"The New Deal: The Conservative Achievements of Liberal Reform"

by Barton Bernstein

Writing from a liberal democratic consensus, many American historians in the past two decades have praised the Roosevelt administration for its nonideological flexibility, and for its far-ranging reforms. To many historians, particularly those who reached intellectual maturity, during the depression, the government's accomplishments, as well as the drama and passion, marked the decade as a watershed, as a dividing line in the American past.

Enamored of Franklin D. Roosevelt and recalling the bitter opposition to welfare measures and restraints upon business, many liberal historians have emphasized the New Deal's discontinuity—within the immediate past. For them there was a "Roosevelt Revolution," or at the very least a dramatic achievement of a beneficent liberalism which had developed in fits and spurts during the preceding three decades. Rejecting earlier interpretations which viewed the New Deal as socialism or state capitalism, they have also disregarded theories of syndicalism or of corporate liberalism. The New Deal has generally commanded their approval for such laws or institutions as minimum wages, public housing, farm assistance, the Tennessee Valley Authority, the Wagner Act, more progressive taxation, and social security. For most liberal historians the New Deal meant the replenishment of democracy, the rescuing of the federal government from the clutches of big business, the significant redistribution of political power. Breaking with laissez faire, the new administration, according to these interpretations, marked the end of the passive or impartial state and the beginning of positive government, of the interventionist state acting to offset concentrations of private power, and affirming the rights and responding to the needs of the unprivileged.

From the perspective of the late 1960s these themes no longer seem adequate to characterize the New Deal. The liberal reforms of the New Deal did not transform the American system; they conserved and protected American corporate capitalism, occasionally by absorbing parts of threat ending programs. There was no significant redistribution of power in American society, only limited recognition of other organized groups, seldom of unorganized peoples. Neither the bolder programs advanced by New Dealers nor the final legislation greatly, extended the beneficence of government beyond the middle classes or drew upon the wealth of the few for the needs of the many. Designed to maintain the American system, liberal activity was directed toward essentially conservative goals. Experimentalism was most frequently limited to means; seldom did it extend to ends. Never questioning private enterprise, it operated within safe channels, far short of Marxism or even of native American radicalisms that offered structural critiques and structural solutions.

All of this is not to deny the changes wrought by the New Deal—the extension of welfare programs, the growth of federal power, the strengthening of the executive, even the narrowing of property rights. But it is to assert that the elements of continuity are stronger, that the magnitude of change has been exaggerated. The New Deal failed to solve the problem of depression, it failed to raise the impoverished, it failed to redistribute income, it failed to extend equality and generally countenanced racial discrimination and segregation. It failed generally to make business more responsible to the social welfare or to threaten business's pre-eminent political power. In this sense, the New Deal, despite the shifts in tone and spirit from the earlier decade, was profoundly, conservative and continuous with the 1920s.

I.

Rather than understanding the 1920s as a "return to normalcy," the period is more properly interpreted by focusing on the continuation of progressive impulses, demands often frustrated by the rivalry of interested groups, sometimes blocked by the resistance of Harding and Coolidge, and occasionally by Hoover. Through these years while agriculture and labor struggled to secure advantages from the federal government, big business flourished. Praised for creating American prosperity, business leaders easily convinced the nation that the v were socially
responsible, that they were fulfilling the needs of the public." Benefiting from earlier legislation that had promoted economic rationalization and stability, they were opponents of federal benefits to other groups but seldom proponents of laissez faire.

In no way did the election of Herbert Hoover in 1928 seem to challenge the New Era. An heir of Wilson, Hoover promised an even closer relationship with big business and moved beyond Harding and Coolidge by affirming federal responsibility for prosperity. As Secretary of Commerce, Hoover had opposed unbridled competition and had transformed his department into a vigorous friend of business. Sponsoring trade associations, he promoted industrial self-regulation and the increased rationalization of business. He had also expanded foreign trade, endorsed the regulation of new forms of communications, encouraged relief in disasters, and recommended public works to offset economic declines.

By training and experience, few men in American political life seemed better prepared than Hoover to cope with the depression. Responding promptly to the crisis, he acted to stabilize the economy and secured the agreement of businessmen to maintain production and wage rates. Unwilling to let the economy "go through the wringer," the President requested easier money, self-liquidating public works, lower personal and corporate income taxes, and stronger commodity stabilization corporations." In reviewing these unprecedented actions, Walter Lippmann wrote, "The national government undertook to make the whole economic order operate prosperously."

But these efforts proved inadequate. The tax cut benefited the wealthy and failed to raise effective demand. The public works were insufficient. The commodity stabilization corporations soon ran out of funds, and agricultural prices kept plummeting. Businessmen cut back production, dismissed employees, and finally cut wages. As unemployment grew, Hoover struggled to inspire confidence, but his words seemed hollow and his understanding of the depression limited. Blaming the collapse on European failures, he could not admit that American capitalism had failed. When prodded by Congress to increase public works, to provide direct relief, and to further imbalance the budget, he doggedly resisted. Additional deficits would destroy business confidence, he feared, and relief would erode the principles of individual and local responsibility. Clinging to faith in voluntarism, Hoover also briefly rebuffed the efforts by financiers to secure the Reconstruction Finance Corporation (RFC). Finally endorsing the RFC, he also supported expanded lending by Federal Land Banks, recommended home loan banks, and even approved small federal loans (usually inadequate) to states needing funds for relief. In this burst of activity, the President had moved to the very limits of his ideology.

Restricted by his progressive background and insensitive to politics and public opinion, he stopped far short of the state corporatism urged by some businessmen and politicians. With capitalism crumbling he had acted vigorously to save it, but he would riot yield to the representatives of business or disadvantaged groups who wished to alter the government. He was reluctant to use the federal power to achieve through compulsion what could not be realized through voluntary means. Proclaiming a false independence, he did riot understand that his government already represented business interests. hence, he rejected policies that would open the power of the state in the hands of business or that would permit the formation of a syndicalist state in which power might be exercised (in the words of William Appleman Williams) "by a relatively few leaders of each functional bloc formed and operating as an oligarchy."

Even though constitutional scruples restricted his efforts, Hoover did more than any previous American president to combat depression. He "abandoned the principles of laissez faire in relation to the business cycle, established the conviction that prosperity and depression can be publicly controlled by political action, and drove out of the public consciousness the old idea that depressions must be overcome by private adjustment," wrote Walter Lippmann. Rather than the last of the old presidents, Herbert Hoover was the first of the new.

II.

A charismatic leader and a brilliant politician, his successor expanded federal activities on the basis of Hoover's efforts. Using the federal government to stabilize the economy and advance the interests of the groups, Franklin D. Roosevelt directed the campaign to save large-scale corporate capitalism. Though recognizing new political interests and extending benefits to them, his New Deal never effectively challenged big business or the
organization of the economy. In providing assistance to the needy and by rescuing them from starvation, Roosevelt's humane efforts also protected the established system: he sapped organized radicalism of its waning strength and of its potential constituency among the unorganized and discontented. Sensitive to public opinion and fearful of radicalism, Roosevelt acted from a mixture of motives that rendered his liberalism cautious and limited, his experimentalism narrow. Despite the flurry of activity, his government was more vigorous and flexible about means than goals, and the goals were more conservative than historians usually acknowledge.

Roosevelt's response to the banking crisis emphasizes the conservatism of his administration and its self-conscious avoidance of more radical means that might have transformed American capitalism. Entering the White House when banks were falling and Americans had lost faith in the financial system, the President could have nationalized it--"without a word of protest," judged Senator Bronson Cutting. "If ever there was a moment when things hung in the balance," later wrote Raymond Moley, a member of the original "brain trust," "it was on March 5, 1933-when unorthodoxy would have drained the last remaining strength of the capitalistic system." To save the system, Roosevelt relied upon collaboration between bankers and Hoover's treasury officials to prepare legislation extending federal assistance to banking. So great was the demand for action that House members, voting even without copies, passed it unanimously, and the Senate, despite objection by a few Progressives, approved it the same evening. "The President," remarked a cynical congressman, "drove the money-changers out of the Capitol oil March 4th and they were all back on the 9th."

Undoubtedly the most dramatic example of Roosevelt's early conservative approach to recovery was the National Recovery Administration (NRA). It was based on the War Industries Board (WIB) which had provided the model for the campaign of Bernard Baruch, General Hugh Johnson, and other former WIB officials during the twenties to limit competition through industrial self-regulation under federal sanction. As trade associations flourished during the decade, the FTC encouraged "codes of competition" and some industries even tried to set prices and restrict production. Operating without the force of law, these agreements broke down. When the depression struck, industrial pleas for regulations increased. After the Great Crash, important business leaders including Henry Harriman of the Chamber of Commerce and Gerald Swope of General Electric called for suspension of antitrust laws and federal organization of business collaboration. Joining them were labor leaders, particularly those in "sick" industries-John L. Lewis of the United Mine Workers and Sidney Hillman of Amalgamated Clothing Workers.

Designed largely for industrial recovery, the NRA legislation provided for minimum wages and maximum hours. It also made concessions to pro-labor congressmen and labor leaders who demanded some specific benefits for union-recognition of the worker's right to organization and to collective bargaining. In practice, though, the much-heralded Section 7a was a disappointment to most friends of labor. For the shrewd Lewis, however, it became a mandate to organize. "The President wants you to join a union.") To many, frustrated workers and their disgusted leaders, NRA became "National Run Around." The clause, unionists found (in the words of Brookings economists), "had the practical effect of placing NRA on the side of anti-union employers in their struggle against trade unions. . . [It] thus threw its weight against labor in the balance of bargaining power. And while some far-sighted industrialists feared racialism and hoped to forestall it by incorporating unions into the economic system, most preferred to leave their workers unorganized or in company unions. To many business-men, large and independent unions is such seemed a radical threat to the system of business control.

Not only did the NRA provide fewer advantages than unionists had anticipated, but it also failed as a recovery measure. It probably even retarded recovery by supporting restrictionism and price increases, concluded a Brookings study. Placing effective power for code-writing in big business, NRA injured small businesses and contributed to the concentration of American industry. It was not the government-business partnership as envisaged by Adolf A. Berle, Jr., nor government managed as Rexford Tugwell had hoped, but rather, business managed, as Raymond Moley had desired. Calling NRA "Industrial self-government," its director, General Hugh Johnson, had explained that "NRA is exactly what industry organized in trade associations makes it." Despite the annoyance of some big business men with Section 7a, the NRA reaffirmed and consolidated their power at a time when the public was critical of industrialists and financiers.

III.
Viewing the economy as a "concert of organized interests," the New Deal also provided benefits for farmers-the Agricultural Adjustment Act. Reflecting the political power of larger commercial farmers and accepting restrictionist economics, the measure assumed that the agricultural problem was overproduction, riot underconsumption. Financed by a processing tax designed to raise prices to parity, payments encouraged restricted production and cutbacks in farm labor. With benefits accruing chiefly to the larger owners, they frequently removed from production the lands of sharecroppers and tenant farmers, and "tractored" them and hired hands off the land. In assisting agriculture, the AAA, like the NRA, sacrificed the interests of the marginal and the unrecognized to the welfare of those with greater political and economic power.

In large measure, the early New Deal of the NRA and AAA was a "broker state." Though the government served as a mediator of interests and sometimes imposed its will in divisive situations, it was generally the servant of powerful groups. "Like the mercantilists, the New Dealers protected vested interests with the authority of the state," acknowledges William Leuchtenburg. But if it was some improvement over the 1920s when business was the only interest capable of imposing its will on the government, while extending to other groups the benefits of the state, the New Deal, however, continued to recognize the preeminence of business interests.

The politics of the broker state also heralded the way of the future of continued corporate dominance in a political structure where other groups agreed generally on corporate capitalism and squabbled only about the size of the shares. Delighted by this increased participation and the absorption of dissenting groups, many liberals did not understand the dangers in the emerging organization of politics. They had too much faith in representative institutions and in associations to foresee the perils of leaders not representing their constituents, of bureaucracy diffusing responsibility, of officials serving their own interests. Failing to perceive the dangers in the emerging structure, most liberals agreed with Senator Robert Wagner of New York: "In order that the strong may not take advantage of the weak, every group must be equally strong." His advice then seemed appropriate for organizing labor, but it neglected the problems of unrepresentative leadership and of the many millions to be left beyond organization.

In dealing with the organized interests, the President acted frequently as a broker, but his government did not simply express the vectors of external forces. The New Deal state was too complex, too loose, and some of Roosevelt's subordinates following their own inclinations and pushing the government in directions of their own design. The President would also depart from his role as a broker and act to secure programs he desired. As a skilled politician, he could split coalitions, divert the interests of groups, or place the prestige of his office on the side of desired legislation.

In seeking to protect the stock market, for example, Roosevelt endorsed the Securities and Exchange measure (of 1934), despite the opposition of many in the New York financial community. His advisers split the opposition. Rallying to support the administration were the out-of-town exchanges, representatives of the large commission houses, including James Forrestal of Dillon, Read, and Robert Lovett of Brown Brothers, Harriman, and such commission brokers as E. A. Pierce and Paul Shields. Opposed to the Wall Street "old guard" and their companies, this group included those who wished to avoid more radical legislation, as well as others who had wanted earlier to place trading practices under federal legislation which they could influence.

Though the law restored confidence in the securities market and protected capitalism, it alarmed some businessmen and contributed to the false belief that the New Deal was threatening business. But it was not the disaffection of a portion of the business community, nor the creation of the Liberty League, that menaced the broker state. Rather it was the threat of the Left-expressed, for example, in such overwrought statements as Minne Governor Floyd Olson's: "I am not a liberal . . . I am a radical . . . I am not satisfied with hanging a laurel wreath on burglars and thieves . . . and calling them code authorities or something else." While Olson, along with some others who succumbed to the rhetoric of militancy, would back down and soften their meaning, their words dramatized real grievances: the failure of the early New Deal to end misery, to recreate prosperity. The New Deal excluded too many. Its programs were inadequate. While Roosevelt reluctantly endorsed relief and went beyond Hoover in support of public works, he too preferred self-liquidating projects, desired a balanced budget, and resisted spending the huge sums required to lift the nation out of depression.
For millions suffering in a nation wracked by poverty, the promises of the Left seemed attractive. Capitalizing on the misery, Huey Long offered Americans a "Share Our Wealth" program—a welfare state with prosperity, riot subsistence, for the disadvantaged, those neglected by most politicians. "Every Man a King": pensions for the elderly, college for the deserving, home and cars for families—that was the promise of American life. Also proposing minimum wages, increased public works, shorter work weeks, and a generous farm program, he demanded a "soak-the-rich" tax program. Despite the economic defects of his plan, Long was no hayseed, and his forays into the East revealed support far beyond the bayous and hamlets of his native South. In California discontent was so great that Upton Sinclair, food faddist and former socialist, captured the Democratic nomination for governor on a platform of "production-for-use"—factories and farms for the unemployed. "In a cooperative society promised Sinclair, "every man, woman, and child would have the equivalent of $5,000 a year income from labor of the able-bodied young men for three or four hours per day.” More challenging to Roosevelt was Francis Townsend's plan—monthly pay of $200 to those past sixty who retired and promised to spend the stipend within thirty days. Another enemy of the New Deal was Father Coughlin, the popular radio priest, who had broken with Roosevelt and formed a National Union for Social Justice to lead the way to a corporate society beyond capitalism.

To a troubled nation offered "redemption" by the Left, there was also painful evidence that the social fabric was tearing—law was breaking down. When the truckers in Minneapolis struck, the police provoked an incident and shot sixty-seven people, some in the back. Covering the tragedy, Eric Sevareid, then a young reporter, wrote, "I understood deep in my bones and blood what fascism was.” In San Francisco union leaders embittered by police brutality, led a general strike and aroused national fears of class warfare. Elsewhere, in textile mills from Rhode Island to Georgia, in cities like Des Moines and Toledo, New York and Philadelphia, there were brutality and violence, sometimes bayonets and tear gas.

Challenged by the Left, and with the new Congress more liberal and more willing to spend, Roosevelt turned to disarm the discontent. "Boys—this is our hour," confided Harry Hopkins. "We've got to get everything we want—a works program, social security, wages and hours, everything—now or never. Get your minds to work on developing a complete ticket to provide security for all the folks of this country up and down and across the board." Hopkins and the associates he addressed were riot radicals: they did not seek to transform the system, only to make it more humane. They, too, wished to preserve large-scale corporate capitalism but unlike Roosevelt or Moley, they were prepared for more vigorous action. Their commitment to reform was greater, their tolerance for injustice far less. Joining them in pushing the New Deal left were the leaders of industrial unions, who, while also riot wishing to transform the system, sought for working men higher wages, better conditions, stronger and larger unions, and for themselves a place closer to the fulcrum of power.

The problems of organized labor, however, neither aroused Roosevelt's humanitarianism nor suggested possibilities of reshaping the political coalition. When asked during the NRA about employee representation, he had replied that workers could select anyone they wished—the Ahkoond of Swat, a union, even the Royal Geographical society. As a paternalist, viewing himself (in the words of James MaeGregor Burns) as a "partisan and benefactor" of workers, he would not understand the objections to company unions or to multiple unionism under NRA. Nor did he foresee the political dividends that support of independent unions could yield to his party. Though presiding over the reshaping of politics (which would extend the channels of power to some of the discontented and redirect their efforts to competition within a limited framework), he was riot its architect, and he was unable clearly to see or understand the unfolding design.

When Senator Wagner submitted his labor relations bill, he received no assistance from the President and even struggled to prevent Roosevelt from Joining the opposition. The President "never lifted a finger," recalls Miss Perkins. ("I, myself, had very, little sympathy, with the bill," she wrote ) But after the measure easily passed the Senate and seemed likely to win the House's endorsement, Roosevelt reversed himself. Three days before the Supreme Court invalidated the NRA, including the legal support for unionization, Roosevelt came out for the bill. Placing it on his "must" list, he may have hoped to influence the final provisions and turn an administration defeat
Responding to the threat from the Left, Roosevelt also moved during the Second Hundred Days to secure laws regulating banking, raising taxes, dissolving utility-holding companies, and creating social security. Building on the efforts of states during the Progressive Era, the Social Security Act marked the movement toward the welfare state, but the core of the measure, the old-age provision, was more important as a landmark than for its substance. While establishing a federal-state system of unemployment compensation the government, by making workers contribute to their old-age insurance, denied its financial responsibility for the elderly. The act excluded more than a fifth of the labor force leaving, among others, more than five million farm laborers and domestics without coverage.

Though Roosevelt criticized the tax laws for not preventing "an unjust concentration of wealth and economic power," his own tax measure would not have significantly, redistributed wealth. Yet his message provoked an "amen" from Huey Long and protests from businessmen. Retreating from his promises, Roosevelt failed to support the bill, and it succumbed to conservative forces. The v removed the inheritance tax and greatly reduced the proposed corporate and individual levies. The final law did not "soak the rich." But it did engender deep resentment among the wealthy, for increasing taxes on gifts and estates, imposing an excess profits tax (which Roosevelt had not requested), and raising surtaxes. When combined with such regressive levies as social security and local taxes, however, the Wealth Tax of 1935 did not drain wealth from higher-income groups, and the top one percent even increased their shares during the New Deal years.