Chapter Five

NEW DEAL HONEYMOON

§ 1

SATURDAY, March 4, 1933.

Turn on the radio. It's time for the inauguration.

There is a tension in the air today—a sense of momentousness and of expectation. When you went downtown this morning you found the banks shut; if you lived in New York State or in Illinois this may have been your first inkling of the general bank closing, since the closing orders in those states had come too late for the early editions of the morning papers of March 4. On the door of each bank was pasted a little typewritten notice that it had been closed at the Governor's order; people by twos and threes went up and read the sign and walked away. Your first thought, perhaps, was that you had only a little money in the house—five dollars, was it? ten dollars?—and you wondered how you would manage when this was used up, and what would happen next. Then you began to realize the significance of this financial stoppage.

Well, it's come at last, you thought. Here is that day of doom that people have been dreading. Just now it isn't so bad; there is a tingle of excitement, the sort of thrill you get from a three-alarm fire. But what next? This may be only the beginning of the crack-up. The one thing you want to hear, that everybody wants to hear, is the inaugural address. All over the country people are huddled round their radios, wondering what Roosevelt's answer to disaster will be.

Here's the voice of a radio reporter describing the preparations for the inauguration ceremony at the east front of the Capitol in Washington—the notables coming to their places on the platform, the dense crowds flooding the Capitol square below under a chill, cloudy sky. The reporter is talking with all the synthetic good cheer of his kind—bearing down hard on the note of optimism, in fact, for he knows that worried and frightened people are listening to him. He describes Hoover coming alone, gravely, to his place on the platform; then Roosevelt coming up a ramp on the arm of his son James. The ceremony begins. You hear Chief Justice Hughes administer the oath of office; you hear Roosevelt's reply, phrase by phrase, uttered clearly and firmly. Then comes the inaugural.

The new President's voice is resolute. It comes into your living room sharply.

"President Hoover, Mr. Chief Justice, my friends," the voice begins. "This is a day of national consecration, and I am certain that my fellow Americans expect that on my induction into the Presidency I will address them with a candor and a decision which the present situation of the nation impels. This is pre-eminently the time to speak the truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today. This great nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance."

This doesn't sound like "prosperity is just around the corner" talk. It sounds like real confidence.

The voice goes on to blame "the rulers of the exchange of mankind's goods" for the troubles of the country. "True, they have tried, but their efforts have been cast in the pattern of an outworn tradition. . . . The money changers have fled from their high seats in the temple of our civilization." Through the radio comes a burst of applause: after the bank smash-ups and scandals, this condemnation of the big financiers expresses the mood of millions of Americans.

The voice speaks of the primary need of putting people to work; of the need for "making income balance outgo"; of the need for an "adequate but sound currency" (sharp applause for that!); promises a "good neighbor" policy in foreign affairs, but says domestic affairs must come first. Most striking of all, however, is the constant emphasis upon the need for action. Again and again comes the word "action." And after the new President has said he believes that the sort of action which is needed may be taken under the Constitution, the loudest applause of all comes for his declaration that if the occasion warrants he will not hesitate to ask for "broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe."

A ten-strike, this declaration. For the people have been sick of watching an Executive devote his strongest energies to opposing action, however questionable: they want a positive policy.

"We do not distrust the future of essential democracy," the President continues. "The people of the United States have not failed. In their need they have registered a mandate that they want direct, vigorous action. They have asked for discipline and direction under leadership. They have made me the present instrument of their wishes. In the spirit of the gift I take it."

You can turn off the radio now. You have heard what you wanted to hear. This man sounds no longer cautious, evasive. For he has seen that a tortured and bewildered people want to throw overboard the old and welcome something new; that they are sick of waiting, they want somebody who will *fight* this Depression for them and with them; they want leadership, the thrill of bold decision. And not only in his words but in the challenge of the very accents of his voice he has promised them what they want.

If only the performance measures up to the promise!

§ 2

Action there was, in abundance; and it came fast.

On Sunday, March 5, the day after the inauguration, the new President not only called Congress to meet in special session on Thursday, but also issued a proclamation putting the bank holiday on a national basis and prohibiting the export of gold and all dealings in foreign exchange. (Thus the country went at least part way off the gold standard—on a temporary basis.)

On Thursday Congress met and passed with a whoop a law validating everything that the executive had done to date and tightening still further its control over banking operations, gold, silver, currency, and foreign exchange.

On Friday the President asked Congress for immediate action to cut Federal expenses to the bone—and Congress rushed at the task, despite the political distastefulness of slashing the veterans' allowances.

On Saturday—after a week of furious activity at the Treasury, during which regulations were devised and altered, plans for the issue of clearing-house certificates were made and abandoned, plans for the issue of new currency were promulgated, and a rough classification of banks into more and less sound was made with the aid of advice from Federal Reserve Banks and chief national bank examiners—the President announced that most of the banks of the country would open the following Monday, Tuesday, and Wednesday.

On Sunday night the President, in his first "fireside chat," explained to the people of the country with admirable simplicity, clarity, and persuasiveness just how the re-opening of the banks would be managed and how his hearers could help to make the process orderly.

On Monday, the 13th of March, the banks began to open. And on the same day the President asked Congress to legalize beer—thus closing his tremendous first ten days of office on a note of festivity.

Such were the bare facts of those ten days. But the mere catalogue of them gives little idea of their overtones of significance, or of what those ten days were like to the American people.

The predicament of the incoming Administration was staggering. A new President and new Cabinet, unaccustomed even to the ordinary routine of their positions, largely unacquainted with their staffs, and forced to rely heavily upon the services of Hoover officials who stayed on to help them, had to deal with an unprecedented emergency which confronted them with unforeseen problems. Everything had to be done at top speed. Nobody could tell what might be the future cost of mistakes made under such pressure. Nobody could be sure, for that matter, that this was not just the first of a progressive series of emergencies which would bring conditions infinitely worse. Never did a green Administration seem to be walking into such a potential hornet's nest of difficulties.

But other circumstances aided them. In the first place, the accident of fate which had been so cruel to Hoover gave the country an Administration which could start from scratch in its race against panic, unhandicapped by memories of previous failures. It is traditional for the American people to feel kindly toward a new administration and support its first moves; in this case the friendly feeling was not only ready-made but intense. An enormous majority of the population desperately wanted the New Deal to succeed. Even the Wall Street bankers were ready to give Roosevelt full powers and wish him well, wince though they might at being called money changers who had "fled from their high seats in the temple." They were badly frightened, their institutions were demoralized, their collective reputation was besmirched anyhow, their only hope lay in Roosevelt's success. The newspapers, too, were loud now with enthusiasm. For weeks they had been burying bank-panic news in the back pages; now they could let go—and out gushed, on the news pages and in the editorials, all that zest for whooping it up, for boosting, for delivering optimistic fight talks, that was innate and habitual in the American temperament. Congress, usually divided in opinion and intractable, became almost as unanimous and enthusiastic as a cheering section—because public opinion told them to. The Congressmen's mail was heavy, and the burden of it was "Support the President." It was as if a people rent by discords suddenly found themselves marching in step.

There was another favorable circumstance. In *The Folklore of Capitalism,* Thurman W. Arnold tells of a conversation he had, before the bank panic, with a group of bankers, lawyers, and economists. They were one and all aghast at the possibility of a general bank closing. "My mind," said one of them, "fails to function when I think of the extent of the catastrophe that will follow when the Chase National Bank closes its doors." Mr. Arnold told his friend Professor Edward S. Robinson about this conversation, and found him unaccountably cheerful. "Do you think," asked Professor Robinson, "that when the banks all close people will climb trees and throw coconuts at each other?" Mr. Arnold replied that this seemed to him a little unlikely but that a bank crash of such magnitude suggested to him rioting and perhaps revolution. Whereupon Professor Robinson said, "I will venture a prediction. . . . When the banks close, everyone will feel relieved. It will be a sort of national holiday. There will be general excitement and a feeling of great interest. Travel will not stop; hotels will not close; everyone will have a lot of fun, though they will not admit that it's fun at the time."

Despite the fact that indirectly the bank holiday brought new distress, through new curtailments of business and new layoffs, and intensified the suffering of many people who were already hard hit, Professor Robinson was essentially right. The majority of Americans felt a sense of relief at having the lid of secrecy blown off. Now everything was out in the open. They felt that this trouble was temporary. They felt no shame now in being short of money—everybody seemed to be. They were all in the same boat. And they responded to one another's difficulties good-naturedly.

The grocer lent credit (what else could he do?), most hotels were glad to honor checks, shops were cordial about charge accounts. The diminished advertising columns of the newspapers contained such cheerful announcements as "IN PAYMENT FOR PASSAGE WE WILL ACCEPT CHECKS OR PROPERLY AUTHORIZED SCRIP" (this was in the early days of the bank holiday, when the issue of clearing-house scrip appeared likely); "RADIO CITY HAS CONFIDENCE IN AMERICA AND ITS PEOPLE—until scrip becomes available our box offices will accept checks"; "WE WILL TAKE YOUR CHECK DATED THREE MONTHS AHEAD for a three months' supply of Pepsodent for yourself and your family."

True, the shopping districts were half deserted; on the upper floors of department stores, clerks were standing about with no customers at all; there was a Saturday air about the business offices, trains were sparsely filled, stock exchanges and commodity exchanges were closed. But in the talk that buzzed everywhere there was less of foreboding than of eager and friendly excitement. "Are they going to put out scrip?—and how do we use it?" "What's a 'conservator'—is that a new word?" "You say you had thirty dollars on you when the banks closed? Well, you're in luck. I had only three-fifty—I'd planned to go to the bank that morning." "They say the Smiths stocked their cellar with canned goods last week—three months' supply; they thought there was going to be a revolution!" "Did you see those pictures of the gold hoarders bringing bags full of gold back to the Federal Reserve Bank? Those birds are getting off easy, if you ask me." "Mrs. Dodge beat the bank holiday all right—overdrew her account last Friday. No, not intentionally. Just a mistake, she says. Shot with luck, I call it." "Stop me if you've heard this banker story: it seems that a banker died and when he got to the gates, St. Peter said. . . ."

To this public mood President Roosevelt's first fireside chat was perfectly attuned. Quiet, uncondescending, clear, and confident, it was an incredibly skillful performance. (According to Raymond Moley's *After Seven Years*, the first draft of this chat was written by Charles Michelson of the Democratic publicity staff; Arthur Ballantine, Under Secretary of the Treasury for Hoover, completely rewrote it; Roosevelt revised it.) The banks opened without any such renewed panic as had been feared. They might not have done so had people realized that it was impossible, in a few days, to separate the sound banks from the unsound with any certainty, and that errors were bound to be made. The story goes that one bank had been in such bad shape that its directors decided not even to put in an application to reopen; through a clerical slip this bank was put on the wrong list, received a clean bill of health, and opened with flying colors! In some places, to be sure, there were bank runs even after the opening—runs which had to be met unquestioningly with Federal funds, lest the whole trouble begin over again. And so many banks had to be kept shut anyhow that ten per cent or more of the deposits of the country were still tied up after March 15, and the national economic machinery thus remained partially crippled. On the whole, however, the opening was an immense success. Confidence had come back with a rush; for the people had been captivated and persuaded by a President who seemed to believe in them and was giving them action, action, action.

The New Deal had made a brilliant beginning.

§ 3

The next few months in Washington provided a spectacle unprecedented in American history. The pace at which the New Deal had started its career slackened hardly at all. The administrative hopper produced bill after bill, the President passed the bills on to Congress with terse recommendations for passage, and Congress—almost as if mesmerized—passed them, often with scant debate, sometimes without an opportunity for all the members to read them, much less comprehend their full significance. Never before except in wartime had the Executive been so dominant over Congress. Never before, even in wartime, had a legislative program been pushed through with such terrific speed and daring.

The very air of Washington crackled. Suddenly this city had become unquestionably the economic as well as the political capital of the country, the focus of public attention. The press associations had to double their staffs to fill the demand for explanatory dispatches about the New Deal bills. And into Washington descended a multitude of men and women from all over the country.

First there were bankers by the thousands, thronging the corridors of the Treasury, buttonholing their Senators to explain just why their banks should be permitted to re-open, and converging upon an emergency office set up in the Washington Building by the Acting Comptroller of the Currency—an office in which four men found themselves the bottleneck of communication between the banking system and the government. Amid the hammering of workmen putting up partitions, these men were trying simultaneously to hire stenographers and clerks, to draft regulations and letters, to interview importunate bankers, and to deal with incoming telephone calls which were backed up two and three days by the congestion of appeals from all over the country. Every banker had his own story to tell—his own account of how his mortgages had been undervalued by the bank examiners, or an entire community was dependent upon his institution. Some of them brought their directors along. Who could deal with these men? So terrific was the strain of those first days that on at least two nights the Acting Comptroller of the Currency went home only to take a shower, change his clothes, and go back to work; when he did snatch a few hours' sleep, his wife had to sit by a constantly ringing telephone and explain that he might not be disturbed. Another high official would lie down on a couch in the office of the Secretary of the Treasury, go to sleep, be awakened by a question, answer it, and drop off to sleep again.

In that GHQ at the Treasury during the bank holiday there was an almost continuous executive conference, day and night. Woodin and Moley, Democrats; Mills, Ballantine, and Awalt, Republicans, were the nucleus of a group which labored without thought of party. Even in their brief intervals of rest the problems remained with them; at breakfast on the Tuesday morning after the Inauguration little Woodin reported to Moley how he had solved the knotty question of whether and how to issue scrip: "I played my guitar a little while and then read a while and then slept a little while and then awakened and then thought about this scrip thing and then played some more and read some more and slept some more and thought some more. And, by gum, if I didn't hit on the answer that way! . . . We don't have to issue scrip!" The ordeal of twenty-hour days was too much for Secretary Woodin; his health had not been good, and there are those who think that it was the labor and responsibility of those weeks in March which killed him; he died the following year.

Droves of Democratic office-seekers, too, were descending upon Washington: so many of them that Postmaster-General Farley, whom they knew to be the chief patronage dispenser of the Administration, found them haunting the corridors of his hotel; he "virtually had to slip back and forth to his office like a man dodging a sheriff's writ," and he found that the only way to get rid of the hordes that packed his reception room at the Old Post Office Building was to make the rounds of the room five or six times a day with his secretary, taking down the name of each individual and a brief description of the sort of job he sought.

Experts and specialists of all sorts were coming into town to help in the framing of new laws and regulations and in the setting up of new government agencies. Financiers and their lawyers and brief-case-toting assistants were coming to take the witness stand in Ferdinand Pecora's intermittently sensational investigation of the scandals of the banking world. Special emissaries from Great Britain, Canada, France, Italy, Argentina, Germany, Mexico, China, Brazil, Japan, and Chile arrived in quick succession, each with his entourage, to consult with the President and his advisers on economic and diplomatic problems; from Great Britain came Ramsay MacDonald, the Prime Minister; from France came Edouard Herriot, the Premier; there were receptions, conferences, dinners, long discussions between groups of experts, in endless and fatiguing succession.

To Washington as by a magnet were drawn, too, innumerable idealists, enthusiasts, radical national-planners, world-savers of all degrees of hard- and soft-headedness, each with his infallible prescription for ending the Depression.

Meanwhile into the White House poured thousands of plans for recovery, for the great American public wanted to help. They ranged, these plans, from semi-literate scrawls on ruled paper to 175-page mimeographed booklets with graphs and statistical tables, and they displayed a touching confidence that the President himself would carefully consider their suggestions. (All these plans were read, considered, and politely acknowledged—but not by him.) "In the present national emergency," began a characteristic letter, "surely I will be pardoned if it is presumptuous to bring views to your attention. If the ideas are in the least beneficial then the end will justify the beginning." And another: "Being one of those Americans who love their country and having a sort of an idea which may have some merit, I am taking the presumptuous liberty of passing it along to you in this letter." Business men, bankers, students, housewives, unemployed laborers, they had ideas and threw them into the hopper.

Furious work was being done in Washington in that spring of 1933. The lights burned late in government offices as the architects of the New Deal, official and unofficial, drafted bills and regulations and memoranda, tore their drafts to pieces and began all over again, and then rushed off to consult other groups and revise and revise again. In the vast new office buildings along the Mall there was sublime confusion as new jobholders arrived and began searching for their offices, for desks, for people who could tell them what they were supposed to do. Government departments were overflowing into office buildings everywhere; and the streets were full of apartment-hunters, while the real-estate men of Washington rubbed their hands at the sudden boom in the housing market.

§ 4

Out of all this pandemonium emerged in short order an extraordinary array of new legislative measures. To summarize the chief ones very briefly:—

1. Devaluation.

After the banks opened there was a prompt improvement in business, but during the first few weeks it was only moderate. The President became impatient; and Congress, likewise impatient, became so enamoured of the idea of inflating the currency that a bill sponsored by Senator Wheeler of Montana, providing for the free coinage of silver on the old Bryan basis of 16 to 1, almost passed the Senate despite Roosevelt's opposition. Under these circumstances Roosevelt took the plunge off the gold standard. Half convinced that some sort of inflation was necessary anyhow as a shot in the arm for the American economy; unwilling to let Congress take the initiative away from him and force the country into some ill-devised inflation scheme; and convinced that if it were done when 'tis done, then 'twere well it were done quickly, Roosevelt on April 19th placed an embargo on gold —thus serving notice that the gold standard had been definitely abandoned. Then he laid before Congress a bill—which was passed—giving him permissive authority to inflate in any one of five ways if he saw the need to do so.

Shortly afterward there followed a law which forbade the issue of bonds, governmental or corporate, payable in gold, and which abrogated all existing contractual obligations to pay bonds in gold. Still later, when the World Economic Conference, assembling in London, turned to the international stabilization of currencies as its first important task, Roosevelt heaved a bombshell into it—with distressing damage to the prestige of his own delegation—by refusing to let the United States be a party to even a vague and general stabilization agreement at that juncture. And from time to time, while these moves were going on, he declared his intention to raise American prices "to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed." (It was not until later in 1933 that he devalued the American dollar progressively to 59.06 cents, in terms of its former gold value, through the amazing—and none too successful—scheme of progressively raising the price which the United States would bid for gold.)

The result of these various orders, laws, and statements in the spring of 1933 was to bring about a quick jump in prices, a burst of upward activity on the stock exchanges and commodity exchanges, a hurried buying of supplies by business men for their inventories in expectation of further rises in prices, and a much sharper recovery of business than had previously seemed likely. It is difficult to disentangle causes and effects when a government is doing everything at once, but the evidence would seem to show that the shot in the arm administered in the spring of 1933 had a definitely stimulating effect. (In fact, there would seem to be room for the somewhat cynical comment that of all the economic medicines applied to the United States as a whole during the nineteen-thirties, only two have been of proved general effectiveness, and both of these have a habit-forming tendency and may be lethal if too often repeated: these two medicines are devaluation and spending.)

2. *Crop Control.*

The New Deal came to the rescue of the farm population with a bill which aimed to raise the prices of the major American farm crops by offering payments to farmers to leave part of their acreage unplanted. The money for the payments was to be raised by a processing tax, which in effect was a light sales tax on the consumption of these crops—penalizing everybody a little in order to help the hard-hit farm population. (With cotton the method was different: the crop having already been planted, rewards were offered for plowing up part of it.) The complicated business of administering this Act was entrusted to an Agricultural Adjustment Administration—AAA for short.

The promise of the AAA program, along with the promise of inflation, lifted farm prices sharply in the spring of 1933, and thus brought early and substantial relief to the farmers; the effect of the AAA after it went into full operation in 1934 was more debatable, and was obscured anyhow by subsequent droughts.

3. Stimulating Employment.

Roosevelt's pet scheme for putting a quarter of a million young men into the woods for conservation work was quickly approved by Congress, and presently the young men of the CCC were off to army camps and then to the forests. There was also passed a bill providing $3,300,000,000 for public works—a staggering sum by Hoover standards. (Roosevelt's heart was not in the public-works program, it was difficult to spend any large amount of money quickly and yet wisely on dams, bridges, and other major works, and therefore slow progress was made; a good deal of the $3,300,000,000 was diverted into relief and national defense.)

4. Federal Relief.

To aid the unemployed—whose condition was desperate—the Federal government went for the first time on a large scale into the distribution of relief funds. These, in the early months of the New Deal, were mostly dispensed through state and local machinery; but the new assumption of responsibility was nevertheless significant.

5. The Tennessee Valley Experiment.

Not only did a bill passed in May, 1933, provide for the Federal operation of that subject of long previous argument, the dam at Muscle Shoals; it provided also for an ambitious development of the whole Tennessee Valley through the building of other Federal dams, through the sale of power from them at low prices, and through Federal subsidizing of conservation measures in the Valley. This bill—which went considerably beyond Roosevelt's campaign proposals—was perhaps the most revolutionary measure of the early New Deal in its long-term significance, for it put the government directly into industry and into a dominating position in developing a whole section of the country.

6. Lightening the Debt Burden.

Federal agencies were set up to refinance farm and home mortgages, lowering the interest rate on them and putting a Federal guarantee behind them, thus easing the back-breaking pressure of debt on farmers and other householders —and, incidentally, further freezing the debt-structure of the country.

7. Financial Reforms.

A Securities Act was passed which provided that those who issued securities must provide the government with full—in fact voluminous—information about the enterprises to be financed. And a banking act was passed which, though it did not grapple with the knotty problem of unifying the banking system of the country, struck at certain conspicuous abuses: it provided that no banking house might both accept deposits and issue securities, and it forbade commercial banks to have securities affiliates. (These reforms were the forerunners of others to come.)

Last in our list, but far from least, there was set up

8. The NRA.

The genesis and motivation of the NRA provide a beautiful example of the wild confusion of those honeymoon days of the New Deal, and deserve special mention. The NRA's paternity was multiple, to say the least.

Soon after the bank holiday Senator Hugo Black (of subsequent Supreme Court fame) pushed through the Senate a bill decreeing a thirty-hour week in all businesses engaged in interstate commerce; and although the measure was held up by a motion to reconsider, the size of the Senate vote and the fact that the House was giving a favorable reception to a similar measure (the Connery Bill), showed that Congress meant business. (Here was NRA idea No. 1: spread employment by shortening hours of labor.) Thereupon Secretary of Labor Frances Perkins insisted any such bill must contain a minimum-wage provision. (Here was idea No. 2: "put a floor under wages.") By this time the President and various members of his Administration had become worried over the possibility that wholesale and inflexible legislation on hours and wages might prove a Pandora's box of troubles, and had begun to wrestle with ideas for a more flexible and comprehensive Administration measure, which could be substituted somewhat as the discretionary inflation bill had been substituted for the Wheeler Bill.

A number of business men also swung into action. For a long time the Chamber of Commerce of the United States had been opposing what it called "cut-throat competition" and had wanted the Sherman Anti-Trust Act modified so that trade associations might set wages and adopt "codes of practice" with governmental permission. Hoover had flatly opposed any such scheme as monopolistic—as allowing established companies to combine to prevent, not only "cut-throat competition," but all real competition of any sort. Roosevelt seemed to have no such fears—and the business men saw their opportunity. (Thus arose idea No. 3: "self-government for business," with the trade associations doing the governing under government auspices.)

Meanwhile there was also much enthusiasm among the young liberals in Washington for the idea of "national planning" for industry. Impressed by the Russian Five-Year Plan, they wanted the government to regulate the functioning of the helter-skelter American business system. (Here was idea No. 4.) There was a widespread hope, too, chiefly among these same liberals, that purchasing power might be expanded by a concerted raising of wages—on the theory that if the raising were general no business would suffer and all would benefit. (Idea No. 5.)

Each of these ideas was represented in the framing of the National Industrial Recovery Act.

After numerous conferences of various groups of men of diverse economic philosophies, there emerged as the principal artificer of the project a man whose own central interest was in the Chamber of Commerce idea: a former Army officer, former plow manufacturer, and protégé of Bernard Baruch named General Hugh S. Johnson, who had worked in the Brain Trust group during the campaign and now had a desk in the office of Raymond Moley, the new Assistant Secretary of State. And there emerged a bill which provided that each industry, through its trade association, would write for itself a "code" prescribing maximum hours and minimum wages and rules of fair competition for that industry, subject to the approval of the government. What was thus prescribed and approved might be done regardless of the Sherman Act, and in fact might not be transgressed under penalty of the law. Since the men who were thus to be allowed to organize and write their own codes were the employers, the Department of Labor insisted that their employees should also be permitted to organize; and so was written into the National Industrial Recovery Act the famous Section 7a, which stated that "employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, coercion, or restraint of employers of labor or their agents." For further protection for labor and for consumers there were elaborate provisions for setting up Labor Advisory Boards and Consumers' Advisory Boards, to make sure that every interest was consulted.

On June 16, 1933, the National Industrial Recovery Act was signed amid much fanfare. Said President Roosevelt, "History probably will record the National Industrial Recovery Act as the most important and far-reaching legislation ever enacted by the American Congress." On that same day General Johnson was named Administrator of the NRA. And it became obvious that this unprecedented organization was to be the focal point of the whole New Deal program of 1933.

Having produced the NRA, Congress adjourned, bringing to an end what was indeed an extraordinary session.

§ 5

The contrasts between this 1933 New Deal program and the Hoover program were sharp. It was not a program of defense but of multiple and headlong attack. In most of the laws and certainly in the intent behind them there was a new emphasis on the welfare of the common man; a new attempt, as was often said, to build prosperity from the bottom up rather than from the top down. There was a new willingness to expand the scope of government operations; for a long time past these had been expanding out of sheer political and economic necessity, as the inevitable long-term tendency toward centralization took effect upon government as well as upon business, but now the brakes were removed and the expansion was abrupt. Also in contrast was the visible distrust by Roosevelt of the bankers and corporate insiders of Wall Street; Hoover had leaned upon them for advice and assistance (which was not always forthcoming), Roosevelt disregarded them. He preferred the assistance of supposedly impartial (if impractical) professors to that of supposedly practical (if partial) business men. There was a new encouragement of labor unions, a new hospitality to liberal and radical ideas which would reduce the power of the owning class. The governmental center of gravity had moved to the left.

At the same time the program represented a strange jumble of theories. For example, the Economy Act—and to a certain extent the financial reform measures—had a deflationary effect; whereas devaluation—and to a certain extent the public-works plan and the Federal relief plan—had an inflationary effect. The AAA bill tried to bring recovery by inducing scarcity—as did much of the NRA as it later developed; whereas the public-works and TVA plans operated on the abundance theory. The conferences with foreign emissaries and the plans for international economic co-operation ran head on into the devaluation policy—with a resounding explosion in London. The financial reform measures sought to discourage concentrations of economic power; the NRA—in practice—tended to encourage them.

In addition to these conflicts of theory, there were numerous collisions between governmental organizations trying to do the same thing, between organizations trying to do opposite things, between old policies being pursued as a matter of habit and new ones being introduced.

Some of these conflicts were due, of course, to the sheer impossibility of achieving legislative and administrative perfection at a hand gallop. Some were due to the fact that Washington was full of able and eager men with contrasting ideas: in a multitude of counselors there is confusion. Some were due to the political necessity of devising measures which could win the support of diverse interests. And some were due to the fact that the New Deal program of those first few months was like a geological formation built up in several layers. At the bottom were the old-fashioned liberal measures, the economy and reform measures, of the 1932 platform. On top of these were the more ambitious programs adumbrated by the Brain Trust during the campaign and after, and other measures hustled into action when the bank panic produced a much graver crisis than had been foreseen in early 1932. Then there were the measures which grew, perforce, out of the bank panic itself—including, if you wish, devaluation. On top were the bright ideas that bloomed in the fertile spring of 1933; chief among these was the NRA, which was a whole plum pudding of contrasting elements in itself. Yet even if one took account of all these reasons for inconsistency, there remained something in Roosevelt's try-everything attitude which reminded one of the man who, feeling unwell, took in quick succession all the tonics on the shelf.

But if the President preferred bold action to careful deliberation, so too did the country. The sickness of the economic system was infinitely complicated and little understood. Now a physician had come along who had a lot of medicines in his bag, who had an air of authority and an agreeable bedside manner; and the American people hailed him with delight. His medicines were better than most which were currently suggested, and certainly the patient's morale was improved by having a friendly physician who was willing to do something and not just wait for nature to effect a cure. In the spring and summer of 1933 the American economic system took its new medicines cheerfully, sat up in bed, and said, "I feel better already."

§ 6

What a flood tide of returning hope was running in those first six months of the New Deal!

That was the season when the Chicago Fair opened—that Fair whose intention to chronicle "A Century of Progress" had seemed only a few months before so unmitigatedly ironical. What did Chicagoans care if Sally Rand stole the show with her fan dance? She too had been a victim of the Depression, earning a precarious living dancing in small-time cabarets in Western cities, and her fortunes had sunk low in 1932; in her own reported words, she had "never made any money until she took off her pants"; but now the crowds surged to see her come down the velvet-covered steps with her waving fans (and apparently nothing else) before her, and Chicago profited. General Balbo's armada of Italian airplanes flew to the fair; and in that same summer of 1933 Charles and Anne Lindbergh, leaving behind them for a time the scenes of their tragedy, flew to Greenland, to proceed thence to Europe and Africa and—*Listen! The Wind*—to South America.

That was the season when the Senate Banking Committee drew from the Morgan partners the story of the "preferred lists" of subscribers to the stock of their corporations; and when the orderly processes of financial exemplification were interrupted, to everybody's dismay, by a circus promoter who placed a midget in J. P. Morgan's lap. It was the season when the country first became wonderingly aware of the extent to which the amiable First Lady of the land embodied the law of perpetual motion; and when her husband, after putting his name to the National Industrial Recovery Act, climbed aboard the little *Amberjack II*, put on his oilskins, and went sailing up the New England coast to Campobello.

That was the season when Max Baer knocked out Schmeling in the tenth, and the massive Primo Carnera knocked out champion Jack Sharkey in the sixth, and an unidentified man almost knocked out Huey Long in the Sands Point washroom, and Glenn Cunningham began breaking the running records for the mile, and *Anthony Adverse* began breaking records for fiction sales as it enthralled lovers of vicarious adventure on thousands of summer porches.

Once more the business men of the country began to know hope. The Federal Reserve Board's adjusted index figure for Industrial Production in the bank-holiday month of March, 1933, had been 59 (as against 58 for the preceding July, the month of the Bonus March). In April it jumped from 59 to 66; in May it jumped to 78; in June, to 91; in July, to 100 (as against a 1929 high of 125). There was no such proportionate gain in employment, to be sure; for as the pace of business increased, there was much slack to be taken up simply by working factories full time that had been working part time, by working office clerks overtime, by keeping shopgirls on the run. Still there remained millions of unemployed men, whose poverty was as yet unrelieved by any Federal expenditures for their aid. So greatly had the Depression stimulated working efficiency and the installation of labor-saving devices that a far sharper increase in production than this would be needed to give jobs to those men. Nor were the men who went back to work any too tractable. They had suffered, they had become embittered, and as hope returned, anger rose with it: strikes began to increase in number. The mood of the farm population was still rebellious, for until their crops were harvested the rise in farm prices would do them little good; the speculators would get the money. There were still riots and disorders in the farm belt. But the prospects were promising. "Give us just a few months more of this improvement . . ." men said to themselves.

The speculators leaped into action. As the stock market spurted, out of the highways and byways came the little stock gamblers. For three and a half years they had been telling themselves—if they had any money left—that speculation was no more for them. During the past few months they had been in the grip, most of them, of a mounting distrust of Wall Street bankers in particular and all bankers in general, and had been telling and re-telling derisive anecdotes in which bankers figured. But when they began to see the plus signs among the stock quotations, back to the brokers' offices they thronged, ready to stake their last savings on Commercial Solvents and Standard Brands and the alcohol stocks; and meanwhile as cold-blooded a lot of pool operators as had ever been seen in the unregenerate days of 1929 manipulated and unloaded, manipulated and unloaded. The Securities Act had been signed, reform was the order of the New Deal day, one might have expected these gentry to be newly cautious; but all such considerations apparently meant nothing to them. So violently did the stock market boil, so frequently were there five- and six-million-share days, that the total volume of trading in the month of June, 1933, and again in the month of July, 1933, was greater than it had been in any single month in the Big Bull Market of 1929—with the sole exception of the Panic month of October. Meanwhile the grain market and the other commodity markets boiled too. Who could lose? argued the little speculators. "If we don't have prosperity we'll at least have inflation." (In 1932 the thought of inflation had prompted selling, now it prompted buying: the mood had changed.)

Late in July the stock and commodity markets broke badly, and day after day the speculators' favorites tumbled; one of these favorites, American Commercial Alcohol, actually collapsed from 89⅞ to 29⅛ in four days. But at that very moment the President was having distributed to business men all over the country the blanket NRA code that would "start the wheels turning." It was difficult to find a daily paper which did not contain somebody's glowing tribute to the NRA. It had "abolished child labor," it was introducing "a new era of co-operation between industry and government," it was "an attempt to substitute constructive co-operation for destructive competition," it would cause "management and labor to join hands," it would "end the flat-wallet era," and it held out "the promise of a new day." The break in the markets checked confidence a bit; but was it not predicted that millions of men would go back to work "before the snow flies"?

In Washington the excitement was still feverish. Congress had adjourned, but now the business men were there by the bewildered thousands to draw up NRA codes. Up and down the interminable corridors of the Commerce Building they tramped, buttonholing any hatless man to ask their way, under the impression that he must be a high official.

They wanted their own codes, industry by industry, and each of them had his own idea of what ought to go into his code to stop the particular kind of "cut-throat competition" that his company hated. But first these men had to find out what industry they belonged to. Was candlewick-bedspread-making a part of the cotton-textile industry, or should it have a code of its own? Shouldn't the dog-food industry insist on special treatment? And where should the academic costume men go to solve their code problems? And the fly-swatter manufacturers? Where was General Johnson's office? And who was this "Robbie" whose ear it was considered so valuable to get? And might it not be better to go back to the Mayflower and confer there, even though the hotel telephone service was so jammed that you couldn't get a connection?

In the center of this wild confusion—as Jonathan Mitchell wrote—General Johnson "sat at ease, coat off, blue shirt open at the neck, red-faced, and looking uncannily like Captain Stagg in Stallings and Anderson's 'What Price Glory.' Like captured peasants, squads of sweating business men . . . were led in before him." Part cavalry officer, part veteran business man, part economic seer, part government administrator (he could assume any of these roles at will, said Mitchell), the General coaxed or prophesied or wisecracked or thundered as the occasion seemed to warrant, and the business men would go forth obediently—or so they felt at the moment—to do his bidding. So completely did the General captivate the Washington newspaper men that they began to regard the NRA as the center of the government exhibit and the White House as a side show. His vehement oratory, his references to "cracking down on the chiselers" and to the "dead cats" of criticism, his torrential enthusiasm, held the country spellbound. General Johnson had become the personification of Recovery.

When you went to the movies to see "Cavalcade" (that life-preserver with TITANIC on it!), or "Mädchen in Uniform," or "Reunion in Vienna," you would see also a short picture, accompanied by a voice thrilling with patriotism, telling how America was marching on to prosperity under the slogan "We do our part." The Blue Eagle appeared in shop windows, in advertisements. There were splendid NRA parades, with thousands marching and airplanes droning overhead. Grover Whalen organized a New York compliance campaign enlivened by the appearance of Miss Nira (short for National Industrial Recovery Act) and Miss Liberty; 150 women from the Bronx marched to NRA headquarters bearing 250,000 pledges and accompanied by a brass band; it was estimated that a quarter of a million people marched in New York and a million and a half looked on, and it cost $4,980.70 to clean up the streets afterwards.

Yes, America was on its way. Though the stock market looked ragged as the summer came to an end, and the business indices had slipped back from the pinnacle of July, and doubts and disagreements were beginning to cloud the brightness of the economic and political skies, still the prevailing mood of the general public was aptly reflected in the song of the three little pigs in Disney's new picture, then going the rounds of the movie houses: America had learned to sing "Who's Afraid of the Big Bad Wolf?"