

A New Deal for the American People

At the close of the Hundred Days, Franklin D. Roosevelt said, "All of the proposals and all of the legislation since the fourth day of March have not been just a collection of haphazard schemes, but rather the orderly component parts of a connected and logical whole." Yet the president later described his approach quite differently. "Take a method and try it. If it fails admit it frankly and try another. But above all, try something." The impetus for New Deal legislation came from a variety of sources, and Roosevelt relied heavily at various times on an ideologically diverse group of aides and allies. His initiatives reflected the contributions of, among others, Robert Wagner, Rexford Tugwell, Raymond Moley, George Norris, Robert LaFollette, Henry Morgenthau, Marriner Eccles, Felix Frankfurter, Henry Wallace, Harry Hopkins, and Eleanor Roosevelt. An initial emphasis on recovery for agriculture and industry gave way within two years to a broader-based program for social reform; entente with the business community yielded to populist rhetoric and a more ambiguous economic program. Roosevelt suffered the opprobrium of both the conservatives, who vilified "that man" in the White House who was leading the country down the sordid road to socialism, and the radicals, who saw the Hyde Park aristocrat as a confidence man peddling piecemeal reform to forestall capitalism's demise. Out of so many contradictory and confusing circumstances, how does one make sense of the five years of legislative reform known as the New Deal? And what has been its impact on a half century of American life?¹

A better understanding begins with the recognition that little of the New Deal was new, including the use of federal power to effect change. Nor, for all of Roosevelt's famed willingness to experiment, did New Deal programs usually originate from vernal ideas. Governmental aid to increase farmers' income, propounded in the late nineteenth century by the Populists, surfaced in Woodrow Wilson's farm credit acts. The prolonged debates over McNary-Haugenism in the 1920s kept the issue alive, and Herbert Hoover's Agricultural Marketing Act set the stage for further federal involvement. Centralized economic planning, as embodied in the National Industrial Recovery Act, flowed directly from the experiences of Wilson's War Industries Board; not surprisingly, Roosevelt chose Hugh Johnson, a veteran of the board, to head the National Recovery Administration. Well established in England and Germany before the First World War, social insurance appeared in a handful of states—notably Wisconsin—before

the federal government became involved. Similarly, New Deal labor reform took its cues from the path-breaking work of state legislatures. Virtually alone in its originality, compensatory fiscal policy seemed revolutionary in the 1930s. Significantly, however, Roosevelt embraced deficit spending quite late after other disappointing economic policies and never to the extent Keynesian economists advised. Congress and the public supported the New Deal, in part, because of its origins in successful initiatives attempted earlier under different conditions.

Innovative or not, the New Deal clearly failed to restore economic prosperity. As late as 1938 unemployment stood at 19.1 percent and two years later at 14.6 percent. Only the Second World War, which generated massive industrial production, put the majority of the American people back to work. To be sure, partial economic recovery occurred. From a high of 13 million unemployed in 1933, the number under Roosevelt's administration fell to 11.4 million in 1934, 10.6 million in 1935, and 9 million in 1936. Farm income and manufacturing wages also rose, and as limited as these achievements may seem in retrospect, they provided sustenance for millions of people and hope for many more. Yet Roosevelt's resistance to Keynesian formulas for pump priming placed immutable barriers in the way of recovery that only war could demolish. At a time calling for drastic inflationary methods, Roosevelt introduced programs effecting the opposite result. The NRA restricted production, elevated prices, and reduced purchasing power, all of which were deflationary in effect. The Social Security Act's payroll taxes took money from consumers and out of circulation. The federal government's \$4.43 billion deficit in fiscal year 1936, impressive as it seemed, was not so much greater than Hoover's \$2.6 billion shortfall during his last year in office. As economist Robert Lekachman noted, "The 'great spender' was in his heart a true descendant of thrifty Dutch Calvinist forebears." It is not certain that the application of Keynesian formulas would have sufficed by the mid-1930s to restore prosperity, but the president's cautious deflationary policies clearly retarded recovery.²

Although New Deal economic policies came up short in the 1930s, they implanted several "stabilizers" that have been more successful in averting another such depression. The Securities and Exchange Act of 1934 established government supervision of the stock market, and the Wheeler-Rayburn Act allowed the Securities and Exchange Commission to do the same with public utilities. Severely embroiled in controversy when adopted, these measures have become mainstays of the American financial system. The Glass-Steagall Banking Act forced the separation of commercial and investment banking and broadened the powers of the Federal Reserve Board to change interest rates and limit loans for speculation. The creation of the Federal Deposit Insurance Corporation (FDIC) increased government supervision of state banks and significantly lowered the number of bank failures. Such safeguards restored confidence in the discredited banking system and established a firm economic foundation that performed well for decades thereafter.

The New Deal was also responsible for numerous other notable changes in American life. Section 7(a) of the NIRA, the Wagner Act, and the Fair Labor Standards Act transformed the relationship between workers and business and breathed life into a troubled labor movement on the verge of total extinction.

In the space of a decade government laws eliminated sweatshops, severely curtailed child labor, and established enforceable standards for hours, wages, and working conditions. Further, federal action eliminated the vast majority of company towns in such industries as coal mining. Although Robert Wagner and Frances Perkins dragged Roosevelt into labor's corner, the New Deal made the unions a dynamic force in American society. Moreover, as Nelson Lichtenstein has noted, "by giving so much of the working class an institutional voice, the union movement provided one of the main political bulwarks of the Roosevelt Democratic party and became part of the social bedrock in which the New Deal welfare state was anchored."³

Roosevelt's avowed goal of "cradle-to-grave" security for the American people proved elusive, but his administration achieved unprecedented advances in the field of social welfare. In 1938 the president told Congress: "Government has a final responsibility for the well-being of its citizenship. If private co-operative endeavor fails to provide work for willing hands and relief for the unfortunate, those suffering hardship from no fault of their own have a right to call upon the Government for aid; and a government worthy of its name must make fitting response." The New Deal's safety net included low-cost housing; old-age pensions; unemployment insurance; and aid for dependent mothers and children, the disabled, the blind, and public health services. Sometimes disappointing because of limiting eligibility requirements and low benefit levels, these social welfare programs nevertheless firmly established the principle that the government had an obligation to assist the needy. As one scholar wrote of the New Deal, "More progress was made in public welfare and relief than in the three hundred years after this country was first settled."⁴

More and more government programs, inevitably resulting in an enlarged administrative apparatus and requiring additional revenue, added up to a much greater role for the national government in American life. Coming at a time when the only Washington bureaucracy most of the people encountered with any frequency was the U.S. Postal Service, the change seemed all the more remarkable. Although many New Deal programs were temporary emergency measures, others lingered long after the return of prosperity. Suddenly, the national government was supporting farmers, monitoring the economy, operating a welfare system, subsidizing housing, adjudicating labor disputes, managing natural resources, and providing electricity to a growing number of consumers. "What Roosevelt did in a period of a little over 12 years was to change the form of government," argued journalist Richard L. Strout. "Washington had been largely run by big business, by Wall Street. He brought the government to Washington." Not surprisingly, popular attitudes toward government also changed. No longer willing to accept economic deprivation and social dislocation as the vagaries of an uncertain existence, Americans tolerated—indeed, came to expect—the national government's involvement in the problems of everyday life. No longer did "government" mean just "city hall."⁵

The operation of the national government changed as well. For one thing, Roosevelt's strong leadership expanded presidential power, contributing to what historian Arthur Schlesinger, Jr., called the "imperial presidency." Whereas Americans had in previous years instinctively looked first to Capitol Hill, after Roosevelt

the White House took center stage in Washington. At the same time, Congress and the president looked at the nation differently. Traditionally attentive only to one group (big business), policymakers in Washington began responding to other constituencies such as labor, farmers, the unemployed, the aged, and to a lesser extent, women, blacks, and other disadvantaged groups. This new "broker state" became more accessible and acted on a growing number of problems, but equity did not always result. The ablest, richest, and most experienced groups fared best during the New Deal. NRA codes favored big business, and AAA benefits aided large landholders; blacks received relief and government jobs but not to the extent their circumstances merited. The long-term result, according to historian John Braeman, has been "a balkanized political system in which private interests scramble, largely successfully, to harness governmental authority and/or draw upon the public treasury to advance their private agendas."⁶

Another legacy of the New Deal has been the Roosevelt revolution in politics. Urbanization and immigration changed the American electorate, and a new generation of voters who resided in the cities during the Great Depression opted for Franklin D. Roosevelt and his party. Before the 1930s the Democrats of the northern big-city machines and the solid South uneasily coexisted and surrendered primacy to the unified Republican party. The New Deal coalition that elected Roosevelt united behind common economic interests. Both urban northerners and rural southerners, as well as blacks, women, and ethnic immigrants, found common cause in government action to shield them from an economic system gone haywire. By the end of the decade the increasing importance of the urban North in the Democratic party had already become apparent. After the economy recovered from the disastrous depression, members of the Roosevelt coalition shared fewer compelling interests. Beginning in the 1960s, tensions mounted within the party as such issues as race, patriotism, and abortion loomed larger. Even so, the Roosevelt coalition retained enough commitment to New Deal principles to keep the Democrats the nation's majority party into the 1980s.⁷

Yet for all the alterations in politics, government, and the economy, the New Deal fell far short of a revolution. The two-party system survived intact, and neither fascism, which attracted so many followers in European states suffering from the same international depression, nor communism attracted much of a following in the United States. Vital government institutions functioned without interruption and if the balance of powers shifted, the nation remained capitalistic; free enterprise and private ownership, not socialism, emerged from the 1930s. A limited welfare state changed the meld of the public and private but left them separate. Roosevelt could be likened to the British conservative Edmund Burke, who advocated measured change to offset drastic alterations—"reform to preserve." The New Deal's great achievement was the application of just enough change to preserve the American political economy.

Indications of Roosevelt's restraint emerged from the very beginning of the New Deal. Rather than assume extraordinary executive powers as Abraham Lincoln had done in the 1861 crisis, the president called Congress into special session. Whatever changes ensued would come through normal governmental activity. Roosevelt declined to assume direct control of the economy, leaving the

nation's resources in the hands of private enterprise. Resisting the blandishments of radicals calling for the nationalization of the banks, he provided the means for their rehabilitation and ignored the call for national health insurance and federal contributions to Social Security retirement benefits. The creation of such regulatory agencies as the SEC confirmed his intention to revitalize rather than remake economic institutions. Repeatedly during his presidency Roosevelt responded to congressional pressure to enact bolder reforms, as in the case of the National Labor Relations Act, the Wagner-Steagall Housing Act, and the FDIC. The administration forwarded the NIRA only after Senator Hugo Black's recovery bill mandating 30-hour workweeks seemed on the verge of passage.

As impressive as New Deal relief and social welfare programs were, they never went as far as conditions demanded or many liberals recommended. Fluctuating congressional appropriations, oscillating economic conditions, and Roosevelt's own hesitancy to do too much violence to the federal budget left Harry Hopkins, Harold Ickes, and others only partially equipped to meet the staggering need. The president justified the creation of the costly WPA in 1935 by "ending this business of relief." Unskilled workers, who constituted the greatest number of WPA employees, obtained but 60 to 80 percent of the minimal family income as determined by the government. Roosevelt and Hopkins continued to emphasize work at less than existing wage scales so that the WPA or PWA never competed with free labor, and they allowed local authorities to modify pay rates. They also continued to make the critical distinction between the "deserving" and "undeserving" poor, making sure that government aided only the former. The New Deal never challenged the values underlying this distinction, instead seeking to provide for the growing number of "deserving" poor created by the Great Depression. Government assumed an expanded role in caring for the disadvantaged, but not at variance with existing societal norms regarding social welfare.

The New Deal effected no substantial redistribution of income. The Wealth Tax Act of 1935 (the famous soak-the-rich tax) produced scant revenue and affected very few taxpayers. Tax alterations in 1936 and 1937 imposed no additional burdens on the rich; the 1938 and 1939 tax laws actually removed a few. By the end of the 1930s less than 5 percent of Americans paid income taxes, and the share of taxes taken from personal and corporate income levies fell below the amount raised in the 1920s. The great change in American taxation policy came during World War II, when the number of income tax payers grew to 74 percent of the population. In 1942 Treasury Secretary Henry Morgenthau noted that "for the first time in our history, the income tax is becoming a people's tax." This the New Deal declined to do.⁸

Finally, the increased importance of the national government exerted remarkably little influence on local institutions. The New Deal seldom dictated and almost always deferred to state and local governments—encouraging, cajoling, bargaining, and wheedling to bring parochial interests in line with national objectives. As Harry Hopkins discovered, governors and mayors angled to obtain as many federal dollars as possible for their constituents but with no strings attached. Community control and local autonomy, conditions thought to be central to American democracy, remained strong, and Roosevelt understood the

need for firm ties with politicians at all levels. In his study of the New Deal's impact on federalism, James T. Patterson concludes: "For all the supposed power of the New Deal, it was unable to impose all its guidelines on the autonomous forty-eight states. . . . What could the Roosevelt administration have done to ensure a more profound and lasting impression on state policy and politics? Very little."⁹

Liberal New Dealers longed for more sweeping change and lamented their inability to goad the president into additional action. They envisioned a wholesale purge of the Democratic party and the creation of a new organization embodying fully the principles of liberalism. They could not abide Roosevelt's toleration of the political conservatives and unethical bosses who composed part of the New Deal coalition. They sought racial equality, constraints upon the southern landholding class, and federal intrusion to curb the power of urban real estate interests on behalf of the inveterate poor. Yet to do these things would be to attempt changes well beyond the desires of most Americans. People pursuing remunerative jobs and the economic security of the middle class approved of government aiding the victims of an unfortunate economic crisis but had no interest in an economic system that would limit opportunity. The fear that the New Deal would lead to such thoroughgoing change explains the seemingly irrational hatred of Roosevelt by the economic elite. But, as historian Barry Karl has noted, "it was characteristic of Roosevelt's presidency that he never went as far as his detractors feared or his followers hoped."¹⁰

The New Deal achieved much that was good and left much undone. Roosevelt's programs were defined by the confluence of forces that circumscribed his admittedly limited reform agenda—hostile judiciary; powerful congressional opponents, some of whom entered into alliances of convenience with New Dealers and some of whom awaited the opportunity to build on their opposition; the political impotence of much of the populace; the pugnacious independence of local and state authorities; the strength of people's attachment to traditional values and institutions; and the basic conservatism of American culture. Obedience to local custom and the decision to avoid tampering with the fabric of American society allowed much injustice to survive while shortchanging blacks, women, small farmers, and the "unworthy" poor. Those who criticized Franklin Roosevelt for an unwillingness to challenge racial, economic, and gender inequality misunderstood either the nature of his electoral mandate or the difference between reform and revolution—or both.

If the New Deal preserved more than it changed, that is understandable in a society whose people have consistently chosen freedom over equality. Americans traditionally have eschewed expanded government, no matter how efficiently managed or honestly administered, that imposed restraints on personal success—even though such limitations redressed legitimate grievances or righted imbalances. Parity, most Americans believed, should not be purchased with the loss of liberty. But although the American dream has always entailed individual success with a minimum of state interference, the profound shock of capitalism's near demise in the 1930s undermined numerous previously unquestioned beliefs. The inability of capitalism's "invisible hand" to stabilize the market and the failure of the private sector to restore prosperity

enhanced the consideration of stronger executive leadership and centralized planning. Yet with the collapse of democratic governments and their replacement by totalitarian regimes, Americans were keenly sensitive to any threats to liberty. New Deal programs, frequently path breaking in their delivery of federal resources outside normal channels, also retained a strong commitment to local government and community control while promising only temporary disruptions prior to the return of economic stability. Reconciling the necessary authority at the federal level to meet nationwide crises with the local autonomy desirable to safeguard freedom has always been one of the salient challenges to American democracy. Even after New Deal refinements, the search for the proper balance continues.

Notes

1. Otis L. Graham, Jr., and Meghan Robinson Wander, eds., *Franklin D. Roosevelt, His Life and Times: An Encyclopedic View* (Boston: G. K. Hall, 1985), p. 285 (first quotation); Harvard Sitkoff, "Introduction," in Sitkoff, *Fifty Years Later*, p. 5 (second quotation).
2. Richard S. Kirkendall, "The New Deal as Watershed: The Recent Literature," *Journal of American History* 54 (March 1968), p. 847 (quotation).
3. Graham and Wander, *Franklin D. Roosevelt, His Life and Times*, p. 228 (quotation).
4. Leuchtenburg, "The Achievement of the New Deal," p. 220 (first quotation); Patterson, *America's Struggle against Poverty, 1900-1980*, p. 56 (second quotation).
5. Louchheim, *The Making of the New Deal: The Insiders Speak*, p. 15 (quotation).
6. John Braeman, "The New Deal: The Collapse of the Liberal Consensus," *Canadian Review of American Studies* 20 (Summer 1989), p. 77.
7. David Burner, *The Politics of Provincialism: The Democratic Party in Transition, 1918-1932* (New York: Alfred A. Knopf, 1968).
8. Mark Leff, *The Limits of Symbolic Reform*, p. 287 (quotation).
9. James T. Patterson, *The New Deal and the States: Federalism in Transition* (Princeton: Princeton University Press, 1969), p. 202.
10. Barry D. Karl, *The Uneasy State: The United States from 1915 to 1945* (Chicago: University of Chicago Press, 1983), p. 124.