## *Chapter Fourteen*

# ALL CHANGE

IF THE stroke of chance which closed the banks on Inauguration Day was bitterly tragic for Herbert Hoover, it was also staggering for Franklin Roosevelt. The country over which he was to govern was prostrate. The financial machinery had stopped. Most financial institutions were teetering on the edge of insolvency. Business was slumping fast to the low levels reached during the panicky spring of 1932. The farm population and the industrial population were in dire straits; unemployment and destitution were widespread. And who could be sure that the demoralization of the national economy had not only just begun?

Furthermore, Roosevelt's plans, formulated at leisure, had not contemplated the meeting of any such extraordinary crisis as the collapse of the whole banking system; at the very outset of his administration he must improvise. He and his cabinet officers were new to their jobs, to their staffs, even to each other. At a moment of the gravest danger the command of the Ship of State was being turned over to a group of passengers none of whom had ever been on the bridge before.

Yet in another respect the stroke of chance favored the new President. It gave him, for the moment at least, an almost united country. The closing of the banks had thrown rich and poor, employer and employee, banker and depositor, Republican and Democrat, into a common predicament; and this predicament was so sudden and unprecedented that divergent opinions as to the way out had not had time to crystallize. There was even, for millions of Americans, a curious thrill in the completeness of the breakdown after so many months and years of foreboding: a feeling of *Now it has happened: now for action*. When Franklin Roosevelt stepped forward on the platform before the Capitol and began his Inaugural Address, not only the throng below him but a vastly greater throng of listeners at millions of radios were ready to listen hopefully, to follow eagerly, to welcome a New Deal.

He did not disappoint those first hopes. Whether or not events make men,

certainly the Franklin Roosevelt who assumed the Presidency on that eventful day seemed a wholly different man from the all-things-to-all-men candidate of 1932.

His Inaugural—delivered in a ringing voice—was clear, strong, confident; and citizens innumerable who had longed for action in the days when Hoover seemed to be doing nothing were thrilled as by the note of the fife when the new President pledged himself to ask Congress, if the need arose, 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."

His promise of action was immediately made good. He met the banking crisis boldly and with a wholly contagious confidence. He at once called Congress to meet in emergency session. He at once issued—with a few changes—the national bank-holiday proclamation which had been prepared for Hoover's use a few days before. His smiling little Secretary of the Treasury, William H. Woodin, plunged into arduous preparations for the reopening of the banks—providing for a possible expansion of the currency based on the sound assets of the banks, and arranging to consider the condition of every bank and to decide which institutions could be opened, which must be placed under the direction of governmental "conservators," and which must remain closed. When Congress assembled, Roosevelt asked it for virtually dictatorial power over transactions in credit, currency, gold, and silver. This power was granted him the very day he asked for it. Nine days after the Inauguration the first banks were ready to be opened. And on the evening before the opening, Roosevelt sat before a radio microphone in the White House and talked to the American people as one would talk to a group of friendly neighbors, explaining with admirable clarity and persuasiveness just what he had been doing and what he expected them to do. The address was a triumph of democratic statesmanship. The banks were opened without panic, and stayed open.

To be sure, not all the banks were permitted to resume business. At least a fifth of the deposits of the country were still tied up, and the purchasing power of the country was correspondingly reduced. But Franklin Roosevelt had done his first great task brilliantly—and he still had the whole nation with him.

Even the men of Wall Street, shaken by the experiences of the past few weeks and by the obvious anger and distrust of the general public, had little

choice but to go along with the new President who moved through the crisis with so sure a step, and who so obviously held their future fortunes in his hands. They were the more disposed to go along with him when he asked Congress—before the banks were opened—for authority to cut Federal expenses to the bone (yes, even to cut the veterans' allowances) in order to maintain the national credit. Even when Roosevelt, in April, issued an executive order prohibiting the export of gold, and Woodin formally admitted that the United States was off the gold standard (as in reality it had been ever since March 4) the financiers did not seem unduly dismayed; J. P. Morgan himself smilingly faced a group of reporters at 23 Wall Street and gave his approval to the move.

The country wanted action? Roosevelt gave it action. Throughout the spring of 1933 he showered recommendations and drafts of bills upon an astonished Congress which followed his requests as if in a trance. Bills to bring about financial reforms, bills to stimulate business in one way or another, bills to set up new governmental agencies: Congress passed them all—some of them before the members had even had a chance to read them, much less to ponder over them. There was every reason for the men on the Hill not to balk but to follow blindly. The Democratic majority was huge, the patronage was still undistributed; the country was in the mood for headlong change and was enchanted with Roosevelt; telegrams and letters urging Senators and Representatives to "support the President" were flooding in from all over the country.

The executive departments were in a fury of activity. Conferences were going on at all hours, bills were being drafted and revised and redrafted at breakneck speed, and in the mammoth new government buildings the lights burned late; the very atmosphere of the once placid city of Washington was electric with excitement. Officials and advisers representing the widest divergence of views were being pressed, helter-skelter, into the planning of the recovery program—hard-boiled business men, hard-boiled politicians, deserving Democrats, professors of economics, labor leaders, socialists, sentimental theorists of every hue. What would come of their furious labors was far from clear; but the country liked action, liked its smiling President, and liked to feel once more the sense of hope.

And it liked most of all the fact that a really definite improvement in the condition of the country was taking place.

As we look back upon the events of that spring of 1933, it is clear that to a considerable extent the improvement was due to the expectation of inflation. It did not really begin until after the Administration formally forsook the gold standard in April. It was given a distinct fillip by the action of Congress, in May, in giving the President permission to bring about inflation in any one of four ways. The fall of the dollar in foreign exchange was providing a temporary stimulus to exports; the prospect of higher prices (coupled with the prospect of governmental regulation through the N.R.A.) was causing business men all over the country to stock up with goods.

Nevertheless there was a new feeling in the air. Investors who in 1932 had rushed to sell because they thought there might be inflation now rushed to buy for the same reason. The rise in the price of wheat and other crops was restoring a measure of hope to the men and women of the farm belt. The wheels of industry were actually beginning to turn faster, the unemployed were actually beginning to be put back to work.

The rally had its disquieting features, and perhaps the most disquieting was the terrific outburst of speculation which accompanied it. Despite the public distrust of Wall Street, despite the widespread belief that prosperity on the 1929 pattern was false and dangerous, despite the grim experiences of 1930 and 1931 and 1932, the shorn lambs swarmed into the brokerage houses once more in incredible numbers. Where some of them got the money to speculate with was a mystery. More than a few of them, indeed, were shabbily clad; one had the feeling, as one watched the customers in a broker's office, hanging over the chattering ticker or following with eager eyes the moving figures on the trans-lux screen, that perhaps some among them were desperately staking their last savings on the turn of the Wall Street wheel. The behavior of the market as it skyrocketed upward gave plenty of indication that even if the bankers were somewhat humbled by recent events, the pool managers on the Exchange were not. Some of the manipulative operations in which the alcohol stocks (which were supposed to be about to profit by the coming repeal of the Eighteenth Amendment) were pushed up to extravagant prices—and into the hands of the suckers—were as outrageous as the worst pool exploits of 1929.

As for the volume of trading on the Stock Exchange, the amazing fact was that during the two successive months of June and July 1933, *this was greater than it had been in any month of 1929 except the panic month of*

*October*. On no less than nineteen days during 1933 the daily volume of trading was more than six million shares—a strange phenomenon when one considers that there never had been even a single four-million share day until the bull-market frenzy of 1928. Speculation in the commodity markets was similarly feverish and unashamed.

It is true, of course, that the Administration, by dangling the idea of inflation before the public, was partly to blame for this debauch. Nevertheless the exaggerated form which the speculative campaign took was an ominous sign. The national economy seemed like an engine with a loose part: speed it up just a little, and it began to wrack itself to pieces.

Yet elsewhere the prospect was heartening. Even if the United States was not going back to work so fast as it was going back to speculation, the gain in economic activity in the brief interval since March was remarkable. By July, the index of industrial production had regained about half the ground it had lost since 1929; and while the rise in employment and in payrolls was decidedly less spectacular, it was sharp.

There had taken place, too, another significant change. No one could fail to realize that the economic initiative was now in the hands of Franklin Roosevelt. At scores of points in the economic system of the country the government—with public opinion still overwhelmingly behind it—was intervening or promising to intervene. The economic capital of America had moved from Wall Street to Washington.

## 2

It is not easy to write down briefly the Roosevelt Administration's prescription for restoring the United States to economic health, for there were many physicians involved in the work of diagnosis and treatment, the clinical procedure was somewhat erratic, and sometimes the medicines which were administered had conflicting effects. President Roosevelt once likened himself to the quarterback of a football team, always ready to try a new play; adopting his figure of speech, one might remark that there were moments when various members of his team appeared to be simultaneously engaged in a line play, an end run, a forward pass, and a fake kick. But at least the recovery plan which was taking shape in Washington may be sketched in rough outline.

1. In the first place, the government was hoping to bring about a certain degree of controlled inflation in order to lessen the weight of debt. The theory was that since the debt burden was intolerably heavy and could not rapidly be lightened through bankruptcies without new damage to banks and other institutions, the best thing to do would be to raise the general level of prices and incomes in order that debts might become relatively lighter. The government also hoped that the prospect of higher prices would cause business men to put in orders and that these orders would act like the push which one gives to a stalled automobile: presently business would proceed under its own power. That the effect of inflation would be only temporary unless the engine began to fire again was clear; that tinkering with the currency was a dangerous business at best was also clear, except to the unduly credulous. But the situation of the country was so very grave that even dangerous medicines seemed worth trying.

It is doubtful if Roosevelt had any settled opinion as to whether or how to inflate, and it is probable that he was dragged from position to position by changing circumstances and by popular pressure. At first, perhaps, he was sure only that the government could not go back on the gold standard on the old basis without a great danger of a new deflation; then he saw that Congress might force mandatory inflationary legislation upon him, and preferred to have it give him the power to inflate—which he might or might not use; then he was delighted to see the fall of the dollar giving business a push, and feared that if the dollar were stabilized before his other recovery measures could take effect, business might lose its momentum and all the benefit of the push might be lost, and so he dismayed the London economic conference by suddenly deciding that there must be no stabilization agreement; and then, when business did indeed slow up in the autumn of 1933, he thought that another little push might help, and thereupon embarked upon Professor Warren's gold-buying program—the so-called "rubber-dollar" program, which reduced the value of the dollar in terms of gold to a little less than sixty cents, and yet hardly affected the price-level at all. (This curious program was likened by a New York banker to an attempt to bring about warmer weather by lighting a fire under the thermometer.)

Yet despite the vagaries of Roosevelt's action, the general philosophy of it is fairly clear. He wanted to lighten the debt burden and also to give the American economy a shot in the arm. Meanwhile his Administration also

made direct efforts to relieve the debt burden here and there, by government aid to farmers and householders who were oppressed by mortgages, and by legislation designed to make the processes of bankruptcy less slow and painful.

2. In the second place, the Administration realized that although industrialists, in hard times, managed to sustain prices to some extent by cutting down on production, the farmers had been unable to do so—and thus had suffered grievously. Why not make it possible for the farmers to take a leaf out of the industrialists' book? If the government were to offer them an inducement to produce less—the money for this inducement to be contributed by the rest of the country, in the form of a slight tax on the farm products which they consumed—farm prices ought to go up. This was the essence of the celebrated AAA program. There has been much ridicule of the principle of paying farmers not to produce—and for the long run the principle is of course preposterous—but no industrialist who has ever shut down a mill or run it three days a week in the hope of keeping the price of his goods from collapsing is in a position to join in the ridicule. The AAA was simply giving the farmers a homeopathic dose of the medicine which industry had consistently taken as a matter of course.

The administration of this agricultural program involved endless difficulties and led to many absurdities, but it seems on the whole to have made things temporarily somewhat easier for the farm population—until nature took over the business of crop limitation in 1934 and 1935 by blowing a good deal of the excess acreage away in dust.

3. Obviously the agricultural program would be futile unless industry and business meanwhile expanded. How, then, to expand industry? One way by which the Administration hoped to do this was by public works—in other words, by spending money (which would put cash into circulation and thus supposedly stimulate private business) and getting, in return for this money, things which would be of future economic benefit to the country. This program had its awkward aspects. One was that it would knock into a cocked hat the Administration's attempt to balance the budget. Another was that projects valuable enough to be defended as capital expenditures, and agencies solvent enough to undertake the projects, were hard to find. Another was that the chances for graft were terrific if the government did not proceed with great care; yet speed was also necessary—and speed and care do not naturally

go together. For these and other reasons the Administration moved slowly with its public works program; so slowly, in fact, that although the total amount of money spent was very large, the push at any given moment was not. A patient can take a considerable amount of medicine in diluted quantities over a period of time without visible effect—except, perhaps, the effect of becoming dependent upon the medicine.

4. It was the NRA, however, upon which Roosevelt chiefly relied for industrial and business recovery. Here we confront one of the most curious confusions in the New Deal.

One theory behind the NRA was that since a dismaying phenomenon of the depression had been the tendency of industry and business, by reducing the wage bill, to kill the goose that laid the golden egg, the way out of the depression would therefore be to fatten the goose by raising wages; and that since no concern would do this unless other concerns also did it and thus added to the general buying power, the proper procedure would be to bring the business heads together, industry by industry, and get them to raise wages by agreement, the agreement to have the force of law. (A very difficult policy to put into effect: it ran head on, not only into the historic if unedifying habit of the business man to outwit the government if he could, but also into the cold fact that a wage-raising schedule which a prosperous company could afford might push other companies into bankruptcy—and men do not enjoy going into the red, and least of all at the instance of their government.)

The second theory behind the NRA was that unemployment would be relieved if the working week were shortened by agreement, and the available work were thus spread out among more people. (Wage rates being generally low, this might be described as a share-the-poverty plan.)

The third theory was that much of the trouble in business was caused by drastic cutting of prices (as from the business man's point of view it was) and that therefore price-cutting ought to be prevented in the agreements; prices ought to be "stabilized."

It happened that the men who were chiefly responsible for the establishment and guidance of the NRA were not the liberal "brain trusters" of conservative legend but a group of industrialists and business men, some of whom had long hoped to persuade the government to mitigate the Sherman Act; and thus it was this third theory that in practise had the best of things—especially as General Hugh Johnson, for all the picturesque fury with which

he threatened to "crack down" on those who did not comply with the NRA codes, was quite unsuccessful in forcing general compliance with the wage-raising agreements, and in fact made only scattered attempts to do so. Thus although in some industries the increase in the wage bill was impressive, in others it was ridiculously small; and meanwhile the business men who had swarmed to Washington and perspired over the drafting of codes during the hot summer of 1933 found the opportunity to "stabilize" prices a godsend. Here, thought some of them, was a lovely chance for combination to run prices up. Hence there were some industries in which prices actually rose much faster than did the wage bill.

To say categorically that the NRA was a failure is, of course, to dodge the question of what would have happened during 1933 and 1934 if it had not been created. Certainly it diminished child labor and some of the worst sweating of workers. When most business was losing money there was at least a plausible excuse for stabilizing prices to enable companies to regain their feet. Yet as a scheme for distributing purchasing power the NRA proved uncertain at best. And surely it was anomalous that after the hullabaloo and the flag-waving and the patriotic speeches were over, and the Blue Eagle labels had been distributed, and General Johnson had stormed about the country as the herald of a new industrial order, and governmental board after board had been appointed to coordinate what refused to be coordinated,—that after all this, the NRA gradually stood revealed as a governmental arm which protected groups of business men in organizing to maintain themselves against new competition and against the reduction of prices to the consumer: as an agency which accelerated and only partially controlled that process of concentration which the government in earlier reform periods had so earnestly opposed!

While the Administration was trying to stimulate business, it was also trying to reform finance.

That it should be doing so appeared to many observers paradoxical and perverse. Wasn't reform always deflationary? If the people at Washington wanted men to do business, why pester and frighten them with investigations, regulations, and prohibitions? The principal reason, of course, was that the people at Washington knew that reform was long overdue (indeed, it is interesting to note that some of the changes brought about in 1933 and 1934 had been recommended by the Pujo committee twenty years earlier!); that if

it were not undertaken at once it would probably not be undertaken at all, the public memory being short; and that without it, any recovery would probably be unsound and short-lived. (Another wild boom, more speculation, more debt-formation, more exaggerated prosperity for the rich, another break; and once again contraction, stubborn maintenance of prices to save the debt-structure, unemployment, misery.) There could be no enduring prosperity unless the structure of financial privilege which had come to grief in 1929 was altered.

And they knew also that from the point of view of the business world, it never is "the right time" to undertake reform. The voices which were raised in protest now were echoes of those voices which had charged Theodore Roosevelt with bringing on the Panic of 1907, which had assailed Wilson as an enemy of prosperity, had cried out in alarm at the establishment of the Federal Reserve System, and had inveighed against the Reserve authorities in 1928 and 1929 for their ineffectual attempts to halt the great stock-market boom.

(That there were also other motives behind the reform campaign than that which I have just given goes almost without saying. While, for example, one man might want to regulate the Stock Exchange because after witnessing the speculative debauch of the summer of 1933 he felt that the economic processes of the country should not be subject to such violent distortions, another man might want to regulate it because he wanted to be able to speculate on more nearly equal terms with the Cuttens and the Brushes, or because he thought Wall Street men were wicked and ought to be punished, or because he knew that a "vote against Wall Street" would be good politics on the prairie.)

The reforms which went into effect included the following:

1. To prevent bankers from serving two masters, it was provided in the Glass-Steagall Act of 1933 that national banks and banks with Federal Reserve privileges must not have security affiliates. (This change was so inevitable that some of the biggest banks had already anticipated it; even before the banking crisis was over, the National City and the Chase National had hurriedly decided to divorce their affiliates.)

2. With the same purpose in view, investment bankers were forbidden to act also as commercial bankers, or to serve on the directorates of commercial banks—a provision which required the House of Morgan and other big

private banks which had previously exercised both the function of distributing securities and the function of accepting deposits to decide which one they wished to exercise and to give up the other.

3. To protect the investor from misrepresentation, the Securities Act of 1933 required those who issued securities to register them with a government commission and to disclose complete information about them; and also provided that any promoter, banker, or corporation executive who misrepresented the facts about an issue of securities might be held liable for losses sustained by purchasers of it.

4. To put the spotlight of publicity on the activities of insiders, the National Securities and Exchange Act of 1934 required every corporation whose stock was to be listed on any exchange to make public the stockholdings and salaries of directors, officers, and large stockholders, as well as any bonus, profit-sharing, or option arrangements or other material contracts which these men might have made with the company; and to report from month to month any change in these relationships.

5. To enable manipulation of the stock market to be checked and undue speculation to be prevented, the National Securities and Exchange Act also put the stock exchanges under government supervision, empowered the Federal Reserve Board to limit speculative margins, and empowered the Securities and Exchange Commission to make rules of various sorts intended to stop pool operations.

In an effort to reduce the financial superstructures of the public utilities to a rational basis, legislation was being considered in the spring of 1935 to put holding companies in the public utility field under Federal regulation, and to empower the government to insist upon the break-up of any holding-company system which did not seem defensible—by reason of the close geographical grouping of its properties—as an operating unit.

Some of these reform measures were so drawn that they involved bankers and brokers and corporation officials in a vast amount of paper work, red tape, confusion, and delay; for example, the Securities Act of 1933 required the filing of so much detailed information that an application for registration of an issue of securities might require the preparation—at heavy expense—of a mountainous stack of documents. And to some extent the reform measures might be described as laborious attempts to lock the barn after the horse was stolen (if not, indeed, to burn the barn down). History, alas, is a one-way

street; you cannot legislate things back into the shape they held before the abuses at which you are aiming were invented, and if you attempt to do so, your legislation will sometimes have unforeseen results. But certainly the abuses at which these reform measures were aimed had done grave harm and the reforms themselves in their general outlines were logical.

Indeed, in some respects they were singularly moderate. For example, up to the spring of 1935, the new legislation failed to bring every bank in the country into a single system, and thus failed to rectify an ancient and glaring defect. It did not outlaw holding-company banking, and thus left at least one way open to the service of two masters. It put no limitation upon pyramiding, except in so far as the 1935 legislation might curb it in the public-utility field. It did not touch the personal holding company, and thus left a door wide open to those who would evade tax laws and other statutes. And there was no attempt to require large corporations doing an interstate business to submit to Federal incorporation; they still remained free to incorporate under the laws of whatever state might make things easiest for the promoters—and some of the states still made things very easy indeed. (Indeed, the government added to the irony of the situation by forming its own New Deal corporations in Wilmington!)

As to the New Deal program as a whole, two things remain to be said. In the first place, Roosevelt's point of view was clearly quite different from Hoover's. To say that Hoover thought of business in terms of corporations and profits, and Roosevelt thought of it in terms of people, is perhaps not quite accurate. But I think it is fair to say that Hoover thought first of the owners and managers: if they prospered, he felt, their prosperity would filter down to the less fortunate. Roosevelt thought first of the less fortunate: if they prospered, he felt, their prosperity would seep up to the owners—even if the owners meanwhile had to be subjected to a little restraint. The Roosevelt legislation, to be sure, was far from consistent in this respect; nevertheless the change of emphasis was significant.

In the second place, the Roosevelt program involved a deliberate recognition of the end of laissez-faire. For the first time in American history, the government definitely assumed responsibility for the functioning of the American economy. The measures which Roosevelt put into effect were not by any means revolutionary; this assumption was.

# 3

Franklin Roosevelt had been in the White House only a little more than four months when two things happened simultaneously. First, the New Deal program which we have been reviewing began clearly to pass from the stage of feverish preparation to that of execution: it was on July 20, 1933, that the President issued the NRA’s “blanket code,” which was intended to bring about immediate raising of wages and shortening of hours in all industries and businesses throughout the country, pending the adoption of the various special codes. (At this time only one of the special codes had been put into effect.) And, second, the wild speculative boom broke with a resounding crash.

The coincidence was striking. On the very day when Roosevelt announced the terms of the blanket code drawn up by the NRA, the price of wheat was falling, the alcohol stocks in Wall Street were collapsing, and the prices of many other stocks were being abruptly cut in half. (One stock, American Commercial Alcohol, took one of the longest and fastest roller-coaster rides in speculative history, dropping in the space of only four days from a price of 89⅞ to 29⅛!) There could hardly have been a more effective—and disconcerting—advertisement of the difference between joyful promise and sober performance.

There followed a considerable setback in trade; and then—as the New Deal program gradually was converted from dream into reality—there began a long period of virtual economic stalemate.

Month after month, season after season, the business indices moved up and down within moderate limits, never falling so low as in the terrible days of mid-1932 and early 1933, but on the other hand never rising as high as during the early summer of 1933. Busily the Administration developed and expanded and revised its recovery program—and yet the stalemate continued. Bankers and business men alternately cried havoc and predicted a new boom—and yet neither havoc nor boom eventuated.

Not that this long period was uneventful. On the contrary: it was lively with alarums and excursions. First there was the vociferous campaign to put NRA codes into effect in innumerable industries and trades, ranging all the way from the huge steel and automobile and textile industries to such pillars of the American economy as the dog food industry, the vegetable ivory

button manufacturing industry, and the shoulder-pad manufacturing industry; all through the autumn of 1933 and the following winter, the voice of General Johnson was loud in the land. Then there was the Treasury's brief gold-buying experiment—a bewildering adventure which formally came to an end on the last day of January, 1934, when Roosevelt stabilized the dollar (temporarily at least) at 59.08 cents in terms of gold. There was the long procession of bankers to Washington to face the Senate Committee on Banking and Currency and its courteous but indefatigable counsel, Ferdinand Pecora; already the members of the House of Morgan had come before the Committee—in a series of sessions curiously reminiscent of the Pujo inquiry, twenty-one years earlier—and in the autumn of 1933 it was Wiggin's turn and the turn of the Detroit bankers. There was a long series of bitter strikes, rising to a brief climax in the angry general strike at San Francisco in the summer of 1934. All through that same summer there was a devastating drought in the wheat belt, followed by the most destructive dust storms ever known on the plains. There were intermittent war scares in Europe, preventing international economic barriers from being lowered and disturbing the American equilibrium. In the spring of 1935 there was the exciting campaign for the payment of a cash bonus by the printing of greenbacks—a campaign stopped by Roosevelt's magnificent veto message. And only a few days later there came the Supreme Court's decision that the NRA codes were unconstitutional—a staggering decision that brought the second phase of the New Deal to a confusing end.

All through this period there was a torrent of news from Washington of the government's new programs—the Civil Works program, the home renovation program, the silver-buying program, the social security program, and dozens of others; new alphabetical agencies, new administrative commissions and coordinating committees and boards of review appeared in bewildering succession, and authority was shifted and re-shifted among them until the Roosevelt economic offensive became as difficult to chart as the Insull utility empire. Busily the Presidential quarterback called new plays; now the team appeared to gain a little ground, now to be thrown for a short loss—but still the goal line was very far away.

Before me is a graph showing the rise and fall, month by month, of the *Annalist's* Index of Business Activity—a fairly accurate measure of the rate at which business is moving at any given time. On the graph the long collapse

of 1929–32 is represented by a line running jaggedly downhill from a high point of 116.7 in the middle of 1929 to a low point of 59.7 in the middle of 1932. The line runs up a few points, then drops again, still farther, to 58.4. That still lower point indicates the paralysis of business caused by the banking collapse of March, 1933. Roosevelt comes into office, the banks are re-opened, the New Deal is formulated, and the line leaps upward from 58.4 almost perpendicularly to 89.3—the high point of July, 1933. But notice what happens now. In the autumn of 1933 it sags from 89.3 all the way to 68.4, losing more than half of the gain made during Roosevelt's first four months in the White House. In the winter and spring of 1934 it climbs slowly back to 80.2; in the summer of 1934 it slides down to 66.5; in the autumn of 1934 and the early months of 1935 it inches up again to 83.3; then it begins to decline once more.

Was this a jagged progress upward or a jagged progress downward? The answer which one gave to this question depended partly upon the moment at which one looked at the graph and partly upon one's preconceptions. But surely the significant thing about the period between the late summer of 1933 and the spring of 1935 was the stubborn duration of stalemate. The economic machine did not slide into the ditch, it did not roar away to prosperity; it limped along uncertainly at half-speed.

4

That public opinion should remain static during such a prolonged period of suspended economic animation was manifestly impossible. Enthusiasm for the New Deal waned. Millions of Americans, unable to understand the economic situation and almost unaware of it except as some small part of it disturbed their daily lives, lapsed into indifference again; it is hard to remain excited about a semi-permanent emergency. And the New Deal also lost support through defections both to the Left and to the Right.

The defections to the Left are properly outside the scope of this book; yet they must at least be mentioned, for they were considerable and significant.

The Communist Party was still too small, too dogmatic in creed, and too devoted to the terminology (as well as the philosophy) of European radicalism to be a vital political influence; but the communist idea had gained strength. In many of the strikes of 1934, communist leaders forced the hands

of the A. F. of L. leaders; and it was characteristic of the times, too, that among many of the younger urban intellectuals, Marx and Moscow now commanded the sort of homage that Proust and the Left Bank had commanded a decade earlier.

To most of the intellectuals of the Left, the irresistible meaning of what had been happening for five years was that capitalism was in its death-throes. The New Deal was merely a superficial and wrongheaded attempt to shore up a vicious and doomed system. When the New Deal failed—as fail it must, since it insisted upon trying to "organize scarcity" instead of "organizing abundance"—the alternatives would be fascist revolution and communist revolution, for "the overwhelming fact of our epoch" was "the irreconcilable conflict between capital and labor." The only tolerable conclusion of this conflict would be the final victory of the proletariat. Liberals who wished to mediate between these two opposing forces were simply tender-minded sentimentalists (if not fascists in lambs' clothing). The prospect of revolution was not cheerful, but one must face it realistically. Capitalism must go, said the intellectuals of the Left, and the sooner the better.

What gave this doctrine its very considerable strength as an influence in American thought was the striking extent to which its diagnosis of the situation was borne out by many of the facts of the economic breakdown. Its weakness lay in the treatment it proposed. So steeped were the American people in the tradition of the acquisitive life that a good many bayonets would probably be required to induce them to give up private profit entirely; and so steeped were they—despite their occasional outbursts of violence and bitterness—in the tradition of democratic friendliness, of neighborly tolerance, that to most of them the idea that class hatred was necessary and right was bound to be deeply repugnant. In 1935 there seemed to be little likelihood that the Marxians would win any such immediate popular support as would the siren-singers of easy palliatives.

One of the significant events of 1934 was Upton Sinclair's almost-successful campaign for the Governorship of California, with a program which aimed to set up a socialist order for the impoverished side by side with the going capitalist order. Yet even this curious proposal was not, perhaps, so significant of the temper of the country as was Dr. Townsend's ingenuous scheme for bringing back prosperity by paying to every old person in the country an old-age pension of two thousand dollars a year; or as Senator

Huey Long's vague proposals for "sharing the wealth" of the country (apparently without remaking the complex wealth-producing machinery so that re-concentration of economic power in new hands would not follow upon confiscation); or as the extraordinary influence of that latter-day Bryan of the radio, Father Coughlin of Detroit, with his bitterly eloquent attacks upon the bankers and the Federal Reserve System and his pleas for inflation.

Just as in 1896 the Populists had followed Bryan into the free-silver campaign, so in 1935 enormous numbers of Americans, battered and discouraged by a far worse crisis yet by no means temperamentally radical, looked for magic formulae which would conjure prosperity out of a hat—or out of the government printing-presses. They did not want the profit system to be abandoned. Anger and despair might sometimes drive them to riot against the seizure of their farms for debt, against the sale of their milk at starvation prices, against employers who threw them out into the streets, against scabs who took the jobs which were all they had to bargain with; but what the vast majority of them wanted was not revolution but jobs and money and hope, with as little change in the going system as possible. That they groped with pathetic eagerness for short and easy ways out of the wilderness followed inevitably from the ugly fact that the years were crawling by and still the American economy was partly paralyzed and jobs and money were cruelly scarce.

## 5

There was thunder on the Right, too.

At first it was barely audible above the echoes of the banking crash, the shouts of acclaim for Roosevelt the deliverer, and the tumult and confusion at Washington. The big bankers and insiders were licking their wounds, thankful for the moment to follow any leader who might salvage the economic wreck; they distrusted Roosevelt's ideas, but felt that there was no possibility of stopping him; and besides, the stock market was going up, and life is seldom altogether intolerable for the financial and business community when it sees plus signs after the names of its favorite securities in the afternoon papers. When, however, the Roosevelt bull market of 1933 broke, the conservatives began to recover their voices; and from that moment on, their cries of irritation and disapproval and fear became louder and louder.

The attack from the Right came in a series of overlapping waves of protest and panic; and it is interesting to notice that the usual sequence of events was somewhat as follows: each wave was met by the Administration with a conciliatory move—whereupon there was a momentary return of conservative hope that now the worst was over and business could go ahead again; but business failed to go ahead, and a new wave of adverse opinion rose.

1. The first wave (in the early autumn of 1933) was of dismay at the "regimentation" under the NRA, at the idea of raising wages before profits were assured, and at the attempt of the framers of the National Industrial Recovery Act (who were represented in the conservative press as radical professorial "brain-trusters") to balance their permission to employers to organize by permitting labor to organize too. A considerable section of the business community and most of the financial community agreed with Hearst that the letters NRA stood for "No Recovery Allowed" and said so emphatically. Other conservatives, perhaps more astute, had meanwhile discovered that there were distinct advantages in climbing aboard the NRA bandwagon and helping to steer it, that General Johnson's bark was worse than his bite, that there were ways of getting round the labor provisions of Section 7a, and that even if most employers had to raise wages, it was possible for them also to raise prices.

2. Already, however, the second wave was mounting high. This was a wave of fury and fear at the Warren gold-buying scheme in the last months of 1933 and the beginning of 1934—a scheme which, according to Wall Street, led straight to printing-press inflation. The inflation panic was eased somewhat when Roosevelt stabilized the currency in terms of gold at the end of January, 1934, and the conservatives breathed again—briefly.

3. The third wave was of protest at the Administration's reform plans. These lamentations and prophecies of disaster reached a temporary climax during the spring of 1934, when Congress was debating the stock-exchange bill and considering the modification of the Securities Act of 1933. Richard Whitney, President of the New York Stock Exchange, declared that the stock-exchange bill, as first drafted, would "mean the end of liquidity in our markets." Bankers declared that recovery was impossible unless the Securities Act were modified. Financial writers in the newspapers declared that Washington was engaged in senseless persecution of Wall Street.

Indignant financiers declared that the Administration which professed to want to protect the investor was proceeding to abolish him altogether. So heavy was the barrage of adverse criticism that both the stock-exchange bill and the Securities Act were somewhat modified,—and the President appointed, as head of the agency which was to administer them, a former stock-market-pool operator! By the end of June, 1934, the financial columns of the New York *Herald-Tribune* were remarking that “Wall Street is perking up with regard to Federal control; the brokers, giving increased study to the Act, are beginning to voice the opinion that the measure may well serve as the needed impetus to a revival in trading”; and soon the opinion was freely expressed in the Street that now money would begin again to pour into the capital market.

4. As the summer of 1934 wore on, however, this did not happen—and a new outcry arose. What business needed, it seemed, was a clear indication from the government that it was not opposed to the profit system. Business men were afraid to go ahead because they thought the Administration was bent on ending or taking away all profits. This wave ebbed somewhat when the President duly said a good word for profits (“Not clear enough!” cried the intransigeants), and it ebbed still more when he appeared in a friendly mood before the members of the American Bankers Association, and Jackson Reynolds of the First National Bank, in an admirably diplomatic speech, prepared the way for what was hopefully referred to in the press as a “reconciliation” between the President and the financiers.

5. During the winter of 1934–35 and the spring of 1935, however, there were two more waves of protest. One was directed against the Administration’s proposed bill to regulate holding companies in the public utility field; and the other, prompted by new fears of inflation, was directed against governmental extravagance.

To write as if these various waves of protest were separate and distinct is of course to over-simplify the story. The objections to the government’s unorthodox financial operations, to the heavy governmental expenditures and the unbalanced budget, to heavy taxes, to “interference” with business, to the government’s going into business itself via the Tennessee Valley Authority and other agencies, and to the campaign for financial reform, were continuous and simultaneous. The dominant note in the whole long chorus of conservative lamentation and attack was that what the country was suffering from was mainly “lack of confidence,” and that confidence would not return

until the government ceased experimenting and reforming. (“Confidence”—that ever-potent word: have we not met it before in this chronicle?) As Silas H. Strawn put the argument in an address to the United States Chamber of Commerce in May, 1934 (when there were still ten million men out of work), Roosevelt ought to issue a clear-cut statement “that the emergency is over and that there will be no more requests for emergency legislation.” As General Johnson put it in the *Saturday Evening Post* the following winter, “It is trite to say that the single missing element is confidence.… Men can’t go back to work until money goes back to work, and money won’t go back to work until those who have or are responsible for money to invest in creating work know that, once it is out of their hands, no magic is going to frisk it away.” …

This general view of the crisis—accompanied by distrust of Roosevelt’s impulsiveness—gained such headway that by the spring of 1935, according to such a well-informed observer as the writer of *Kiplinger’s Washington Letter*, some eighty per cent of the business men in the country, large and small, were opposed to the New Deal, and some thirty per cent of them were bitter in their opposition.

One reason why the thunder on the Right was so loud was that most of the press was under the control of men who represented the insiders’ point of view. The average well-to-do American, encountering these arguments constantly in his newspapers and magazines, absorbed them almost through his pores, until by 1935 he half forgot that there had been any depression at all before Roosevelt came into power, and was fully persuaded that the only wise thing for Americans to do would be—as Walter Lippmann said bitterly in his Harvard Phi Beta Kappa address in 1935—“to sit and wait, like Chinese coolies in a famine, until, for some mysterious reason, the warm blood of confidence rises once more in the veins of bank directors and corporation executives.” Another reason why the thunder on the Right was loud was that money was being widely spent by big corporations to inculcate such views among their proxy-signers and among newspaper readers. Another reason was, perhaps, that the campaigns against specific Administration measures—the attempts to prove that they would create economic havoc—intensified the alarms of conservatives generally, and thus the panic was to a considerable degree self-induced. It would be interesting, for example, to know how much of the decline in public-utility securities

during 1934 and early 1935 should be ascribed to the Administration’s activities, and how much should be ascribed to advertisements and circulars which sedulously disseminated the idea that Congress was about to “complete the destruction of the savings of millions of investors.”

It would be far from fair, of course, to dismiss the agitation on the Right as mere “propaganda.” No one who heard a banker or broker or business man inveigh against the New Deal as a compound of economic absurdities and a deterrent to recovery could doubt that these men spoke from the heart, utterly convinced that the patient who had been so ill for five long years would soon recover if only the physician in Washington would stop giving him medicine and tell him he was well. Yet one may reasonably doubt whether the “lack of confidence” which in effect kept capital on strike, year after year, was due wholly to fear or dislike of the Administration’s programs. Surely it was due also to an instinctive realization, among the powerful insiders, that the American economy was still far out of balance, New Deal or no New Deal, and that the makings of a really prosperous market for new business were simply not visible.

6

With cannon to left of him and cannon to right of him, and his program clearly not reaching its objective, the President showed a gradual change in temper. As the months went by and new obstacles rose up before him, he began to seem less the brilliant and decisive leader that he had been in March, 1933, and more the political opportunist that he had been as Governor of New York and Democratic candidate in 1932. As the winds of opinion shifted, so he shifted, from Left to Right and back again. (History was repeating itself: a second Roosevelt was balancing on the political tightrope.) Close observers of the New Deal noticed an increasing tendency to announce new programs with a blare of trumpets and then, as opposition developed, to moderate them. Every president has to play politics, but before long the Postmaster-General’s influence upon New Deal appointments began to seem unnecessarily potent. Some of Roosevelt’s plans for recovery, furthermore, began to look less like the product of disinterested economic thought than like impromptu attempts to placate this group and that—to toss a few potential silver profits here, a little conservatism there, a little social idealism

elsewhere.

If one says this, however, one should in fairness add that Roosevelt had undertaken a well-nigh impossible task—that of being President of the American economy as well as of the American polity, despite the fact that his chief talents were for conciliation rather than for economic statesmanship; and that he had undertaken it at a time when the economy was undergoing changes impossible to bring under control. Since Roosevelt did not possess dictatorial power—and did not wish to possess it-he was bound to depend mainly upon the voluntary cooperation of the public, and this cooperation came hard; for although the citizen will lay down his life for his country, apparently he will not lay down his money. Roosevelt had to persuade, encourage, compromise, cajole.

Luckily there was one respect in which his own political advantage and the advantage of the republic were almost identical. His instinct for the middle of the political road, his engaging smile, his appealing manner, and even, perhaps, the compromises which made his policies so confusing, all helped to preserve, in a time of very severe stress, that "domestic tranquillity" for the insurance of which the people of the United States had formed their more perfect union. Even men who abominated Roosevelt's economic ideas and distrusted his promises felt that at least he wanted to hold the country together.

7

By the end of May, 1935, when the Supreme Court's unanimous decision against the NRA brought the second phase of the New Deal to a close, the condition of the national economy was roughly as follows:

Business activity—as measured by the *Annalist's* index—was not far from eighty per cent of the "estimated normal."

It was being maintained at this rate with the aid of the expenditure by the government of so many billion dollars that the net debt of the Federal Government was rapidly rising. (From the end of 1930 to the end of the Hoover Administration it had risen from about 16 billions to over 21, and from the end of the Hoover Administration to the end of 1934 it had risen further to almost 26 billions.) What was going on might be described as a race between recovery and national bankruptcy. Debt still weighed heavily

upon the country: as private debt decreased a little, public debt increased.

Generally speaking, the people at the upper end of the economic scale were better off than they had been at the beginning of the New Deal. (There were numerous exceptions—men and women still struggling with debt or impoverished by the vanishing of their investments—and these exceptions were often very audible.) Big business, generally speaking, was out of the red. The combined profits of 210 large corporations for the first quarter of 1935 were 21.8 per cent bigger than for the first quarter of 1934, according to figures compiled by the National City Bank. They were not yet large, but the trend was upward—a trend revealed also in the income-tax returns for 1934, which showed noteworthy gains in the incomes of the rich. Small business, however, was (again generally speaking) still on the ragged edge. Salary-earners and wage-earners—if they still had jobs—were perhaps a little better off. The farmers—except in the drought regions—were mostly a good deal better off. But at the bottom of the economic scale the conditions were appalling.

The number of men out of work, according to most estimates, was still at least ten millions. (The situation was much better than when Roosevelt came to the White House, but had improved little if at all during the long stalemate.) Of these ten millions, some five millions had so far exhausted their resources as to need public relief. Add to these five millions another million or two of people who were on relief for reasons other than unemployment as measured in the statistical estimates—men, for example, who needed aid because their farms had been ruined by drought or because their small businesses had gone under—and then multiply the resulting figure by three, in order to include not only the men on relief but also their families, and you arrive at an explanation of the fact that over twenty millions of Americans (say one person in six in the country) were dependent upon the meager bounty of the rest of the population.

If the unemployment situation was at least holding its own, the relief situation was not; for with every month of continued depression, more people used up their savings and joined the class of economic serfs.

These serfs, scattered throughout the country, ranged in former occupation from architects to stevedores. All ages were represented among them, though most of them were young. Some of them, of course, were chronic misfits. Others had been upstanding citizens, but were now becoming chronic

dependents, with such small prospect of economic independence that they accepted life on the dole as the best thing in sight—unless, perhaps, some of them could manage to draw two doles. Others were still stubbornly trying to climb back to self-support, but found the way blocked by the shortage of jobs. Not only was this group growing in numbers; inevitably it was—on the average—deteriorating in character and spirit. To use the cold-blooded language of business rather than the language of human compassion: if the members of this group could find a chance to work and earn before it was too late, they might become a body of consumers worth reckoning with; denied such a chance, they were on their way to becoming a permanent dead weight on the taxpayers. Great numbers of them were becoming potential tramps, panhandlers, gangsters, members of the mob, whether of reaction or revolution. The phrase "land of opportunity," once so great with promise, had become ironic indeed.

Furthermore, the race was not only between recovery and governmental bankruptcy, and between recovery and demoralization of the jobless, but also between recovery and technological change. I have spoken of the indices as standing at about eighty per cent of "normal." Yet it was obvious that so far had invention and mechanization and efficiency increased, that business would have to attain a volume far above "normal" to absorb even a majority of the dispossessed. New machinery was still replacing men; indeed, the depression had accelerated the process. And it was far from being at an end. To give two examples of what was in prospect, the invention of a new cotton-picking machine threatened to annihilate many of the share-croppers of the South, and chemistry was showing the way to such intensive production of foodstuffs that the days of the small farmer appeared to be numbered. All this scientific and mechanical progress opened, of course, vistas of incredible plenty—if only the distributing apparatus would work. But the distributing apparatus, as we have seen, was out of gear.

Meanwhile America's foreign trade was still out of balance, international trade barriers remained high, there was continued danger of an international contest in currency depreciation, and behind all these sources of discord stood the ugly possibility of war.

The general world-wide economic trend was upward, it was true. Probably the American economic trend was also upward. But the longer the stalemate continued, the more enormous became the difficulties to be surmounted, and

the smaller became the chance that, without superlative statesmanship, the country could restore its millions of serfs to economic citizenship.

8

It was a strangely altered world in which the former lords of creation now found themselves. The economic initiative had definitely passed from Wall Street to Washington—at least for the time being—and many of their one-time instruments of power had been blunted or taken away from them.

The House of Morgan, for example, was now no longer permitted to issue securities; it was simply a bank of deposit. Other private banking houses, too, had been compelled to make the choice between deposit banking and investment banking; most of them—including Kuhn, Loeb & Co. and Dillon, Read & Co.—had chosen to issue securities and forego deposits. The commercial banks were now minus their investment affiliates. The traditional machinery for issuing the common stock of new corporations to insiders and then unloading it on the stock market had apparently been somewhat crippled by the Securities Exchange Act of 1934. As for the traditional machinery for manipulating the stock market, power to cripple it had at least been lodged with the Securities and Exchange Commission. The opportunities for corporate insiders to make big profits at the expense of their corporations or their proxy-signers were likewise somewhat limited by the power of publicity: they had to report changes in their share-holdings, salaries and bonuses received, and contracts made with their companies. In many other respects, the well-traveled avenues to easy riches had been closed off or put under Federal traffic control—until it seemed to the men of Wall Street as if they could now do nothing without filling out an elaborate form and waiting until some functionary in Washington gave the word.

Commercial bankers, looking for uses to which to put their depositors' funds and unable to find many qualified commercial borrowers, were investing in more and more government bonds, until they, too, felt that their destinies were at the disposal of Washington; and now, in the spring of 1935, the federal government was threatening to concentrate more authority in the Federal Reserve Board, increasing its limited power over the volume of check-money. The commercial bankers still retained the right of individual decision about their banks' investments, but the bounds within which they

might do so seemed to be contracting.

How vital and how permanent these changes would prove to be was beyond prediction. The power of governmental regulation depends upon the vigilance, imagination, and honesty of officials—very variable qualities, all of them. An indolent or unwary commission could overlook abuses or deal with them ineptly; a few venal employees in Washington could turn almost any law into a sham. The power of governmental regulation depends likewise upon public opinion—and we have seen how it fared during the seven fat years when public opinion was indulgent. Laws, furthermore, are not eternal; they may be repealed, or else distorted or overridden by the courts. New devices for financial conquest can always be forged, and the principle of community of interest can often accomplish what the law has tried to prevent. For example, to say that the House of Morgan was out of the securities business was to overlook the possibilities of effective working alliances between it and houses of issue; to say that the big New York banks were bereft of their affiliates was to overlook the possibilities of similar working alliances between such banks and investment companies.

The truth was that the extent to which the power of the financiers of Wall Street had been checked could not be measured because this power was being largely held in abeyance. Unwilling to venture into new business on any considerable scale, these men were having little opportunity to test out new methods of maintaining and achieving influence. Broadly speaking, the game of financial conquest was not being played.

Yet it is curious to note the extent to which the fundamental trend toward concentration of economic power was continuing. The big corporations were relatively stronger than ever before. In 1929 the 200 biggest corporations in the country had controlled—according to Berle and Means—some 49 per cent of all non-financial corporate wealth. By the beginning of 1932, according to Means's estimate, the proportion had increased to about 55 per cent. Since then the NRA had notoriously given an advantage to big as against small corporations and had made it difficult for new concerns to invade the territory of the going companies. No recent comprehensive figures were available, but the scattered evidence did not suggest that the trend was changing. For example, in Chapter VIII we noted that, in the automobile industry, the three biggest companies had so crowded their competitors off the road during the nineteen-twenties that by 1930 they were making 83.3 per

cent of all the passenger cars newly registered. By the year 1934 these three biggest companies made, not 83.3 per cent of the passenger cars, but 90.8 per cent of them; and in the month of March, 1935, they made 93.4 per cent of them. The monster corporation had a bigger place than ever before in the dim sun of American business.

The ownership of these monster corporations was now even more widely distributed than in the years of plenty. Here are a few figures which suggest how wide had been the distribution since 1930. The American Telephone and Telegraph Company had 567,000 stockholders at the end of 1930; it had 675,000 at the end of 1934. The General Motors Corporation had 263,000 at the end of 1930, and 350,000 at the end of 1934. The United States Steel Corporation had 145,000 in 1930, and 239,000 at the end of 1934. The General Electric Company had 116,000 in 1930, and 196,000 at the end of 1934. To be sure, the movement appeared to be slackening; a good many large concerns, indeed, had fewer stockholders at the end of 1934 than at the end of 1933. But in general it was still truer in 1935 than in 1930 to say that the working control of most of the very large corporations rested in the hands of groups of insiders who owned only a fraction of the stock; that the vast majority of shareholders regarded their stock certificates as tokens of liquid wealth rather than as tokens of responsible ownership; and that the insiders were subject to very little effective check by the scattered majority owners.

They were subject, as we have noticed, to much more check by government authority than before, but government authorities have usually been amenable to pressure from people who knew exactly what they wanted —and could pay for it. Whether in the future Washington would know what it wanted, whether New York would in the course of time be discovered to be holding the Washington puppet-strings, whether some new conjunction of economic forces would alter the whole nature of the problem of control, were questions impossible to answer in 1935.

Whatever was to happen, it was clear by now that the age of American finance which had begun with the twentieth century had come to a close. Perhaps another one was to come; but if so, the circumstances which conditioned it and the instruments of which it made use would be so altered that this new age could hardly resemble closely the age which had been ushered in by Morgan the Elder in the far-off days of 1900. It would be different not merely because of the New Deal or changing political sentiment,

but chiefly because of the play of economic forces beyond the sway of bankers or collectivists or Presidents.

9

And for America, what lay ahead? An attempt to return to the philosophy of laissez-faire, a discarding of restrictions upon business, a new age of emprise for the controllers of property—and, perhaps, new and greater insecurity for the propertyless? A yielding to pressure from this group and that, perhaps a drift into uncontrollable inflation and further disaster? A revolution, a dictatorship, an era of mutual suspicion and bloodshed and tyranny? A new world war? Or, possibly, a not too undisciplined recovery, a relaxation of tensions, a slow approach to an era of orderly and distributed abundance?

These, too, were questions impossible to answer. But this much was sure. The problem which confronted the United States was so vast and so complex that the cries of those who shouted frantically for and against the New Deal, for and against freedom for property, for and against proletarian revolt, were like the cries of the blind men in John Godfrey Saxe's poem—the blind men who were led to an elephant and were asked to describe it, and each felt a portion of it and called out his version of what the creature was like: it was like a spear, it was like a snake, it was like a wall. The problem was nothing less than how to adjust our institutions, under the new circumstances created by the vast financial and economic changes of the past generation, so as to multiply effectively and distribute with some decent approach to fairness the products of the earth, the fruits of labor, and the unprecedented gifts of science—and to do this without destroying human liberty.