

Chapter Seven

REFORM—AND RECOVERY?

§ 1

THE New Deal Honeymoon ended in the latter months of 1933—not abruptly but (like many a marital infatuation) in a series of annoyances and disappointments and discords.

The upsurge of business, which in the spring of 1933 had carried the Federal Reserve Board's Adjusted Index of Industrial Production all the way from 59 in March up to 100 in July, was followed by a bad setback—the result of over-speculation and over-purchasing for inventories. In August the index receded from 100 to 91; in September it slipped to 84, in October to 76; by November it had reached 72. Two-thirds of the ground which had been gained during that wonderful springtime rise had now been lost—and during the very months when the NRA, vehicle of so many high hopes, was accumulating momentum! No wonder people began to ask themselves whether this New Deal recovery had been just a flash in the pan; to note how the hurriedly devised New Deal machinery was creaking; to turn a more skeptical ear to the President's optimistic assurances and to General Johnson's mighty tub-thumping.

Already the NRA was producing friction and evasion. Henry Ford was refusing to sign the automobile code. William Randolph Hearst, in full-page newspaper advertisements, was attacking the Recovery Act as "a measure of absolute state socialism" and "a menace to political rights and constitutional liberties," and was proclaiming that the letters NRA stood for "No Recovery Allowed." As the

various industrial codes were at last worked out and approved, after endless arguments and confusions, some employers were planning to comply with their provisions fairly and honorably; others were welcoming the chance given them to gather round a table and quietly fix prices, but were resolving to evade the wage and hour clauses and to make a dead letter of Section 7a of the Recovery Act, which guaranteed collective bargaining. These companies were piously introducing company unions which looked like the real thing but weren't, or were deciding to have no truck with unions at all and to trust to the courts to uphold them in their defense of their "liberties." Simultaneously the large-waisted officials of the American Federation of Labor were being stirred to unwonted activity, chartering new unions by the hundreds, and workmen who took Section 7a at its face value were striking fiercely for their government-guaranteed rights. From industrial centers came reports of bloody fighting along the picket lines, of tear gas drenching angry crowds, of National Guardsmen marching to action.

Late in the autumn of 1933, George R. Leighton, investigating for *Harper's Magazine* the facts behind the Blue Eagle ballyhoo in four Eastern states, came back with the report that "the spirit and intent of the National Industrial Recovery Act and the codes are being frustrated, openly or in secret." He found that the government's aim to raise wages was being defeated, either by the sheer refusal of employers to obey the minimum-wage provisions of the blanket code, or by their raising some wages up to the minimum and lowering others down to it. He found employees too scared to peep about what was happening. "For God's sake," cried one workman, "don't tell anybody that you've been here. . . . There are men in cement plants near here who have complained and now they're out in the cold." Compliance boards—which were supposed to enforce the codes—were sometimes, Mr. Leighton found,

packed with men who saw eye to eye with hard-boiled employers and had no notion of protecting labor or the consumers. He found local NRA officials timid in dealing with powerful industrialists; one official spoke of a big factory owner in his town in revealing words: "It is so hard to get an audience with him."

The evidence was fast accumulating: the Administration's great experiment in "business self-rule" had come into full collision with the ingrained determination of business executives to hold down their costs of doing business, to push up prices if they could, and in general to run their companies as they pleased, come hell, high water, or General Johnson. Where they could turn the machinery of the NRA to their own ends, they did so—and it was they, not labor or the consumers, who held the initiative in framing the codes. Where they could not turn this machinery to their own ends, some of them complied, others fought the law or nullified it. Certain benefits accrued from the NRA experiment: a virtual ending of child labor; some increases in wages, reductions of over-long hours, and elimination of demoralizing practices, especially in the more enlightened industries; some stabilizing of business. But there seemed to be no increase in employment beyond what sprang directly from the shortening of hours, and prices to the ultimate consumer tended to rise along with wages—in some cases faster than wages. Meanwhile as business lagged and strike threats multiplied, the business community in general was becoming more and more antagonistic toward the new dispensation.

Roosevelt himself was deeply concerned by the loss of business momentum and by the downward drift of farm prices. He who had once referred to himself as the quarterback of the offensive against the Depression now saw the game going against him and decided to try a forward pass. He had been listening to the advice of Professor George

F. Warren of Cornell, who had persuaded Farm Credit Administrator Henry Morgenthau that if the government deliberately raised the price at which it could buy gold, the dollar might be cheapened not only in terms of gold, but in terms of other goods as well: in short, that prices should rise. William H. Woodin, the Secretary of the Treasury, was gravely ill, and Dean G. Acheson, who as Under Secretary was in active charge of the Treasury Department, had no use for the Warren gold-buying scheme; but the President, full of his new idea, went ahead regardless, and on October 22, 1933, announced that the Reconstruction Finance Corporation was going to buy gold for the government.

So it happened that at nine o'clock each morning during the late autumn of 1933, two or three men gathered in the President's bedroom at the White House: usually Professor Warren, Henry Morgenthau, and Jesse Jones of the Reconstruction Finance Corporation. While the President breakfasted in bed, they decided what the day's price for gold would be. The President would scribble a couple of "chits"—one for Jones, authorizing the day's gold price; the other for Acheson, breaking the news to the Treasury Department. Presently Acheson left his untenable position at the Treasury and Morgenthau took his place (to succeed to the Secretaryship upon Woodin's resignation); Professor O. M. W. Sprague, financial adviser to the government, also left the Treasury in indignation at such monetary high-jinks; Al Smith was heaping ridicule upon the President's "baloney dollar"; and Wall Street resounded with angry cries: the United States was on its way to the sort of uncontrolled inflation which had run wild in Germany in 1923; over-spending and "rubber-dollar" experimentation would soon result in ruining the government's credit.

Not until the end of January, 1934, did the gold-buying episode come to an end. By that time the dollar had been

devalued (in terms of gold) to 59.06 cents. Prices had risen somewhat, but nowhere near proportionately. The great experiment was a failure. Moreover the financial community—which had long since quite recovered from its sheer panic of the preceding spring, and now felt, with rising indignation, that it was being made the scapegoat of the Depression—had become an almost solid anti-Roosevelt phalanx.

(Footnote upon the prophecies of the wise men of Wall Street: Within the following five and a half years there took place no uncontrolled inflation, no collapse of the credit of the government. What did take place was an embarrassingly huge accumulation of gold in the underground vaults of Fort Knox in Kentucky: over fourteen billion dollars' worth of it, at the \$35-an-ounce price which the United States was willing to pay and others did not care to pay because most of the nations of the world had gone off the gold standard.)

As the winter of 1933-34 set in, the New Deal's once-solid support was falling into fragments. Most of the radicals had become impatient with Roosevelt: he was moving too slowly, they charged, he was proposing mere palliatives instead of revolutionary remedies. Thousands of farmers were angry at the failure of the AAA thus far to bring them high prices for their crops, and disorder still flared along the highways of the corn belt and the wheat belt. Laboring men, though they credited the government with an intention to let them organize and to be generous with unemployment relief, resented its inability to enforce Section 7a and the capture of the NRA machinery by the employers. Business men who had imagined that Roosevelt, after putting through his rapid-fire program of reforms and recovery measures in the spring of 1933, would rest on his oars, were discovering to their dismay that he had no such

intention; what wild scheme, they asked one another, would this man hatch next?

Already he had set up the Civil Works Administration, a vast and unwieldy—and expensive—system of Federal work relief for the unemployed. In his budget message to Congress at the beginning of 1934, he calmly stated that during the fiscal year 1933-34 the excess of government expenditures over government receipts would be over seven billion dollars and that during the fiscal year 1934-35 it would probably be two billion dollars. "This excess of expenditures over revenues, amounting to over nine billion dollars during two fiscal years," announced the President, "has been rendered necessary to bring the country back to a sound condition after the unexampled crisis which we encountered last spring. It is a large amount, but the immeasurable benefits justify the cost." The words were confident, but what economy-minded business man struggling with his year-end accounts could fail to ask himself just how "immeasurable" the benefits *to him* had turned out to be, or whether this man who contemplated so coolly a nine-billion-dollar increase in the Federal deficit could be the same Franklin Roosevelt who in 1932 had berated the Republicans for gross extravagance and in March, 1933, had introduced the Economy Bill?

The truth was that a major deflation, if it should occur, would be even more damaging to Franklin Roosevelt than it would have been to Herbert Hoover. Under the existing debt structure Roosevelt had now placed, at many new points, the credit of the government itself. He had committed himself to recovery through rising prices and large-scale business expansion, rather than through falling prices and the writing-off of debts. He must keep his foot pressed down on the accelerator, not on the brake. Dark though the road might look ahead, he must drive on. A costly course to take? Perhaps. But it was too late to turn back now.

§ 2

Intermittently throughout the year 1933 the Senate Committee on Banking and Currency, with the aid of its inexorable counsel, Ferdinand Pecora, had been putting on one of the most extraordinary shows ever produced in a Washington committee room: a sort of protracted coroner's inquest upon American finance. One by one, a long line of financial overlords—commercial bankers, investment bankers, railroad and public-utility holding-company promoters, stockbrokers, and big speculators—had filed up to the witness table; and from these unwilling gentlemen, and from their office files, had been extracted a sorry story of public irresponsibility and private greed. Day by day this story had been spread upon the front pages of the newspapers.

The investigation showed how pool operators in Wall Street had manipulated the prices of stocks on the Exchange, with the assistance of men inside the companies with whose securities they toyed. It showed how they had made huge profits (which represented the exercise of no socially useful function) at the expense of the little speculators and of investors generally, and had fostered a speculative mania which had racked the whole economic system of the country—and this not only in 1928 and 1929, but as recently as the spring of 1933, when Roosevelt was in the White House and Wall Street had supposedly been wearing the sackcloth and ashes of repentance. The investigation showed, too, how powerful bankers had unloaded stocks and bonds upon the unwary through high-pressure salesmanship and had made millions trading in the securities of their own banks, at the expense of stockholders whose interests they claimed to be serving. It showed how the issuing of new securities had been so organized as to yield rich fruits to those on

the inside, and how opportunities to taste these fruits had been offered to gentlemen of political influence. It showed how that modern engine of financial power, the holding company, had been misused by promoters: how some of these promoters had piled company upon company till their structures of corporate influence were seven or eight stories high; how these structures had become so complex that they were readily looted by unscrupulous men, and so unstable that many of them came crashing down during the Depression. It showed how grave could be the results when the holding-company technic was applied to banking. It showed how men of wealth had used devices like the personal holding company and tricks like the sale of stock (at a loss) to members of their families to dodge the tax collector—at the very moment when men of humbler station had been paying the taxes which supported the government. Again and again it showed how men occupying fiduciary positions in the financial world had been false to their trust.

Naturally the composite picture blocked out by these revelations was not fair to the financiers generally. The worst scandals got the biggest headlines. Yet the amount of black in the picture was shocking even to the most judicial observer, and the way in which the severity of the Depression had been intensified by greedy and shortsighted financial practices seemed blindingly plain. So high did the public anger mount that the New Deal was sure of strong support as it drove on to new measures of reform.

The first move was into Wall Street. The Securities Act of 1933 was followed by the Securities and Exchange Act of 1934, which put the stock exchanges of the country under Federal regulation, lest the next boom (if it ever came) end in another speculative crash. This Act gave the Federal Reserve Board the authority to limit speculative margins; required all directors, officers, and principal stockholders

of big corporations to report all their transactions in the securities of their companies; and created a Securities and Exchange Commission—to be known familiarly as the SEC—which was intended to act as chaperon and policeman of the stock exchanges and the investment market generally, and by slow degrees subdue them to the useful and the good.

The next year the New Deal moved against the misuse of the holding company in the area where its performances had been most egregious—in the public utilities. The Public Utility Holding Company Act provided that holding-company structures must not be more than two stories high, that they must be simplified, and that they must limit themselves to the management of economically integrated groups of operating companies.

Turning to the banking system of the country, the New Deal made no attempt to unify it (bringing the national banks and the forty-eight groups of state banks into one system) but in 1935 increased the supervisory power of the Federal Reserve Board over the various Federal Reserve Banks, centering a more effective authority in Washington, and incidentally made permanent the insurance by the government of small bank deposits, as temporarily arranged in 1933.

Other new powers of regulation and compulsion were assumed by the Federal government. For example, the power of the Interstate Commerce Commission was extended to cover not only railroads, as of yore, but interstate bus and truck traffic as well; and for the old Radio Commission was substituted a new Communications Commission which was not only to police the air waves but also to supervise the telegraph and telephone systems. Not until September 2, 1935, did the President announce—in a letter to Roy W. Howard of the Scripps-Howard newspapers—that the New

Deal's legislative program had "reached substantial completion" and that business might expect a "breathing spell."

Throughout a large part of the years 1934 and 1935 the hue and cry over these reform measures of the New Deal reverberated across the country.

No longer, to be sure, did the news from Washington still make the front pages of the newspapers as automatically as it had in the first wild days of the new Administration. Other events, important and unimportant, now claimed a fresher attention. During the winter of 1933-34—a piercingly cold winter in the North, when the Atlantic Ocean was blocked with ice all the way from Nantucket Island to the mainland, and Army fliers, hastily ordered to carry the air mails after Roosevelt's mistakenly sudden termination of the air-mail contracts, were flying to their deaths in ice and fog—there was foreign news to contest for front-page space with General Johnson's latest admonitions and expletives and with Roosevelt's monetary experiments and reform proposals. There were riots in Paris which seemed for a time to presage civil war in France. Foreign excitements continued during the summer of 1934: there came Hitler's blood purge and the assassination of little Chancellor Dollfuss of Austria, which threatened a general European war (with Italy opposed to Germany!). That spring there took place in a humble Canadian home an event which for sheer human interest was the feature-editor's answer to prayer: on May 28, Mrs. Oliva Dionne gave birth to five little girls—and incidentally to a major Canadian industry, the exploitation of the Quintuplets as five modern wonders of the world.

As the summer of 1934 drew to its close the country supped on horror: the Ward Liner *Morro Castle* was burned, with a loss of 137 lives, off the coast of New Jersey. Men and women who were hardly aware what the letters SEC stood for could have told you in detail how the *Morro*

Castle fire was first discovered in a locker off the port-side writing room; how Chief Officer William F. Warms had found himself in precarious command of the vessel owing to the death of the captain from indigestion a few hours previously; how the fire could not be stopped and the passengers took to the boats—or to the open Atlantic; and how the red-hot hulk of the ship was later beached right beside the convention hall at Asbury Park, where it boomed briefly a grim sight-seeing trade.

While the visitors to Asbury Park were still staring at the *Morro Castle*, the most exciting detective-and-trial-scene story of the decade began to unfold itself, as Bruno Richard Hauptmann was captured in the Bronx and was put on trial for the kidnapping of the Lindbergh baby. The furiously ballyhooed trial at Flemington brought once again to everybody's lips the names of Dr. Condon and the Whateleys and Betty Gow, and lifted into brief public prominence new names such as those of Attorney General Wilentz of New Jersey, Justice Trenchard, counsel Reilly for the defense, and the mysterious German of Hauptmann's incredible testimony, Isidor Fisch.

It was during the following summer—the summer of 1935—that public attention was diverted from the debate over the Holding-Company Bill and other Administrative measures by Jim Braddock's capture of the heavyweight boxing championship from Max Baer; by the deaths of Will Rogers and Wiley Post in an airplane crash in Alaska; and by the slow gathering of war clouds over unhappy Ethiopia. All through 1934 and 1935, furthermore, an event of major importance to America—of which we shall hear more in the next chapter of this book—was taking place on the Great Plains: the farms of the Dust Bowl were blowing away.

Yet never quite inaudible, during all the time when these events were taking place, was the rumble of battle over the

New Deal financial reforms. The outcry of protest from Wall Street—which was echoed generally in the conservative press—was terrific. The Securities and Exchange Bill, if passed, would end the liquidity of the investment markets and bring general economic ruin! Roosevelt was taking the high road to communism! Had not Dr. William A. Wirt of Gary, Indiana, told of being at a “brain trust” dinner party where, he insisted, government employees had spoken of Roosevelt as merely the Kerensky of a new American revolution? Did not Rexford Tugwell, the Assistant Secretary of Agriculture, appear to be practically a communist—especially to those newspaper proprietors who feared that his proposed bill to regulate food and drug advertising might cut into their revenues? The government was out to ruin all investors in public utilities: it was enlarging the TVA’s sphere of competition with Southern private utilities, it was subsidizing municipalities which wanted to have municipal power and light systems and take their power from the TVA, it was building new dams at Grand Coulee and Bonneville in the West, which would enlarge the area served by public power—and now it was proposing, through the Holding-Company Bill, to apply a “death-sentence” to a lot of helpless holding companies! The issue was clear, shouted the conservatives: it was economic dictatorship versus democracy.

Back from the New Dealers came the reply: Wall Street’s record of mismanagement had been spread upon the books of the Senate Committee. “The people of the United States will not restore that ancient order.” The New Deal intended to protect the average man against “the selfish interests of Wall Street.”

Thus the thunder of battle rolled—while Franklin Roosevelt, still overwhelmingly in command of Congress, pushed the reforms through to enactment.

§ 3

Not only did the New Deal try to restore prosperity through the NRA, the AAA, currency changes, and other measures, and to prevent the recurrence of economic disaster through its reform measures; it also tried to protect individual citizens against the hardships of economic adversity, past, present, and future. It set up so many agencies to lend money to organizations and individuals that the mere listing of them would be wearisome. Through an enactment of major importance in 1935, the Social Security Act, it set up a vast system of unemployment insurance and of old-age assistance for the greater part of the working population of the country—taxing pay rolls to set up a colossal fund out of which might be paid old-age benefits in the long future. Year after year it struggled, too, with the problem of unemployment relief.

The attack upon this desperate problem threw into sharp outline the essential strength of the New Deal, its essential weakness, and the dilemma of the national economy as a whole.

When in the spring of 1933 the Federal government had assumed the responsibility for seeing that men and women and children did not go hungry or shelterless in the United States, it had set aside half a billion dollars out of the public-works fund to aid the states in carrying the burden of unemployment relief; and President Roosevelt had appointed as Federal Emergency Relief Administrator a thin, narrow-faced, alert-looking young Iowan named Harry Hopkins, who had been a zealous and idealistic social worker and had served as relief administrator in New York during Roosevelt's governorship. The distribution of this fund appeared to be simply a temporary expedient, for in those hopeful days recovery was seemingly on its way at the double-quick.

Then came the downturn of the fall of 1933, and the prospect of another dreadful winter. Most of the cities and states of the country were on the verge of bankruptcy and quite unable to bear the relief burden unaided—and unemployment during the winter of 1933-34 was pretty surely going to be almost as severe as during that of 1932-33! Another "temporary" plan was needed, and on no niggardly scale.

So the Civil Works Administration was set up and Harry Hopkins found himself in command of a huge and hasty organization of mercy; and Roosevelt, as we have seen, asked Congress for billions to meet this new need. Surely things would be better next year. In the spring of 1934 the Civil Works Administration—which was proving terrifically expensive—was abandoned, and the organization of relief was altered again.

But things did not prove much better the next year. And so once more the President called for billions of dollars and once more the organization was overhauled: early in 1935 the Works Progress Administration—the WPA—came into being.

Although the WPA was destined to remain throughout the rest of the decade, it was destined also to be subject to constant reorganization and revision. In essence, the history of those first years was to be repeated again and again. Year after year the Administration found the number of unemployed men unexpectedly large, found its funds running out, confronted the new crisis with a new appeal to Congress for more billions, and hastily improvised new and glowing plans. The prevailing pattern was one of administrative makeshift.

The principle upon which Federal relief operated was magnificent. The government said in effect: "These millions of men who are out of work are not to be considered paupers. They are not to be subjected to any humiliation which we

can spare them. They are to be regarded as citizens and friends who are the temporary victims of an unfortunate economic situation for which the nation as a whole is responsible. Not only is it far too late in the day, now, to follow the Hoover principle that the acceptance of Federal money undermines men's self-respect; it is even too late in the day to be content with giving handouts. These men want to *work* for the money they receive. Very well, we shall put them to work—as many of them as we possibly can. We shall put them at useful work which will not compete with private business. They shall become government employees, able to hold up their heads again. If putting them to work costs more than a cash dole, the benefits in morale restored will outweigh the expense."

But these things were easier said than done, on the scale on which the government had to operate. Stop for a minute to feel the impact of these figures: The CWA at its peak employed *over four million workers*—enough to man some twenty General Motors Corporations. The WPA began operations with the aim of employing *three and a half million*. (The total number of people dependent upon Federal, state, or local relief—including the families of those to whom payments were made—was variously estimated at various times at from *twenty to twenty-five million*.) How to put this vast horde to work?

First of all, there was the difficulty of finding work that had value, and would not compete with private business, and was fitted to the endlessly varied abilities and experience of millions of individuals. It was decided that the relievers were not to work on private property, engage in manufacturing, or set up rival merchandising systems. The money went at first mostly into such projects as the repair and building of roads (especially farm-to-market roads), repairs on public buildings and schools, the construction of parks and playgrounds; and—for the professional and cleri-

cal workers, the white-collar class—into research projects for the government and for universities, and into engaging relievers who had some special skill or knowledge to teach it to others who did not have it. Some of the jobs were trivial, or too many men were assigned to them, or these men were conspicuously inexpert; hence the criticisms one constantly heard of “leaf-raking” and of men idling on the job.

During an aldermanic inquiry into New York City relief early in 1935—in which it was discovered that money was being spent for the teaching of tap dancing and the manipulation of shadow puppets, and for such academic enterprises as “a study of the predominating non-professional interests of teachers in nursery schools, kindergarten, and first grade” and “a study of the relative effectiveness of a supervised correspondence course in elementary Latin”—one Robert Marshall testified that he was a “training specialist” who taught the relievers “boon doggles,” explaining that this was an old pioneer term for useful everyday tricks of handicraft such as making belts by weaving ropes. The strange term entranced newspaper-readers, and presently the conservative press everywhere was referring to relief projects of questionable value as “boondoggling.”

Another great difficulty was that of enrolling and investigating and assigning workers. Should a job go to the person who could do it best, or to the person in the direst need? If need was to be the criterion, how could any standards of work be maintained? The determination of wage scales offered another series of headaches. Presumably the wages should be lower than those for private business—but what if local wages were on the starvation level? These were only a few of the practical questions for which there seemed to be no possible answer which did not produce either injustice or inefficiency.

Again, there was the grave difficulty of setting up a proper organization, of keeping the control of relief out of the

hands of grafters and political hacks, of resolving the endless conflicts between Federal and local agencies. Though the division of authority between Federal and state and local governments varied bewilderingly in different places and at different times, the whip hand was held in the main by the Hopkins organization in Washington, which was vigilant against graft and—at least in the early years—pretty independent of politics. As time went on, the taint of politics became somewhat more noticeable: the relief system was all too valuable to the Democratic party, relief expenditures had a way of rising to a maximum as Election Day approached, and there was ugly evidence here and there of the gross misuse of funds, as in Pennsylvania; but on the whole the record was astonishingly clean considering the vastness of the funds disbursed and the generally low level of political ethics in American local government.

Beyond all these difficulties was the final, inescapable one. Try as Hopkins and his aides might to make the work vital and prideworthy, the fact remained that it was made work, ill-paid, uncertain, undemanding of real quality of workmanship; and that the relievers became perforce, by degrees, a sort of pariah class, unwelcomed by private industry, dwelling in an economic twilight.

That is a generalization. Against it should be set some high triumphs, including notably those of the Federal Theatre, Music, and Arts projects. Who would have believed, during the Hoover period, that within a few years, under the WPA, orchestras would be getting relief aid for playing to enthusiastic audiences, government-subsidized theatre groups would be packing the playhouses with excellent shows, and able painters who had not sold a picture for months or even years would be getting government assignments to paint post-office murals?

Of all the forms which Federal relief took there is not space here to speak. Yet a word at least should be said of

the Transient Camps which offered shelter to those hundreds of thousands of Americans who were traveling about in search of work and could not qualify for regular relief after they left their home towns (who wants to support a non-resident?); of the National Youth Administration, which helped to pay for the education and training of young people who would otherwise have gone without; and of the WPA's purchase of surplus commodities—especially farm products—and their distribution to the needy. (Nor should it be forgotten that the great enterprises—bridges, dams, public buildings, etc.—constructed by the Public Works Administration, and the forest-conservation work of the Civilian Conservation Corps, while not administratively a part of Federal relief, supplemented the relief system.)

Two more generalizations must be made, however, before we leave this twilight zone. The first is that, despite all the inefficiencies of the relief system, its frequent upheavals of organization, its confusion, and its occasional political subversion, it commended itself to the bulk of the American people because of its essential friendliness, of the human decency of its prevailing attitude toward those whom the Depression had thrust into want. Possibly those privileged people who denounced the system as a coddling and spoiling of the unfit may have owed their security from civil revolution during the nineteen-thirties to the fact that the government in power treated the relievers as citizens worthy of respect.

The second generalization is that the terrific cost of such a relief system bore down upon the working and income-receiving part of the population, even while the expenditures were helping to keep trade going; and that that part of the cost which was not met by current taxes remained, in the form of Federal debt, to bear down upon the job-holding and income-receiving Americans for long years to come. Human decency came very high.

Here was the essential dilemma of the New Deal. Just as it wanted, reasonably enough, to apply the lessons of the 1929-33 débâcle and reform the financial system, but apparently could not do this without setting up a Federal supervisory bureaucracy, without inflicting upon the financial world endless rules and regulations, endless tasks of questionnaire-answering, report-writing, and prospectus-writing, and filling Wall Street with paralyzing fears, rational and irrational, thus delaying recovery; so also it apparently could not deal humanely with the unemployed men and women of the country without imposing heavy taxes, incurring heavy deficits, raising very natural qualms as to its ability to carry on indefinitely with a mounting debt, and thus once again delaying recovery. It had to march toward its goal under a veritable Christian's pack—the burden of the very inadequacies which it was trying to resolve.

§ 4

Early in the evening of July 22, 1934, a group of agents of the Department of Justice, armed with pistols, gathered unobtrusively about a movie theatre on Lincoln Avenue, Chicago. The leader of the group, Melvin H. Purvis, parked his car near the theatre door and carefully scanned the faces of the men and women who entered. At length Purvis recognized the man he wanted—though this man had dyed his hair, had had his face lifted, had grown a mustache, and had put on gold-rimmed glasses.

For two hours Purvis waited in his car, until the man came out of the theatre. Then Purvis signaled to his aides by thrusting an arm out of the car, dropping his hand, and closing it. The aides closed in on the movie-goer, and when he started to draw an automatic they shot him down. The next morning the headlines shouted that John Dillinger, Public Enemy No. 1, had been destroyed.

Another offensive of the reform spirit against things-as-they-had-been was well under way.

During the early years of the decade, as we have seen, there had been immense indignation at the prevalence of crime in America and the inability of the police to cope with it. This indignation had been sharpened by the Lindbergh kidnapping early in 1932. From that time on, every kidnapping case leaped into such prominence in the newspaper dispatches that most Americans imagined that a wave of kidnapping was sweeping the country. The public indignation took an ugly form at San Jose, California, late in 1933, when two men who had kidnapped young Brooke Hart, and had shot him, weighted his body, and thrown it into San Francisco Bay, were taken out of the San Jose jail by an angry mob and hanged on trees near by—whereupon the Governor of California, who had a curious notion of law and order, commented that the lynchers had done "a good job."

Proceeding upon the theory that the states could not be sure of catching criminals (any more than they could be sure of stopping undesirable business practices) without Federal aid, Congress had passed laws giving the Federal authorities a limited jurisdiction over crimes which had hitherto been wholly under state jurisdiction. J. Edgar Hoover, the resourceful head of the Bureau of Investigation of the Department of Justice, saw his chance. When John Dillinger, a bank robber and hold-up man of the Middle West, proved to have a remarkable ability to shoot his way out of difficulty, Hoover sent his Federal men on the trail—though Dillinger's only Federal offense up to that time was said to have been the interstate transportation of a stolen car. Dillinger was labeled "Public Enemy No. 1" (now that Al Capone was in prison), and the public began to take notice.

The Federal agents caught up to Dillinger at St. Paul but

he escaped, wounded. A few days later he appeared in a surgeon's office, leveled a gun, compelled the surgeon to give him treatment for his wound, and got away safely. Again he was found, at a summer resort in Northern Wisconsin; but although agents surrounded the building where he was staying, he escaped after a battle in which two men were killed and two were wounded. At last Purvis caught him in Chicago, as we have seen, and the story of John Dillinger came to an end.

But not the story of J. Edgar Hoover and his Federal agents. For these Federal sleuths now proceeded to capture, dead or alive, "Pretty Boy" Floyd, "Baby Face" Nelson, and so many other public enemies, one after another, that after Alvin Karpis was taken alive in 1936 the public quite lost track of the promotions in the Public Enemy class.

Hoover and his men became heroes of the day. The movies took them up, taught people to call them G-men, and presented James Cagney in the rôle of a bounding young G-man, trained in the law, in scientific detection, in target practice, and incidentally in wrestling. Presently mothers who had been noting with alarm that their small sons liked to play gangster on the street corner were relieved to observe that the favored part in these juvenile dramas was now that of the intrepid G-man, whose machine gun mowed down kidnapers and bank robbers by the score. The real G-men—with the not-quite-so-heavily-advertised aid of state and local police—continued to follow up their triumphs until by the end of 1936 they could claim that every kidnapping case in the country since the passage of the Lindbergh law in 1932 had been closed.

But kidnapping and bank robbery, sensational as they were, were hardly the most menacing of crimes. The deprivations of professional gangster-racketeers were more far-reaching and infinitely more difficult to combat. During the nineteen-twenties various gangster mobs, the most no-

torious of which was Al Capone's in Chicago, had built up larger, better organized, and more profitable systems of business-by-intimidation than the country had ever seen before. The foundation of these rackets was usually beer-running, but a successful beer-runner could readily handle most of the bootlegging trade in whisky and gin as a sideline, branch out to take over the gambling and prostitution rackets, and also develop systems of terrorization in otherwise legitimate businesses, by using what purported to be an employer's association or a labor union but was really a scheme for extortion backed by threats to destroy the members' business—or kill them—if they did not pay. The pattern was different in every city and usually there were many rival gangs at work, muscling in on one another's territory from time to time to the accompaniment of machine-gun battles.

During the early nineteen-thirties the racketeers—like legitimate business men—found business bad. The coming of Repeal, by breaking the back of the illicit liquor business, deprived these gentry of a vital source of revenue. But the technique of politically protected intimidation had been so well learned that racketeering went right on in many cities. Even in New York—a city which had never been so racket-ridden as Chicago and had elected in 1933 an honest and effective mayor, Fiorello LaGuardia—dozens of businesses were in the grip of rackets and their victims were too terrified to testify to what was going on.

But New York was to provide a classic demonstration of what the new reform spirit, properly directed, could do.

The story of the demonstration really began on November 21, 1933—when Roosevelt was engaged in his breakfast-in-bed gold-buying plan, and General Johnson was approving NRA codes, and Mae West was appearing on the screen in "I'm No Angel," and Katharine Hepburn in "Little Women," and copies of *Anthony Adverse* were everywhere,

and the first bad dust storm had just raged in the Dust Bowl, and the Century of Progress Fair at Chicago had just ended its first year, and the CWA had just been organized, and the United States had just recognized Soviet Russia. On that day the New York papers had carried on their inside pages an item of local news: the appointment as local Federal Attorney of one Thomas E. Dewey, who was only thirty-one years old. During the next year and a half young Dewey did well at this job. In the spring of 1935 a grand jury in New York, investigating racketeering, became so dissatisfied with the way in which the evidence was presented to it by the Tammany District Attorney that it rose up in wrath and asked Governor Lehman to appoint a special prosecutor. Governor Lehman appointed the valiant Dewey and on July 29, 1935, he set to work.

There followed one of the most extraordinary performances in the history of criminal detection and prosecution. Dewey mobilized an able staff of young lawyers and accountants in a highly protected office in the Woolworth Building, sent them out to get the evidence about racketeering, and to everybody's amazement got it, despite the terrified insistence of the very people whom he was trying to protect that they knew nothing at all. This evidence Dewey marshaled so brilliantly that presently he began a series of monotonously successful prosecutions. He put out of business the restaurant racket, to which at least 240 restaurants had paid tribute. He sent to prison Toots Herbert, who in the guise of a labor leader, head of Local 167, had collected large sums from the poultry business. He convicted Lucky Luciano, who had levied toll upon the prostitutes and madams of New York (with such smooth-running political protection that although during 1935 no less than 147 girls who worked for this combination had been arrested, not one of them had got a jail sentence). Within two years Dewey had indicted 73 racketeers and convicted 71 of them: and

all this despite the unwillingness of witnesses to talk, the constant need of protecting against violence those who agreed to talk, and constant attempts at bribery and intimidation. Elected District Attorney in 1937, Dewey continued his onslaught, and in 1939 he secured the conviction of an important Tammany leader, James J. Hines. (Hines appealed, and at the end of the decade his case was still pending.)

The intimidation industry was not destroyed, of course, any more than kidnapping and bank robbery had been ended; but Dewey, like the G-men, had shown that crime could be successfully combated, and the lesson was widely noted. When the worthy members of the National Economic League, who in 1930 and 1931, as we have previously seen, voted that "Administration of Justice" and "Crime" and "Lawlessness" were—along with Prohibition—the important issues before the country, voted again in 1937, they decided that "Crime" offered a less important problem than "Labor," "Efficiency and Economy in Government," "Taxation," or "The Federal Constitution."

The drive against crime had won at least a temporary victory.

§ 5

Through the years 1934 and 1935, President Roosevelt was sore beset.

Economic recovery was lagging badly. For a measure of what was happening, let us return once more to the Federal Reserve Board's Adjusted Index of Industrial Production, which gives perhaps the best general indication of economic health. We have seen that the index figure had dropped from its prosperity peak of 125 in 1929 all the way to 58 in the summer of 1932, and again to 59 in the bank-panic month of March, 1933; that it had then bounded to 100 during

the New Deal Honeymoon, and slid down to 72 in November, 1933, as the Honeymoon came to an end. Slowly it crept up again, but only to 86 in the spring of 1934. Back it slipped to a discouraging 71 in the fall of 1934. Once more it gained, till at the beginning of 1935 it had reached 90. Then during the spring of 1935 it receded to 85. Not until the last month of 1935 had it fought its way up again to the hundred mark it had attained during those first frenzied months of the New Deal—and this despite the pouring of billions of dollars of relief money into the bloodstream of trade.

The President's confident proposals for new legislation could not altogether distract public attention from the administrative difficulties which tangled the agencies he had already set up. The NRA appeared to be stimulating dissension rather than production. On the one hand it had virtually invited labor to organize; on the other hand it had turned over the formulation and administration of its hundreds of codes mainly to employers, and was unable to require these employers to recognize the rapidly mushrooming unions, dominated in many cases by inexperienced and over-combative leaders; hence it could not make good on its promise. Disillusioned auto workers were saying that NRA stood for "National Run Around." A fierce dock strike on the Pacific Coast grew into an attempt to tie up the whole city of San Francisco by a general strike in July, 1934. When the textile code authority called for a cut in production that same summer—a cut which meant grievous reductions in hard-driven textile workers' wages—another great strike began, with flying squadrons of strikers driving from mill town to mill town in the South, with National guardsmen called out in seven states, and with a list of dead and wounded growing ominously day by day. That fall General Johnson left the NRA under a storm of criticism—or, as he delicately put it himself, a "hail of dead cats."

The AAA was a storm center too, and its effect upon the farmers' income was a matter of dispute, since the rise in farm prices in 1934 might be partly attributed to the deadly drought which was blighting the prairies and the Great Plains. Unemployment and the resulting drain upon the national budget continued almost unabated.

Politically, the President came through the Congressional elections of 1934 with flying colors; the Democrats gained nine seats in the Senate and even enlarged slightly their big majority in the House. But how long would this supremacy last? Cannon were being unlimbered not only to the right of Roosevelt, but to the left of him too. That the forces of capital and management—bankers, investors, big business men, and their sympathizers—should have closed ranks against him was natural in view of his reform legislation, his monetary unorthodoxy, his huge spendings for relief, his intermittent hostility to big business, and his expansion of the area of government authority. But what if he could not hold the support of the have-nots, and found himself the leader of a centrist minority, raked by a cross fire from both sides?

On the left Roosevelt must reckon with Huey Long, the Kingfish of Louisiana, who had always been a maverick in national politics and had definitely quit the New Deal since that day in June, 1933, when he had called at the White House, had kept his jaunty straw hat on throughout most of his interview with the President, had been told that the Administration could not appoint some of his nominees for office, and had remarked to Jim Farley as he left, "What the hell is the use of coming down to see this fellow? I can't win any decision over him." Long was one of the most extraordinary figures in all American political history. He was of the stuff of which dictators are made, and he ruled Louisiana with an iron hand, smashing opposition as ruthlessly as a racketeer. Blatant, profane, witty, unscrupulous,

violent; possessed of the demagogue's habit of promising the impossible, together with the statesman's ability to provide good roads, better schools, free schoolbooks, and a generally better standard of living among the poor, both black and white, and at the same time to keep the state government solvent—Huey had blustered and bludgeoned his way into a stormy national prominence.

No use for Senators to try to silence him in Washington by leaving the Senate Chamber when he began to speak; his invective was the one thing the crowds in the galleries wanted most to hear.

When Huey toured the South in the spring of 1935, ten thousand people gathered in Atlanta to hear him denounce the Administration. "Pour it on 'em, Kingfish!" they yelled in delight. He was getting the headlines that spring by calling for an investigation of Postmaster General Jim Farley, of whom he said later, by way of explanation, "Jim was the biggest rooster in the yard, and I thought that if I could break his legs the rest would be easy." Radio audiences chuckled with delight at Huey's barnyard wit, as when he said, commenting on Herbert Hoover's call for a militant Republicanism, "Hoover is a hoot owl. Roosevelt is a scrootch owl. A hoot owl bangs into the roost and knocks the hen clean off and catches her while she's falling. But a scrootch owl slips into the roost and scrootches up to the hen and talks softly to her. And the hen just falls in love with him, and the next thing you know, there ain't no hen." Had there ever been before, in American political life, a man who could rule a state with machine guns, subdue a legislature completely to his will, and yet produce the sort of hilarity represented by a remark in the course of his comment on the Mardi Gras: "Once I got invited to one of their balls. I went down to a pawn shop and bought a silk shirt for six dollars with a collar so high I had to climb up on a stump to spit"?

Huey Long had a fantastic, utopian "Share Our Wealth" program for the country, very explicit as to objectives but very vague as to methods. It began with "Every family to be furnished by the government a homestead allowance, free of debt, of not less than one-third the average family wealth of the country, which means, at the lowest, that every family shall have the reasonable comforts of life up to a value of from \$5,000 to \$6,000." It ended with a clause proclaiming, "The raising of revenue for the support of this program to come from the reduction of swollen fortunes from the top." No wonder the New Deal, champion of the "forgotten man," feared Huey's rising power! When during 1935 the Democratic National Committee conducted a secret poll on a national scale, it found that on a third-party ticket Long would be able to command between three and four million votes for the Presidency. And nobody could tell how much further he might go.

Roosevelt must reckon also with another one-time ally who, like Long, had left the New Deal reservation: Father Coughlin of the Shrine of the Little Flower, whose eloquence over the radio had gained for his National Union for Social Justice an immense following, somewhat similar to Huey Long's. Father Coughlin's voice was raised in behalf not only of "a living annual wage" but of "nationalization of banking and currency and of national resources." How much strength might this prophet of the air waves command by 1936, if recovery continued to lag, and how would he dispose it?

Even more portentous, for a time, seemed the incredible organization headed by Dr. Francis E. Townsend of Long Beach, California. Not until the first of January, 1934, had this elderly physician announced his plan for a government allowance of \$200 a month to every citizen 60 years of age or older, the pension to be financed by a sales tax—and to be spent by each recipient within 30 days, thus assuring (so

the argument ran) such a wave of spending that business would boom and the sales tax would easily be borne. Yet so glowing was the appeal of the Townsend Old Age Revolving Pensions plan, and so clever was Townsend's aide Robert L. Clements in organizing Townsend Clubs, welding them into a hierarchic national system, and providing the faithful with a *Townsend National Weekly* and with speakers' manuals, Townsend buttons, stickers, tire covers, and automobile plates, that within a year the Townsend planners were said to possess the balance of political power in eleven states west of the Mississippi and were entrenched even in Ohio, Indiana, Illinois, and Massachusetts.

Smile as one might at the naïve devotion of these embattled old folks, in their annual convention, as they heard Townsend and Clements likened to George Washington and Alexander Hamilton, and rose to sing

Onward, Townsend soldiers,
Marching as to war,
With the Townsend banner
Going on before.
Our devoted soldiers
Bid depression go;
Join them in the battle,
Help them fight the foe!

it was no smiling matter for the Democratic general staff that the number of Townsend Club members was conservatively estimated at three million, and that the movement, by the end of 1935, had gained at least ten million supporters. Old age, it appeared, must be served.

And what of the communists? They were few in number compared with these other groups, but the influence of their scattered agents in provoking labor disputes and offering aggressive labor leadership was disproportionately great,

the intellectual offensive waged by their journalists and writers was powerful, and they formed the spearhead for a wide-ranging attack upon the New Deal from the left—an attack epitomized in such books as *The Economic Consequences of the New Deal*, by Benjamin Stolberg and Warren Jay Vinton, which denounced Roosevelt for trying to “organize scarcity” instead of “organizing abundance” and for trying merely to shore up the vicious and doomed system of capitalism, instead of wholeheartedly siding with the proletariat in the coming “irreconcilable conflict between capital and labor.” To the communists and their allies, in 1934 and early 1935, a liberal who did not stand for unrelenting war in this conflict was a fascist in sheep’s clothing. Alien to the American temper and American habits of thought as the communist credo was, it had a boldness, a last-resort ferocity, that might commend itself to millions of desperate men.

What of the future possibilities of some such movement as Upton Sinclair’s EPIC (End Poverty in California) campaign? Sinclair had recommended that the unemployed be set to work producing for one another, setting up—by an extension of the barter plans which had been so hopefully tried at the bottom of the Depression—a sort of economy-within-the-going-economy. Sinclair had scared prosperous Californians half to death in the elections of 1934, and had been defeated only with the aid of motion pictures faked by the Hollywood studios, showing dreadful-looking bums arriving in California by the carload to enjoy the new Eden that Sinclair promised.

And what of the farmer-labor movement in the Northwest, and of the aggressive Governor Floyd Olson of Minnesota as a possible leader?

In dealing with these various political menaces on the left the quarterback showed himself to be a brilliant broken-field runner. Roosevelt smiled upon Sinclair—without embracing him. Pushing forward the Social Security Bill, he

gave implicit assurance to the Townsendites that he intended to secure for them at least half a loaf. Not without a side glance at Huey Long and Father Coughlin, he suddenly produced in the summer of 1935 a proposal to increase the taxes upon the rich—to levy a big toll upon inheritances and large incomes and a graduated tax upon corporation incomes. The tax did not produce much revenue and its effect upon the wealthy was apoplectic; but Huey was so delighted that he moved back on the New Deal reservation—for how long, nobody could predict.

Yet all the broken-field dodging in the world could hardly have got Roosevelt past all these captains of dissent had not luck, too, intervened on his side. The luck assumed strange guises. Who would have guessed that Stalin, fearing the rise to power of Hitler and Mussolini, would have called upon good communists everywhere to join forces with liberal democrats in Popular Fronts—as he did in the summer of 1935—and that the advice from Moscow would soon spike the guns which the communists had been leveling at Roosevelt? Or that the powerful Olson of Minnesota would fall fatally ill and be unable to head a third party? Or that Huey Long, walking down the corridor of his own State Capitol in Baton Rouge in the evening of September 8, 1935, would be shot by a young physician, Carl Austin Weiss, Jr., and fatally wounded—while Huey's bodyguards, leaping too late to his defense, drilled the assassin with sixty-one bullets?

§ 6

While these assorted threats were still menacing the New Deal from the left, there fell from the right such a body blow that almost its whole program seemed in danger of annihilation. In a unanimous decision on May 27, 1935, the United States Supreme Court invalidated the NRA.

By implication, furthermore, the Court did much more

than that. Had it struck down the NRA alone, the blow would not have been staggering; for the NRA, as we have seen, had long since been recognized as the problem child of the New Deal. Had the Court's objection simply been to the drafting of the statute, the blow would not have been staggering; for Congress and the Executive were accustomed to being reminded that he who legislates in haste must expect to be invalidated at leisure. Had the Court even been content with objecting—as it did object—to the way in which the National Industrial Recovery Act had delegated law-making powers to trade associations, the blow would not have been staggering. What was lethal about the decision was that—as Charles and Mary Beard have put it—"In the opinion that supported the decision, the Chief Justice seemed to block every loophole for the regulation of procedures, hours, and wages in industries by Federal law."

The decision implied that it would be unconstitutional for the Federal government to deal with a national industrial or social or agricultural problem by dictating to individual factories, stores, or farmers what they should do. For the operation of a factory, according to the Court's reasoning, was an intrastate operation—even if the raw materials which it manufactured came from another state, and the factory competed with factories in other states. The operation of a store was intrastate, even if this store was operated by a national chain incorporated in another state, sold goods made in other states, and was at a hundred other points affected by the economic conditions in other states. The growing of crops was an intrastate process, even if when grown they moved into interstate commerce and the price which the farmer received was dependent upon a national market. No, said the Court: under the Constitution the Federal government may regulate only interstate commerce, and none of these things are interstate commerce as we interpret it. Not even in a national emergency may the

Federal government deal with them. "Extraordinary conditions do not create or enlarge constitutional power."

If the decision of May 27, 1935, was remarkable, so was the President's manner of replying to it. Four days later, more than two hundred newspaper men crowded into the Executive Offices at the White House to hear what he had to say. Jammed shoulder to shoulder in the hot room—for it was a warm day outside—and too cramped for ready note-taking, they listened to a discussion of the decision which lasted for an hour and twenty-five minutes. While Mrs. Roosevelt, sitting beside the President, knitted steadily on a blue sock, Roosevelt began by reading a few of the telegrams that had reached him since the decision—telegrams asking whether there wasn't something he could do to "save the people"—and then, placing a fresh cigarette in his holder, began a measured and carefully thought-out, if informal, analysis of the meaning of the decision, which he said was "more important than any decision probably since the Dred Scott case." Only two or three times did his voice rise in anger, but it thrilled with intensity throughout, and the reporters could have no doubt that he was profoundly moved.

"The big issue," said the President, "is this: Does this decision mean that the United States Government has no control over any economic problem?" And again—after a long analysis of the changes in the nature of the national economy since the Interstate Commerce Clause was written, and of the increase in economic interdependence since the days of the early Court decisions interpreting that clause strictly—"We have been relegated to the horse-and-buggy definition of interstate commerce." A great question, he said, had been raised for national decision—"The biggest question that has come before this country outside of time of war, and it has to be decided. And, as I say, it may take five years or ten years."

Before the correspondents filed out, there came a question from one of them: "You made a reference to the necessity of the people deciding within the next five or ten years. Is there any way of deciding that question without voting on a constitutional amendment or the passing of one?"

"Oh, yes, I think so," said the President. "But it has got to come, in the final analysis."

"Any suggestion as to how it might be made, except by a constitutional amendment?"

"No; we haven't got to that yet."

Nor was he to get to it for nearly two years.