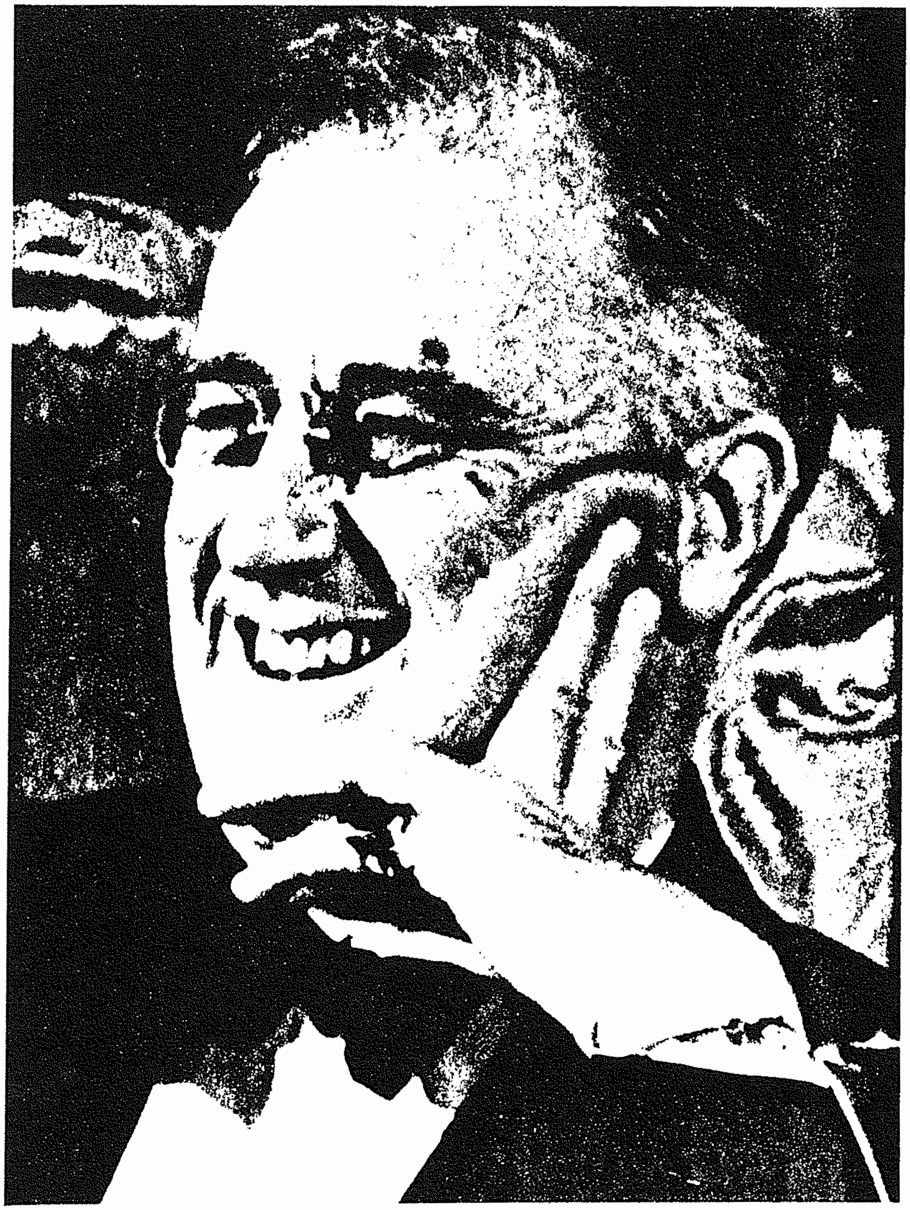

Thomas McAvoy, LIFE Magazine; © 1938 Time Inc.

Franklin Roosevelt's confidence, expressed in such famous pronouncements as "The only thing we have to fear is fear itself" may have done as much as his policies to lift America's morale during the Depression; it also helped him win election to an unprecedented four terms as President.

The New Deal

"At the heart of the New Deal was not a philosophy but a temperament," wrote historian Richard Hofstadter. Whatever it was, it survived Franklin Delano Roosevelt, held the Democratic Party together for half a century, and inspired the champions of a growing welfare state. This year is both the centennial of Roosevelt's birth and the 50th anniversary of his election to the Presidency; scholars are meeting at the Wilson Center and other institutions to reassess Roosevelt, the New Deal, and related topics. FDR's record in office remains a matter of dispute. What did he promise? What did he accomplish? Where did he fail? These are timely questions as Americans, led by a conservative President, once again ponder the role they want government to play in their lives. Here, Alan Brinkley looks at the various American reform traditions that influenced FDR as he fashioned, willy-nilly, the New Deal; Bradford Lee supplies a "report card" on the Roosevelt administration's economic policies; and William Leuchtenburg examines FDR's lingering impact on the men who succeeded him in the White House.

PRELUDE

by Alan Brinkley

A century of political tradition was shattered in July 1932. Until Franklin Delano Roosevelt stood before his party's delegates that year in Chicago, no Democratic nominee had ever addressed a national convention. By custom, the candidate had remained at home for the duration, feigning surprise and delight when party officials called upon him several weeks later to "notify" him of his victory. Roosevelt had no patience with such niceties. He flew to Chicago, walked into the sweltering convention hall on his braced, paralyzed legs, and electrified the party with a fiery, combative speech—or, as he termed it, a "call to arms . . . to win in this crusade to restore America to its own people."

It was not an ordinary beginning for a presidential campaign, but then it was not an ordinary time. America was in the third summer of the worst economic crisis in its history. An estimated 25 percent of the work force was unemployed, and the rate was much higher in industrial cities. Akron reported 60 percent unemployment; Toledo, 80 percent. The agricultural economy had also collapsed, with farm prices down by more than half since 1929. As if nature itself were conspiring to add to the crisis, large areas of the nation's Midwestern farm belt had been turned into a "Dust Bowl" by severe drought. And in the White House sat a man who had fallen into such disrepute that the squalid shantytowns springing up on the edges of desperate cities now bore his name: "Hoovervilles." So it was a receptive audience—both in Chicago and in the nation at large—that heard Franklin Roosevelt conclude his acceptance speech with a ringing promise: "I pledge you, I pledge myself, to a new deal for the American people."

No one, however, knew precisely what he meant. And to many, listening to the candidate's genial evasiveness over the course of the campaign, it seemed as if he meant nothing at all. Newspaper columnist Walter Lippmann described him as "a highly impressionable person, without a firm grasp of public affairs and without very strong convictions."

Disorder and Instability

Yet those who dismissed Roosevelt as a man without convictions judged too quickly. It is true that the New Deal was the child of no single ideology. Indeed, few moments in American history reveal as many competing, even conflicting philosophies shaping public policy simultaneously. But the basic debate within the Roosevelt administration—over the proper role of the federal government in the economy—mirrored an argument that had been in progress for decades. Roosevelt's advisers, and Roosevelt himself, had long been involved in that debate. They

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Photo by Carl Mydans, Farm Security Administration. Library of Congress.

may have had no clear answers to the nation's problems, but the questions they would ask—the framework within which they would work—were already defined.

The federal government had, of course, been intruding itself into the American economy since the earliest days of the Republic. It had, for instance, influenced industry and commerce through its tariff policies and helped to finance the building of roads, canals, and railroads. But these early government excursions into the economy had been generally limited and indirect. The real origins of modern federal expansion lay in the rapid industrial growth of the late 1800s and the simultaneously nervous and optimistic response to it at the beginning of the 20th century.

Within the space of a few decades, the United States found itself transformed from a predominantly agrarian society into the greatest industrial power in the world. And it found itself, too, with a host of new problems: giant corporations with threatening power; a marketplace infected with corruption and brutality; an economy plagued by disorder and instability. The problems were national in scope; they required national solutions.

The young Winston Churchill, in a 1909 essay widely read by American reformers, wrote that industrial society had entered "a new time" in which "strange methods, huge forces, larger combinations—a Titanic world—have sprung up around us. . . . We will go forward into a way of life . . . more consciously national than any we have ever known."

In this optimistic spirit, Americans moved forward in the first years of the new century into what became known as the Progressive Era. During this time, many of the men who were to create the New Deal received their political educations, and the nation began to embrace a political vision that would enchant it for decades to come.

The New Freedom

At the heart of the progressive vision was a belief in system, in process. If institutions could be constructed along rational, scientific lines, if the economy could operate on the basis of enlightened procedures and through carefully designed structures, then the disorder of modern industrial life could be eliminated. No longer could the economy be entrusted to the untrained, inefficient, self-serving "robber barons" who had emerged during the late 19th century—men whom the influential social scientist Thorstein Veblen contemptuously dismissed as mainstays of the "leisure class." Instead, Veblen and many other progressives believed, the nation required a new species of *managers*, imbued with the "discipline of the machine" to transform the economy into a smoothly functioning mechanism.

Implicit in this vision was an acceptance of large-scale organization as the basic feature of the modern economy and a belief in the need for centralized coordination and control. "The essential condition of efficiency," wrote the progressive theorist Herbert Croly, "is always concentration of responsibility." But the advocates of centralized planning disagreed among themselves as to who would do the planning.

Some insisted that the power to regulate must remain in the hands of private institutions, each segment of the economy working to stabilize itself. To others, however, this private reordering of the economy seemed plainly insufficient. Giant corporations and trade associations could reduce disorder in some markets, but what of other, less powerful segments of society: farmers, workers, consumers? What institution would regulate the economy for the good of society as a whole? That institution, these reformers agreed, had to be the federal government.

The acknowledged leader of the progressive drive for active federal regulation and planning was Theodore Roosevelt. He earned that reputation less through his accomplishments as President (from 1901 to 1909) than through his celebrated Progressive ("Bull Moose") Party campaign to regain the White

House in 1912, when he articulated the ambitious economic program he called the New Nationalism. "We should," he declared, "enter upon a course of supervision, control, and regulation of those great corporations—a regulation which we should not fear, if necessary, to bring to the point of control of monopoly prices."

Other progressive reformers challenged the New Nationalism. Roosevelt accepted economic concentration as inevitable and sought to curb its evils; his opponents urged an assault upon economic concentration itself. Their vision of reform centered on a concerted government effort to eliminate what the legal scholar (and, after 1916, Supreme Court Justice) Louis D. Brandeis called the "curse of bigness." Corporations were too large, too powerful, and too unwieldy. The state, Brandeis and his followers believed, should act to eliminate monopoly and restore an economy of smaller, genuinely competitive units.

Woodrow Wilson took up this theme with his call for a "New Freedom" during the 1912 campaign. Theodore Roosevelt's approach, he warned, would create a dangerous "all-conquering combination between money and government." The promise of economic decentralization had great popular appeal, and it helped Wilson to triumph over Roosevelt and William Howard Taft (the Republican incumbent) in the 1912 contest. Never, however, did it have more than a secondary impact upon public policy. Wilson himself did virtually nothing to decentralize the economy. Instead, he created an array of Roosevelt-like regulatory institutions: the Federal Trade Commission, the Federal Reserve Board, and others.

The Planners' Triumph

And although the New Freedom continued to attract reformers in later years (including such influential future New Deal figures as Harvard's Felix Frankfurter), the New Nationalism always proved the stronger influence. Franklin Roosevelt, though he served as Assistant Secretary of the Navy under Wilson, felt a far closer sense of identification by the 1930s with his distant cousin (and uncle by marriage), Theodore. He surrounded himself with advisers who viewed themselves as modern-day champions of the New Nationalism. His powerful "Brains Trust"—Raymond Moley, Rexford Tugwell, Adolf Berle, and other academics—were without exception men who, as Moley later wrote, had rejected the "traditional Wilson-Brandeis philosophy that if America could once more become a nation of small proprietors, of corner grocers and smithies under spreading chestnut trees, we should have solved the problems of American life."

Out of the political battles of the Progressive Era, in other words, emerged not only the outlines of a debate but a clear indication of the relative strength of the opposing sides. The advocates of restoring competition would never dominate. The first impulse of policymakers dealing with the economy would be to impose centralized administration on it. The most important argument, therefore, would be between those who advocated private, corporate planning and those who believed in strong federal direction.

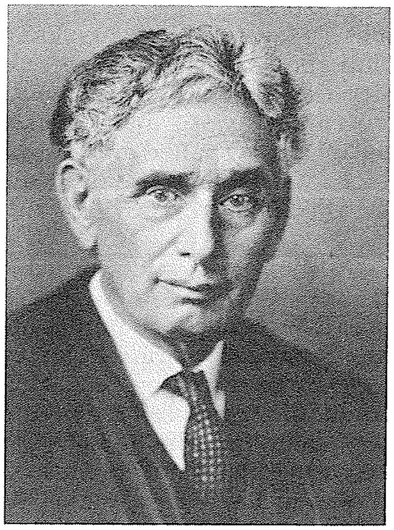
The New Era

Many politicians drew on America's experience in World War I, when, suddenly, the proper organization of the economy was no longer a theoretical question but a matter of national urgency. The American war effort depended as much upon the country's industries, farms, and transportation systems as upon its military. In meeting its new needs, Washington gave little more than lip service to the ideal of decentralization.

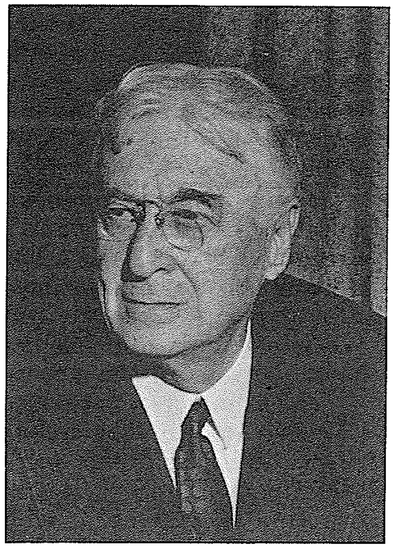
Beginning in March 1918—after less centralized planning efforts had dissolved into bureaucratic chaos—a single agency, the War Industries Board (WIB), emerged as the undisputed center of the nation's mobilization effort. Under the leadership of corporate financier Bernard Baruch, the WIB served as a clearing house for virtually all industrial decisions: allocating scarce raw materials among competing industries, setting production quotas, overseeing prices. "Of the effects of the war on America," wrote the popular historian Mark Sullivan a few years later, "by far the most fundamental was our submission to autocracy in government. . . . The prohibition of individual liberty in the interest of the state could hardly be more complete."

In fact, Baruch was never the economic "dictator" that Sullivan and others described; nor was the wartime bureaucracy as efficient and successful as its advocates liked to claim. But the ultimate significance of the World War I experiment lay in the public's later perception of it. In popular mythology, America's military triumph was the result of fruitful cooperation between private interests and public authorities.

This vision of an organized, cooperative economy became the basis for a bold economic experiment in the 1920s: the federal government's attempt to create an American version of the "corporate" state. Despite the popular image of the '20s as a



Courtesy of the University of Louisville and of Brown Brothers, Sterling, Pa.



Harvard's Louis Brandeis (left) was a leading figure among the early progressive "trust busters"; Bernard Baruch (right), a Wall Street financier, was a champion of cooperative business-government planning after World War I. Both remained influential during the New Deal.

decade of political torpor, contemporaries were often dazzled by the pace of innovation and change. America, Herbert Hoover exuberantly proclaimed early in the decade, was "a nation of progressives." The nation had entered a "New Era" in which the industrial economy had finally achieved the stability Americans had long sought.

The reasons for the enthusiasm were clear. The United States during the '20s was in the midst of the greatest economic boom in its history. Manufacturing output rose more than 60 percent during the decade. Income per capita increased from $522 to $716. The gross national product grew by an average of five percent per year, amid low unemployment and negligible inflation.

To be sure, the Presidents of the '20s never viewed themselves as active agents of economic reform. Warren G. Harding stumbled genially but ineptly through his three years in office never fully able, as he put it, "to grasp that I am President." Calvin Coolidge, his successor, spent his few waking hours doing as little as possible, convinced that the smaller Washington's role in the economy, the healthier the nation would be. But elsewhere in the Republican government were men eagerly working to build the framework for what they called an "associative" state. Foremost among them was Herbert Hoover, the popular Secretary of Commerce through the Harding and Coolidge years.

Hoover had been educated as an engineer and trained—both in private industry and in his work as Food Administrator during World War I—as a bureaucrat. He brought to public life the technocratic assumptions of the Progressive Era. Efficiency and organization, he believed, were the keys to a modern society. Government and business could cooperate to restructure the industrial economy according to scientific principles.

The Commerce Department, a struggling, underfunded office when Hoover took command of it in 1921, grew under his leadership to one of the largest and most active departments in Washington. Hoover arranged countless conferences to expose corporate executives to scientific principles of organization, personally helped establish new trade associations, and persuaded businessmen to dampen labor discontent by bestowing new benefits upon workers through what some called a system of "welfare capitalism."

Black Friday

"There is reason to doubt," wrote *The New Republic's* columnist, TRB, in 1925, "whether in the whole history of the American government a Cabinet officer has engaged in such wide diversity of activities or covered quite so much ground."

But Hoover's prominence was not merely the product of his influence; it signaled the triumph of the "associative" ideal. Some, including Calvin Coolidge, considered Hoover uncomfortably liberal. Others—labor and farm leaders and their supporters in Congress—viewed him as too conservative and called for an even more forceful federal role in the economy. But these were clearly minority voices. Nobody could effectively challenge the Republican leadership in the face of rapid economic growth. And, as if to ratify the philosophy of voluntary, centralized cooperation, the American people unhesitatingly elected Herbert Hoover President of the United States in 1928. Less than a year later, the New Era economy collapsed.

It began unexpectedly, with a sudden and sickening stock market crash in October 1929. And as the economy began to slide slowly into the Depression, the inherent structural weaknesses of the New Era economy began to reveal themselves. There was the excessive dependence upon a few large industries, notably auto manufacturing and construction. Both had already begun to decline before 1929. There was the weakness of the banking and credit system, which began to collapse quickly at the first signs of economic trouble. There was the rickety system of international debt. Above all, there was the inadequate distribution of purchasing power within the United States itself. The American economy had become the most productive in the world, but the American people could not afford to buy its products.* The result of all this was a long deflationary spiral that dragged the nation into crisis.

A Vain Appeal

Herbert Hoover responded in classic progressive fashion: He promoted structural economic change and encouraged still greater organization and cooperation. In the process, he became the most forceful and intrusive President in American history to that point. Yet his efforts were painfully inadequate.

His attempts to persuade businessmen to maintain prices and wages voluntarily and to join new trade associations and other cooperative ventures foundered as individual companies scrambled to keep themselves afloat. The most innovative of his policies, the creation of the Reconstruction Finance Corporation (RFC) in 1932, had only a limited impact. Not only was the $1.5 billion the RFC offered banks, railroads, and industries in long-term, low-interest loans inadequate, but the agency had no authority to require recipients to cooperate in any coherent program of recovery.

Hoover's commitment to voluntarism also shaped his approach to another major problem: the explosion of poverty and unemployment. He restricted his efforts to trying to coordinate the efforts of local and private relief agencies already in existence, most of which were collapsing under the unprecedented strain. Washington offered no direct financial assistance.

Hoover's economic programs failed in part because they lacked adequate funding and influence. They failed, too, because they were based upon a false premise. Faced with an economic

*More than 70 percent of American families during the 1920s continued to earn less than $2,500 a year, then considered the minimum for a "decent" standard of living. Not all of them were truly poor. But neither could they afford to buy the consumer goods—automobiles, refrigerators, radios—that American industry was so bountifully producing.

crisis that required innovative fiscal policies to increase purchasing power and thus stimulate demand, Hoover, like virtually every other public figure of the day, responded with the old nostrum of structural change. The solution to the Depression, Hoover believed, lay in rescuing the great institutions of business and finance and in helping them to maintain and increase prices. More than that, it lay in the creation of a harmonious, cooperative economy. It was a misguided vision. Yet it resolutely refused to die; not even the political demise of Herbert Hoover weakened its grasp upon the nation's imagination.

Franklin Roosevelt arrived in Washington in March 1933 confident and energetic, bringing with him a crowd of new policymakers and administrators determined to transform American government. He also brought a legacy of reform impulses stretching back over 30 years, which would do much to shape, and ultimately to limit, the New Deal.

Limits and Possibilities

It was not really one legacy, but many. As a result, there would be a bewildering variety of reforms and experiments operating simultaneously throughout the New Deal. The New Dealers took up posts in various arms of the bureaucracy, pursued their individual and often conflicting aims, and hoped that some good would emerge from the chaos. Many critics were dismayed by the apparent aimlessness of government policy. But among many old progressives and new liberals, there was exhilaration. The narrow, technocratic progressivism of Herbert Hoover had given way to a more expansive, optimistic, and experimental spirit where limits were less important than possibilities.

But all was not possible. While the past provided Franklin Roosevelt with many avenues of reform, it barred others. It prevented any serious challenge to the system of free enterprise, it discouraged moves to adopt the Keynesian demand-stimulating policies that might have produced recovery, and it inhibited any effort to establish a permanent, coherent federal welfare system.

What the past did mandate, and what became the closest thing to a philosophical core for the New Deal, was an expanded effort to construct a rationally organized economy. The New Dealers did not repudiate the New Era vision of harmonious cooperation in the economy, only the narrow means by which the Republicans had attempted to produce it. The federal government, they agreed, must be invested with far more power to compel recalcitrant companies and interest groups to cooperate on behalf of the common good.

How this conviction would translate into concrete public policy was not clear early in 1933. But that the new administration would be guided, and restrained, by the assumptions of the past was evident from the most important speech of the 1932 Democratic campaign, Roosevelt's one attempt to offer a consistent vision of New Deal reform.

Addressing the Commonwealth Club of San Francisco on September 23, 1932, the future President spoke warmly of the Democratic Party's Jeffersonian heritage and of his own commitment to individualism. But the problems of a modern, complex economy, Roosevelt explained, required important modifications of such traditions: "Our task now is not discovery or exploitation of natural resources, or necessarily producing more goods. It is the soberer, less dramatic business of administering resources and plants already in hand, of seeking to reestablish foreign markets for our surplus production, of meeting the problem of underconsumption, of adapting existing economic organizations to the service of the people. The day of the enlightened administration has come."

It was hardly a revolutionary vision. Other Americans—from the progressive reformers of the first years of the century, to the economic managers of World War I, to the advocates of voluntary cooperation in the 1920s—had been saying much the same thing. Roosevelt proposed only to enlarge the boundaries of their vision, to expand the ideal of "enlightened administration" to encompass new groups of people and larger tasks.

FDR's administration was no more able to make itself the agent of coordinated economic growth than were the administrations of the previous 30 years. The decades-old dream of a cooperative state crumbled in the face of harsh political and economic realities. Yet out of the eclectic array of programs and policies that survived emerged a new tradition: "New Deal liberalism," destined to inspire, for good and ill, the next generation of American reformers.