy has evolved into a composite best described as: (1) a post-capitalist economy in which government and market strategies are interrelated; and (2) a post-Keynesian economy which recognizes the limitations of the economy, i.e., market failures as this relates to microeconomic theory, and the mutual interdependence it shares with the public sector in providing strategic infrastructure, public goods, and human services. Markets, I argue, are thus meant to serve the needs of people and foster social and economic justice as its first priority. In this sense the market should be understood as a strategic resource that promotes the well-being of people, as a "common pool resource" (Ostrom, Burger, Field, Norgaard, Polikansky, 2009; Ostrom, 2003; Ostrom 1990; Barnes, 2006) to which all can benefit and should thus be managed appropriately. Within this context of the "commons," it is important to outline an appropriate public management model that would be most compatible with a democratic economy.

***Public Management***

The threat to the commons, specifically as this relates to the recent economic destruction of the US economy, can be traced to the practice of elite control of the economy and government. One means by which elites dominate economic matters and government is through what some describe as an "iron triangle" arrangement (Bukaharin, 1929; Mills, 1956; Cater, 1964; Domhoff, 1967; Heclo, 1978). Iron triangles are the outcome of interest groups, legislative committees, and administrative agencies that form secure alliances to attain their social, political, and economic ends through pressure and leverage on government. Iron triangles maintain established values and power arrangements in order to promote their mutual interests. They resist change if it threatens their interests which results in "incrementalism" in the policy making process. Iron triangles block public access to information about the inner workings and designed outcomes of policies because those very policies could be detrimental to the public at large. In this sense, the iron triangle becomes the primary tool of the power elite to dominate any given society. In this sense government, and any given set of policies, is held captive by its clientele, and this is clearly the case with the Great Recession.

So how can government remedy this situation? One suggestion can be identified in the Blacksburg Manifesto (1984) which was originally published through the Public Administration Theory Network, and later by Ralph Chandler in *The Centennial History of the American Administrative State* (1987). This later became known as the "Blacksburg Perspective" in the *Refounding Democratic Public Administration* (1996) coterie of Wamsley, Wolf, et al. An important facet of the Blacksburg Perspective stresses an explicitly *normative* approach to living out and conducting democratic public management on behalf of the common good. The attempt, here, is to reestablish the principle that all people are legitimate partners in governance. It reexamines the concept of the common good and public interest as it pertains to public service and democratic values. In other words, the Blacksburg Manifesto calls for government administrators to lead with a renewed vision of the "commons," rather than cater to "elite" power arrangements where those economic arrangements are prioritized for elite ends. Here it is important to reframe the way governance is perceived and lived. In short, the democratic citizenry is the government, as "Blacksburger," John Little argues (1996). Little concludes that a democratic awareness in public administration involves viewing governance with a purpose and that public managers need to promote three key elements within the governance process: (1) legitimacy, (2) representation and accountability, and (3) public interest.

## CONCLUSION

One of the assumptions throughout this investigation has been that "individual freedom," with regard to economic activity in the United States, has failed to bridge the gap between the various social strata. Arguably, a democratic economy, on the other hand, would help to prevent not only increased economic marginalization, but also implement greater oversight needed to maintain a healthy and competitive economy. This is by virtue of the fact that economic self-determination and self-interest would prevent unnecessary economic risk from happening in the first place. In this sense a democratic economy would truly be self-regulating. While there is no guarantee that a democratic economy can insulate itself from market failures, it nevertheless represents a collective effort to prevent elites and political manipulation from ruining the economy for the majority in the US as they already have done so.

Moreover, a democratic participatory economy implies a normative set of values in which every economic decision must be assessed in light of whether it protects or undermines the dignity of the human person. Under this form of economic organization, a democratic economy must be assessed by what it does for both the individual and community and how effective such economic organization is with respect to serving people as it first order of rationality. This is why it is especially important to be proactive with respect to economic policies that can remediate market failures, whether they manifest themselves in negative externalities as either pollution and/or unemployment. Therefore the rationale for government involvement in the environmental and welfare policy is justified on the basis of risk-management strategies in order to reduce the chance of negative externalities.

Finally, one of the most critical tasks that a democratic economy can undertake is the establishment of universal moral norms structured upon human rights. To be clear on this issue, human rights must be rooted in concrete human needs. In other words, the fundamental nature of the human person is the basis for a universal ethic to secure economic rights. The implied deontological position, in both radical and liberal theories, based on a universal moral norm which upholds and respects the dignity and worth of the human person would include: (1) a guarantee of a minimum level of material well-being thus provides a coherent moral vision for policy. In this way a democratic economy and environmental safeguards, including basic needs, i.e., needs that must be met in order for a person to function as a normal human being; (2) an equal right to participate in all social decision-making processes (policy-making process) within institutions and/or organizations to which one belongs; and (3) arranging social and economic inequalities, if and only if, they work to the benefit of the general population and least advantaged members of society.

## ACRONYMS

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| ARRA | American Recovery and Reinvestment Act (2009) |
| COBRA | Consolidated Omnibus Reconciliation Act (1986) |
| CBPP | Center on Budget and Policy Priorities |
| CCC | Civilian Conservation Corporation (1933) |
| FDR | Franklin Delano Roosevelt |
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| RFC | Reconstruction Finance Corporation (1932) |
| TARP | Troubled Assets Relief Program (2008) |
| The Fed | The United States Federal Reserve System (1913) |
| US | United States |
| WPA | Works Progress Administration (1932) |

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