



## HISTORIANS AND THE NEW DEAL

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The inadequacy of Depression/New Deal historiography is such that there is little concrete analysis of the era and its problems to hold up for critical examination. For this reason observations about the specific authors and titles can be held to a few general comments. Obviously historians have recognized that the Great Depression represented some kind of crisis for American capitalism, but for the most part they understand neither the economic and social implications of the crisis nor the manner and extent to which the New Deal was a solution to that crisis.

The fundamental problem with these studies of a particular era, with Leuchtenburg, Burns, Schlesinger, Jr., et al.,\* is that they lack any real historical perspective on the Depression/New Deal. Their analyses are so involved with the details of the period itself, and particularly the mechanics of Roosevelt's administration, that they fail to place it in the context of historical continuity and change.

At the broadest level of historical perspective these writers fail to indicate how the economic and political problems of the Depression were a part of the process, begun in the late nineteenth century, of rapid industrialization and urbanization of American society. They never discuss how and why the economic

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\*William E. Leuchtenberg, Franklin D. Roosevelt and the New Deal, 1932-1940, New York: Harper & Row, 1963; James M. Burns, Roosevelt: The Lion and the Fox, New York: Harcourt, Brace, 1955; Arthur M. Schlesinger, Jr., The Age of Roosevelt, 3 vols.; Boston: Houghton, Mifflin, 1957-60.

and social problems of the Depression emanated from the World War I era; nor in what way and to what extent the New Deal dealt with these problems and contributed to the rise of the political, economic, and social conditions we are familiar with today. This second point is most important. Ultimately conventional historiography fails to establish what elements of Rooseveltian policy dealt most decisively with the weaknesses of contemporary capitalism or why these particular programs were effective.

Leuchtenburg, for example, devotes a good deal of space to defining the differences between the recovery strategies of the institutionalist planners, the Brandeisian regulatory commission group, and the Keynesian spenders, and to telling at what period in the New Deal they respectively influenced Roosevelt's legislation. What is missing, in his and the other treatments, is a detailed analysis of the impact which these different New Deal policies had on the American economy. Historians are willing to make sweeping generalizations about the government and social change, the New Deal as evolution or revolution, as culmination or radical departure in reform, but they are unwilling to substantiate their allegations with detailed analysis. The events and trends which they claim are historically decisive aspects of the era are treated only superficially.

### The New Deal and the Role of Government in the Economy

The New Deal era represented the beginning of a decisive shift in both the extent and nature of government intervention in the market. Before 1929, participation in the economy had been in the form of subsidization and regulation. In the nineteenth century the economic activities of government at all levels -- local, state, and national -- had mainly consisted of measures to support the growth of industrial enterprise. National tariff policy was from the first calculated to protect infant American manufacturing. Later both state and national government

used the basic source of early national wealth, land, to promote the development of the nation's first great industry, the railroads. Land grants to the rail corporations provided the capital basis for many of the key systems built between 1850 and 1890.

Later, in the period of rapid industrialization between 1885 and 1925, government by subsidy was supplemented by a comprehensive system of regulation of private enterprise. This system of diverse legislative statutes and executive commissions reinforced a trend toward rationalization and stabilization in industry itself. It represented an attempt to bring some order to the virtually anarchistic growth of the great corporations and industries and the violent struggle for markets these new institutions of production found themselves engaged in.<sup>1</sup>

In this era there were created the Interstate Commerce Commission to attempt to bring order to the cutthroat competition in the rail transportation industry, the Federal Trade Commission to oversee manufacturing, and the Federal Reserve to solve the problems of the highly rigid financial and credit system. This was also the period of the Pure Food and Drug Act, the Hepburn and Mann-Elkins rail rate acts, the Sherman and Clayton acts, and other statutory attempts to regulate and standardize industrial competition and growth.

The 1929 crash and ensuing depression eventually forced both private enterprise and the government to recognize that rationalization of the corporations with the assistance of the government was not adequate. The expansion of private enterprise demanded subsidization of consumption capacity to sustain the growing productivity of the modern industrial corporation. Indeed, the history of the American economy between 1919 and the crash was a continuous attempt by capital to find markets domestically and abroad for the industrial capacity created by World War I. The crash and the ensuing decline of consumption subsequently cut production and the GNP in half by 1933.<sup>2</sup>

The economic programs of the New Deal introduced deficit spending as a permanent feature of public

policy as a means of absorbing surplus production. The Roosevelt administration approached Keynesian spending warily after first attempting to rely mainly on the traditional regulatory means. Indeed, the key tactic for recovery in the 1933-34 period, the NRA with its industrial codes, was nothing more than a plan to organize and regulate production, prices, and market shares in whole industries under the guidance of the government. Each NRA code simply provided the respective pre-existing trade associations with a set of more formal rules for conduct they were already practicing and then placed the associations under a centralized Federal Trade Commission-like supervisory agency.<sup>3</sup> Some emphasis was put on deliberate government spending to generate purchasing power, through such programs as the Public Works Administration; but it was not until the 1937-38 period, the Roosevelt recession, that the New Deal accepted government spending as a prime instrument of recovery. And even then the scale of appropriations for the PWA, the WPA (Works' Progress Administration), and the National Youth Administration was scarcely of the scale necessary to promote real recovery and growth in the economy.

This brings us to the second important point about the New Deal and economic recovery: none of the New Deal recovery programs, including Keynesian spending techniques, really solved the basic problems of overproduction and underconsumption. In 1940, the last year of peace prior to U. S. entry into the war, unemployment was nearly as high as in 1933, and the Gross National Product was still lower than in 1929 despite the American role as "Arsenal of Democracy" to the Allies.

Essentially it was World War II rather than the New Deal which promoted both the recovery of the economy and the development of government policy and organization to play a permanent fiscal role in the economy. Only the scale of spending necessary to finance war objectives was great enough to overcome stagnation and stimulate permanent sustained growth in the economy.

Moreover, the types of controls imposed on domestic consumption--rationing, curtailing production of civilian durable goods in favor of military hardware, removal of 10-12 million soldiers from the civilian consumer market--were a consequence of the war economy, and they induced a kind of forced saving and redistribution of income which peacetime economic policy had not imposed.

Finally, it was only during wartime and the postwar period that this type and scale of government intervention in the economy, permanent public spending to sustain consumption and economic growth, was institutionalized in the organization of the government. During the war it was the War Production Board that was instrumental in defining the level and quality of government spending for the war. In 1946, the Full Employment Act designated a President's Council of Economic Advisers to work in conjunction with congressional appropriations committees and the Bureau of the Budget to formulate the strategy of government to sustain economic growth. Twenty years later the federal budget directly sustained about 15 per cent of the gainfully employed and an equal share of Gross National Product.

Thus if the New Deal neither promoted economic recovery nor established as permanent practice the new fiscal role of government in the economy, what was the significance of the Roosevelt programs mentioned earlier with respect to these occurrences? What the New Deal did accomplish was to establish the political precedent that legitimized the new economic function of government. More concretely it established the administrative machinery and pool of personnel and techniques necessary to run the new kind of government. Among other things this meant turning to the universities and professionals to staff the new agencies and bureaus. What the New Deal did then, rather than to promote recovery, was to provide the ideological and technical basis for government participation in the wartime and postwar recovery of the economy.

## The New Deal and American Political Life

Most historians have recognized that the initial and basic assumption of New Deal economic programs was recovery rather than reform. They suggest that the importance of the Roosevelt era was political and social and that, as Burns puts it, the state under Roosevelt became a "broker" redressing the political disadvantages of other groups against the power of corporate capitalism.<sup>5</sup> Government policy as a counterbalance to vested interests was of course not new in the 1930s. What was innovative about the Rooseveltian politics, the historians indicate, was that it broadened popular participation in government by recognizing new interest groups in its legislative programs.

The New Deal's recognition of potentially antagonistic social groups served a conservative integrating purpose. If these groups could be led to cooperate with the dominant economic and political elite on the basis of the rules of corporate capitalism, any possibility that their demands for reform might begin to question fundamental property relations was eliminated. This arrangement, of course, meant that organizations demanding reforms had to accept the priority given to economic rationalization over social reform.

This process of co-optation, as we call it today, is illustrated by the growth of the labor movement during the depression. Until 1935 the spontaneous strike action of the working class received little attention from the atrophied American Federation of Labor. By means of their militant tactics, workers were implicitly challenging the basis of the economic order. This kind of growing disruption could not be tolerated especially in a period of general economic chaos. Rather than repress the growing strike movement, an action which would have ensured greater disruption and, worse, the radicalization of the working class, most of the major corporations decided to cooperate with the newly formed Congress of Industrial Organizations. The CIO in turn channeled the

generalized but inarticulate discontent of the workers into the "legitimate" confines of collective bargaining thereby limiting the concerns of the workers to wage and hours, a practice acceptable to their employers.

By means of the National Labor Relations Act, the Roosevelt administration legitimized this process by creating the machinery necessary to bring about collective bargaining. The result was that the workers were forced by their own organization to accept a minimal role in determining the conditions under which they worked. Their participation in the economic process was extended but only within limits determined by the profit system and only in order to keep them from demanding real participation in economic affairs. The "radicalism" of the CIO stemmed only from the workers' militant tactics and from the willingness of the leadership to integrate the previously ignored industrial workers into the modern capitalist order. The CIO furthered the process of rationalization of the economy by disciplining the working class through containing the militancy of the workers, eliminating the threat of strikes, and generally mediating between the boss and "his" workers.

The formal broadening of the base of politics, symbolized by the incorporation of the labor movement into the new order, has been offset, moreover, by other changes in American political life. The trend toward a corporate economy and urban society has created new social groups without giving them an organizational or programmatic basis for participation, a la the CIO, in the political system. All of these groups are unorganized, politically unrepresented, and basically powerless in the political system. They include the Negroes, the Puerto Ricans, the white urban and rural poor, and the new "middle class" of corporate and service employees.

Samuel Lubell's The Future of American Politics suggests that one of the politically most important aspects of the Roosevelt era was the rise to political importance of the urban areas in the Democratic coalition. The aspect of this phenomenon to which

he attributes particular significance is the rise of ethnic groups to middle class status and their concomitant education in and concern for the political process. Though the program by program details are not clear, it is apparent that in the Depression this class group viewed the New Deal as a politically viable way of preserving its newly won status. But in the long run, this class, now one of the largest in the polity, has gained little from postwar political developments. The middle class has no representatives or lobby in Congress. It has no program to take to the political institutions of the country nor to the corporations for which the middle class serve as primary consumer clientele.<sup>6</sup>

Another development of political life which has tended to isolate government further from popular authority was itself a consequence of the New Deal. That was the centralization of governmental functions in the hands of the executive branch. This trend began when Roosevelt decided that his administration would take the responsibility for solving the dilemma of the Depression and set up a "brain trust" to devise a legislative program to facilitate recovery. This policy was followed by the proliferation of permanent executive agencies and offices in the New Deal and thereafter; the growth of planned government spending during and after the war; the streamlining and integration of such policy planning agencies as Defense, State, Budget, and Resources in the postwar era; the subordination of Congress to a position where it could only approve or reject programs and policies worked out by the executive.

These trends, all based on the Roosevelt premise that government could be the decisive instrument in solving the problems of economic instability, have also severely limited the possibility for public participation in the machinery performing these functions. Government by permanent executive agency means that public policy is formulated by Presidential advisers and implemented by technicians none of whom are ever directly answerable to the commonwealth they ostensibly serve.<sup>7</sup>

## Social Impact of the Depression and the New Deal

Essentially little is known about the way the American people, various social groups, viewed the Depression -- to what extent they saw it as a social crisis undermining the very viability of capitalism. On the one hand, the pronouncements of contemporary intellectuals upon this question no doubt reflected more the disaffection of their own class from the prevailing order;<sup>8</sup> on the other hand, the present crop of historians, in their celebrations of the New Deal as a progressive movement, always pose the spectre of radicalism, fascist or communist, as the probable alternative to the failure of Rooseveltian policy.

Looking at the period from a broader perspective however, we may note two things. First, both of the interwar decades were years of political and social turmoil around the world. Beginning with the collapse of czarist Russia, most of the advanced nations of the West and East underwent some degree of internal unrest and dislocation. We need only mention the Civil War in China, the rise of Fascism in Germany, Italy, and Japan, the collapse of the British Empire and the ensuing economic crisis. Most of these trends began in the 1920s and reached crisis proportion during the Depression before culminating in World War II. Compared to what transpired elsewhere in the globe the economic and social crisis in the United States was of a relatively mild nature.

Second, it must be remembered that Depression time America merely represented an extreme of social and economic conditions which had prevailed in America since industrialization had begun. In the rural areas, for instance, farmers had been the victims of falling prices and rising costs for the whole post-Civil War period except for the years between 1900 and 1918. Indeed agrarian unrest manifested itself in such movements as prohibition, the Ku Klux Klan, and the LaFollette third party drive. These were signal departures from the Normalcy of the 1920s; they reflected the social as well as economic alienation of rural and small town life from the mainstream of urban, industrial America.

In the cities, too, many of the conditions of the Depression already prevailed in the 1920s. Unemployment, for instance, both seasonal and structural, was very high in many key industries where new technology was being introduced. Without listing them, it is important to remember in general that many of the features of the economic failure of the thirties were also part of the prosperity of the twenties.<sup>9</sup>

Furthermore, it must be remembered that the period in question, 1920-40, was only an early phase of the mass consumption economy and that the vast majority of the population perceived the subsistence standard of living as a normal state of affairs. For these classes the Depression was merely another, albeit more severe, episode in the familiar business cycle which had always threatened the conditions of employment and subsistence.

What was the impact of the New Deal on American life during the Depression? We have discussed the more important ways Rooseveltian policies affected national economic political organizations. But how did the new scale of government intervention influence the way people viewed the political and economic institutions of capitalism?

The historians have for the most part portrayed the New Deal as a logical extension of the progressive-liberal political reform tradition of the 1885-1914 era. We remember to what pains Leuchtenburg goes to trace the precursors of the New Deal policies in the Theodore Roosevelt and Wilson programs. The eminent Schlesinger, Jr., court hagiographer of the Kennedy and other liberal "Renaissances" in American history, sees the emergence under Roosevelt of a government with expanded authority to intervene in the economy in order to promote the general welfare by assuring economic and social security. This is indeed the operating definition of the modern welfare state of the "mixed capitalist" system celebrated by the Schlesinger, Jr., and Galbraiths, a political instrument whose negative functions are to mediate and regulate relations between institutions in the private sector of the economy and whose positive functions are to develop programs to enhance the economic and social well-being of its citizens.

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The assumption here is that the political economy this "mixed system" of enterprise, is a kind of peculiarly American derivation that lies somewhere between capitalism and socialism (Schlesinger, Jr., The Age of Roosevelt, III, 647-48). This review, on the other hand, emphasizes that while the New Deal represents a new form of government intervention in the economy, the role of the state continues to subordinate the problems of reform and reorganization of urban-industrial society to those of recovery and stabilization in the corporate-capitalist system of production. There is a distinction between recovery and reform, and the stabilization of the capitalist system as a political objective is in no way a necessary precondition for effective social reform. One means an attempt to reconstruct the status quo ante, the other means significant change in the economic and social basis of society.

We have already determined that prior to World War II the New Deal contributed little to economic recovery; we can now add that its contribution to reform was also nominal. Projecting ahead a few years, when we remember that a small percentage of government spending at all levels goes to education, health, personal security, or culture, we must recognize how small a welfare role the public sector of society presently plays in our lives. Thus the concept of the welfare state becomes an ideological tool in the baggage of modern capitalism.

FDR was not the first to coin a slogan of active government commitment to the general welfare. But since the New Deal the process of the political state has been successively termed Fair Deal, New Frontier, and Great Society. Indeed, in their own terms historians have recognized the importance of the ideology of the welfare state to the success of the New Deal. Henry S. Commager's article in the Heath series suggests that the New Deal implied "the responsibility of the state for the welfare of its citizens" and associates this with "the reassertion of faith in democracy." Leuchtenburg (FDR and the New Deal, 332-4), offers a similar evaluation of state commitment to individual security.

What the historians have identified is the Roosevelt strategy of engendering mass support for his administration, and indeed for the forms of political democracy and for capitalism itself, by promising that his programs could effectively redress the inequalities and injustices of the system. As we have indicated, however, the modern American government intervenes in the economy and society as a promoter, not of welfare and reform, but of capitalist stability and rationality. The contention that the welfare aspect of its activities is a decisive one does not stand up under scrutiny.

### Summary and Conclusion

A historian such as Schlesinger, Jr., (The Age of Roosevelt, vol. I, ix) terms the 1930s the culmination of an era that began in the late nineteenth century, an era of reform and reorganization of society to deal with the problems of industrialization and urban society. This review, on the other hand, indicates that while the New Deal had its roots in the earlier period, 1885-1929, it was not merely a synthesis of the New Nationalism and New Freedom programs of the Theodore Roosevelt - Woodrow Wilson era. Rather the FDR administration became a transition period in which the Depression crisis demonstrated that the traditional role of state intervention in the economy was inadequate to deal with the weaknesses of capitalism as it developed after World War I. Ultimately, however, it was the second war and the postwar era rather than the Depression that created the conditions for the recovery of the economy, enlargement and rationalization of the mechanics of the new form of state intervention, and the reorganization of government to facilitate implementation of its new role.

That the New Deal or some other political movement did not find a solution to the causes and manifestations of the Depression was symptomatic of the fact that the 1930s were not as severe a social crisis as historians have characterized it. Essentially no major social group or class, neither the

owners and managers of the corporate system, nor the workers, farmers and middle classes felt themselves sufficiently threatened to commit themselves to more extreme forms of political and economic action. For unlike the situation in other countries, the growth of corporate capitalism in the United States in the 1900-1945 period did not undermine the economic and social basis for the existence of any large or powerful class groups.

In conclusion, we will list the aspects of the New Deal which highlight the most important economic, political, and social developments of the era.

1. Changing Role of State Intervention in the Economy. A quantitatively larger and qualitatively different role for state intervention in the economy. The new role represents a shift from governmental concern with regulating the standards of corporate production and administration ("trustbusting" and the Federal Trade Commission) to concern with consumption and the aggregate national market.

Expanding demand as the key to economic stability and social well-being has been the basis for increasing the fiscal role of government in the economy. Keynesian deficit spending at both the national and international levels of the market has been the formal weapon.

Military spending initiated during World War II was the most important method of governmental disbursement and this means has continued on into the Cold War. Other means of creating markets for American production have included federal road construction projects, Area Redevelopment Agencies, Export-Import Bank and the foreign aid and loan programs. Altogether by 1967, the government budget had risen to include about 15% of the Gross National Product. About 60% of that amount is for military "defense" spending.

2. Isolation of the Polity from the Arena of Political Decision-Making. We found two aspects to this phenomenon, both to a degree immanent in the New Deal programs. First was the further subordination of political democracy to vested interest politics.

negotiated by the large-scale economic organizations. These classes and groups not included in their membership were virtually excluded from access to the centers of effective political power. This trend had, of course, long predated the New Deal, but Rooseveltian policies greatly accelerated the process by concentrating political power in the executive branch and its appointed "non-political" agencies and bureaus.

3. Government Intervention and the Ideology of the Welfare State. The rise of government to a permanent and decisive position in the national economy was accompanied by an elaborate rationale, important to the success of the New Deal, of the reasons for its new role -- a rationale emphasizing the relationship between the new scale of intervention and social justice and welfare. But this obscures as much as it illuminates the nature of the "welfare state" in the modern capitalist system. This review has emphasized the difference between economic recovery and stability on the one hand, and social reform on the other. The equation between the two made by such ideologues of capitalism as Schlesinger, Jr., Burns, et al., has little foundation in historic fact.

#### Footnotes

1. For an analysis of the role of regulatory government in the economy between 1885 and 1914 see Gabriel Kolko, Railroads and Regulation and The Triumph of Conservatism. The problems of organizing legal administrative structures to control and administer the giant corporate manufacturers in the 1890-1929 period are carefully developed in Alfred D. Chandler, Jr., Strategy and Structure.

2. See J. K. Galbraith, The Great Crash for a good description of the structural weaknesses of the pre-1929 economy.
3. Louis C. Galambos, Competition and Cooperation: The Emergence of a National Trade Association has a good description of the role of trade associations in the organization of production, prices, and markets in various industries before 1929. Broadus Mitchell, Depression Decade has a few brief paragraphs on the reasons, inherent in its administrative strategy, for the failure of NRA to revive production. Sidney Fine, The Auto Industry under the Blue Eagle describes how the nation's basic industry dealt with the codes and integrated them into its own management policies for dealing with the Depression.
4. Paul Baran and Paul Sweezy, Monopoly Capital traces the history of the modern economy and its growth pattern since 1900. This work also relates government spending to the problems of expansion and overproduction of corporate enterprise.
5. J. K. Galbraith, American Capitalism contains a more systematic and comprehensive view of the state as a "countervailing force" in the economy. By this term he means government activity which offsets and brings into balance with others institutions in the private sector corporations, labor unions, etc. -- when they extend their power beyond the interests of the general welfare. Later we deal with this concept of government as a non-class instrument and suggest it is more an ideological than analytic tool.
6. C. Wright Mills, White Collar describes the fragmentation and lack of organization in this "new" class and its isolation from the sources of political and economic power in the nation.

7. C. Wright Mills, The Power Elite takes this view of political centralization one step further to the level of the political economy where he finds an integration of the leadership from the basic institutions (corporations, executive of the government, and military) in an informal interlocking directorate whose members can move at will from one of these basic sources of public power to another without recourse to the electoral process.
  
8. See Daniel Aaron, Writers on the Left, Henry F. May, The End of Innocence, May's article on the 1920s in the Bobbs-Merrill reprint series and parts of William Leuchtenburg, The Perils of Prosperity for the social attitudes of intellectuals in the pre-1929 period. May's work does the best job of indicating how the rise of the intellectuals as a group was a consequence of the growth of the cities, which provided the social basis for their attitudes toward capitalist life and its values.

That our historians and their class peers have a whole different attitude from their predecessors toward capitalism and its operations indicates the extent to which the status and function of intellectuals have changed in the past forty years. That this group now plays an important role in the operation of the system is partly attributable to the New Deal. Intellectuals and professionals had previously been advisers or employees of the government and other public agencies (vide John R. Commons), but it was because of the New Deal programs that intellectuals and professionals by the hundreds became permanent administrators and managers of the new and highly technical agencies of government in its new fiscal role.

Then with the postwar expansion of educational facilities, the academic faculties became the foundation of the intellectual class as they performed their function of imparting to the new middle classes the technological and

ideological conditioning necessary to participate  
in the capitalist labor market. Mills, White  
Collar has a chapter on the social functions  
of the intellectual class.

Irving Bernstein, The Lean Years: A History  
of the American Worker, 1920-33.

