THE GREAT DEPRESSION

America, 1929-1941

Robert S. McElvaine
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With a New Introduction by the Author

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15 • Perspective:
The Great Depression and Modern America

It is obvious that the Great Depression of the 1930s marked a dramatic change in the course of American history. Questions concerning the nature of that change remain open. The writing of history is a process of simplification; it becomes art when it avoids oversimplification and makes the complex flow of events comprehensible. Imposing clarity and order where there was in fact confusion is necessary, but it can be misleading. Academic observers of the New Deal, for example, have sought coherent patterns in the Roosevelt programs. They have come up with such explanations of the New Deal policies as the division of them into the “three R’s”: Relief, Recovery, and Reform; or into ideologically distinct First and Second New Deals. The First New Deal has been said to have emphasized planning and the Second New Deal has been identified as a turn back toward restoring a competitive economy.

None of this has ever seemed quite satisfactory—and with good reason. We have tried to fit both Roosevelt and the American people into coherent intellectual and ideological categories. Neither the President nor most of the people were intellectuals; nor were they ideological. Franklin D. Roosevelt was, as I have emphasized repeatedly in this volume, a politician. The digestion of that simple fact makes understanding an admittedly complex man and a complex era considerably more manageable. For one thing, it means that an understanding of Depression America is to be found more in the values of the people than in the philosophy of a leader. This is in no sense to deny the importance of Franklin Roosevelt. It is only to point out that the political context in
which he operated in the 1930s—that is, the changing mix of American values in the Depression—was of even more significance than was Roosevelt himself. FDR was so dominant and important in the Depression decade precisely because his leadership meshed with the moral economic values of American society in those years.

All that said, though, it is necessary to review the impact of the two Depression-era Presidents before we return to the values of the time and the ways in which they have affected us in the last half century. That presidential leadership was of tremendous significance is shown by even the most casual comparison of the mood of the country under Herbert Hoover with that after Roosevelt took office. It is beyond doubt that without Roosevelt, the history of the 1930s would have been vastly different. It is nearly as certain that the subsequent development of the United States would have been altered in important ways. If one imagines—it requires a great leap of imagination—a Hoover victory in 1932, or that another Democrat, say John Nance Garner, had become president in 1933, it is difficult to picture anything like what happened in the remainder of the thirties. No other American political figure in this century has had an impact as great as that of FDR.

One of the critical differences between Hoover and Roosevelt was hinted at in mid-1982 when, in the face of a new economic decline, Treasury Secretary Donald Regan explained why he always tried to be “bullish on America.” “If you do not offer people a ray of hope,” said the former chairman of Merrill Lynch, “if you don’t offer them the promise that things will get better, then you have got no chance of success.” It was not that Herbert Hoover did not try to offer hope of better things, it was rather that he was unable to do so in a credible fashion. Roosevelt had the ability to restore hope. This was partly a difference of style and personality, but it also reflected a more fundamental difference between the men. The difference was, most simply, that Hoover was an ideologue (the last such to be elected president until Ronald Reagan, although Hoover’s ideology was quite different from Reagan’s) and Roosevelt was a pragmatist. Hoover was greatly concerned with intellectual consistency; Roosevelt was eclectic. This did not mean that FDR was a crass, unprincipled politician. He was a “commonsense idealist”—two qualities he often associated. One of the factors that made Roosevelt a great leader was that his beliefs so neatly coincided with popular values in the thirties. For a good politician, principle must usually yield to expediency. But during the Depression, the two frequently coincided. What was good, decent, fair, and just—what was “right”—was also what a majority of people wanted and, hence, what was expedient.

Roosevelt was self-centered, but genuinely concerned with others. To close associates, the President even referred to himself as “Papa.” Like any affectionate father, Roosevelt sought to help those entrusted to his care. After saying something that hurt one of his subordinates (which he did rather frequently), he would usually telephone the injured party and have a soothing chat. On one occasion in 1935 at Warm Springs, Roosevelt waved aside a wheelchair and walked down a ramp in front of other patients. It took great strength and will to withstand the pain this must have caused, but Roosevelt apparently believed that it would be encouraging to the other disabled people. His
concern for others seems to have been the result of a combination of noblesse oblige and the effects of his own struggle with polio.

Despite his exceptional political ability and his verbal capacity to hurt those around him, Roosevelt was usually a humane man. He was even, in his own way, something of a moralist, who could on one level play dirty politics with the best of them, but on another liked to believe in the basic goodness of people. At times he almost seemed innocent, a naive optimist. He had great faith that he was doing the best he could. He could rationalize his own or subordinates’ tactical sleight of hand because he was confident that the end would be the advancement of the American people (and, of course, of himself). FDR’s confidence in his own ability and in human capacity in general led him to reject the notion that depressions are inevitable. Economic laws, Roosevelt said in a 1932 speech, are made by human beings, not nature. *Something* could be done; it *must* be done.

The paradoxical combination of self-centeredness and humanitarian concern that Roosevelt exhibited led to an extraordinarily personal government. Establishing, through radio contact and the feedback of letters from the public, a kind of “intimacy” with the public, Roosevelt saw himself as the one true spokesman for the American people. Roosevelt’s personal government established a bad precedent, but in 1933 and the years immediately following, it was one of the few things that could have given people the will to carry on.

From the start, FDR began to centralize power. He made all important decisions himself. A White House clerk calculated that Roosevelt made thirty-five or more decisions for every one Coolidge had made. Instead of giving anti-Depression tasks to old, constitutionally oriented departments, FDR created new “emergency” agencies, which were more firmly under his control. Among the problems this practice led to was that creating new agencies became at times an end in itself, a way to avoid solving problems. The new agencies also started an almost uncontrolled growth of bureaucracy, which accelerated during World War II. Under Roosevelt, at least, a personal touch served to somewhat humanize what would otherwise have been (and what would soon become) an unfeeling federal bureaucracy.

The burgeoning executive branch worked better under Roosevelt than it would in later years. This was due in part to the President’s accessibility. He was always willing to hear new ideas; he constantly sought sources of information outside the normal channels. Roosevelt’s seeming readiness to listen to any idea opened the floodgates for new thoughts and new thinkers. Intellectuals took on an importance in the White House that they had not enjoyed since the days before Jackson, when Jefferson and the Adamses themselves fit into that category. Even Woodrow Wilson, himself a professor, had not given intellectuals the prominence they had in the New Deal.

Indeed, one of Franklin Roosevelt’s most remarkable achievements was to bring together political currents that had been antagonistic throughout most of American history. Theodore Roosevelt had begun to blend Hamiltonian means into Jeffersonian
ends; Franklin Roosevelt carried this combination much further. More significant, though, was FDR’s combination of Jefferson and Jackson, or even John Quincy Adams and Jackson. The antagonism between the Jacksonian “common man” and the intellectual elite that Jackson associated with Adams in the 1828 campaign had become deeply embedded in American politics during the ensuing century. By employing intellectual advisers to try to reach Jacksonian ends, Franklin Roosevelt brought together the plowman and the professor. This was no easy feat. Although many intellectuals had joined the progressive movement earlier in the twentieth century, the elite educational institutions remained staunchly conservative when FDR took office. When he returned as President for visits to Groton, Roosevelt was greeted with a formality that could not conceal the hostility of both students and alumni. The catcalls that met Roosevelt at Harvard during a 1936 campaign visit have already been mentioned. And when Brain Truster Adolf A. Berle was asked to speak at the twenty-fifth reunion of his class at the Harvard Law School in 1941, his classmates shouted him down. Berle was not even able to finish his talk.

Yet such hostile receptions for Roosevelt and his aides at exclusive schools were more a reflection of upper-class hostility to the New Deal than of intellectual disaffection. Like so many other departures of the Roosevelt years, the marriage of intellectuals to liberalism was to continue for decades after the New Deal ended. The association had become so nearly complete by the 1960s that it may be hard for many readers to imagine that it was ever otherwise. But it was, and the alliance of intellectuals and the poor that seems so natural today was another of FDR’s contributions. The “establishment” of the 1930s was anything but liberal, but Roosevelt’s actions convinced bright young people that government should be active and humane. This was the source of the “liberal establishment” that irked conservatives in later decades.

President Roosevelt’s use of intellectual advisers went hand in hand with his centralization of decision making and concentration of power at the federal level and in the executive branch. The growth in presidential power during the New Deal marked the start of the modern presidency. The basis was there in the powers used by Lincoln, the first Roosevelt, and Wilson, but FDR was an activist president to a degree that went far beyond these predecessors. Beginning with Roosevelt, presidents have been expected to take a prominent role in the legislative process, to present a “program” to Congress. The person of the president as leader, the man on horseback, came to be the sine qua non of paternalist liberals. Tugwell clearly stated the importance of the leader to liberals of this stripe: Subordinates had to go along with Roosevelt even if they did not agree with him. “Nothing could be done at all unless we hung together under a leader ... we had no real right to make judgments.”

One result of Roosevelt’s utter dominance of American liberalism was that no other leader could emerge from his shadow. “No head rose high enough and big enough,” Frances Perkins recalled, “... to offer any alternative.” The consequences of this went far beyond the third-term question in 1940. After Roosevelt’s death in 1945 liberals drifted for years, awaiting a new leader of his style and stature. They thought that they
could accomplish little without such a dashing champion. Although many liberals believed they had found a new leader, worthy of the FDR tradition, in Adlai Stevenson, it was not until 1960 that a “new FDR” emerged from the unlikely source of Joseph Kennedy’s family.¹

Economic problems were, of course, paramount in the 1930s. Although Franklin Roosevelt’s lack of classical economic knowledge opened him to new ideas, he never came to understand the new economics that was emerging all around him in the decade. Since at least 1928 the assumptions of laissez-faire economics had been under attack. In that year William Trufant Foster and Waddill Catchings published their popular economic volume, *The Road to Plenty*. In it they indicated that when business declined, government intervention in the economy was necessary in order to place in the hands of consumers a sufficient amount of money to buy what was being produced. In the boom of 1928 few took heed. After the Crash, though, Foster’s theories seemed to deserve a hearing. His advice to government was simple and would have been effective: increase government spending and tax away some of the surplus income of the rich. Foster’s most telling argument was that everyone knew “what would happen if war were declared today.” Billions would be spent and the Depression would be over. Why wait for a military war, Foster asked, when we could achieve the same end by fighting famine. Neither Hoover nor Roosevelt ever quite believed that the nation could spend itself into prosperity, and in the end it took the war to which Foster had alluded to prove his point.

Foster’s ideas were adopted by Utah banker Marriner Eccles. After Roosevelt appointed Eccles as a governor of the Federal Reserve System in 1934, spending had an effective advocate close to the President. Eccles’s importance grew in 1935, but Roosevelt remained firm in his belief that a balanced budget must be achieved as soon as possible.

Meanwhile, there was a simultaneous battle within the administration between those, like Tugwell, who advocated planning, and disciples of Louis Brandeis, who sought a restoration of competition. The latter’s views gained somewhat after the NRA failed. The main backers of this approach (aside from the aged Justice Brandeis himself) were Felix Frankfurter of the Harvard Law School and the “little hot dogs” he sent to Washington. Among these former Frankfurter students, the most important were Thomas G. Corcoran and Benjamin V. Cohen. Their thrusts against concentration were reflected in the Wheeler-Rayburn bill and the tax policies of the administration from 1935 onward, Roosevelt’s verbal assault on monopoly in 1938, and Thurman Arnold’s antitrust suits in the closing years of the Depression.

This switch from the Berle-Tugwell position to the Brandeis-Frankfurter view is often cited as the ideological shift of the First to the Second New Deal. For the intellectuals involved, no doubt there was an ideological change. But Roosevelt and such nonideological aides as Hopkins and Ickes had no trouble getting along with both groups. This was because these men represented the essence of the New Deal: a humane,
cooperative impulse that was not ideological. This was the general mood of the public as well. Roosevelt, the compassionate politician, naturally favored this concept of a better deal, too. He was willing to join with the “hot dogs” after the Blue Eagles failed, particularly since the Brandeisians’ anti-big business attitudes seemed to fit the public mood and, hence, would be politically useful.

Thus, working- and many middle-class Americans, Hopkins, Ickes, and to a large extent Roosevelt himself found a common cause. The planners and competitors also favored greater equality, but each in their own separate ways. The Brandeisians seem to have been closer to the popular feeling of the mid-thirties, which naturally enough sought its equality, if possible, with a large dose of individual freedom.

As spending increased in 1935, some observers believed they discerned the hand of John Maynard Keynes at work. Keynes’s theories on using fiscal and monetary policies to cool overheated economies and to warm cooling ones were similar to the ideas of Foster and Catchings. But Roosevelt never accepted the idea, no matter who offered it. There is little doubt that a full-scale Keynesian program could have ended the Depression. The fact remains, though, that it was only at the height of the war, in 1943, that average unemployment for the year finally dipped below its 1929 level. The moral of the story seemed clear enough: If warfare means prosperity, Foster, Eccles, and Keynes were right. We could spend our way out of depression. The lesson was learned well. Military spending helped keep us out of depression from the early forties to the beginning of the eighties. (There were, of course, many other reasons for the relative prosperity of the post-World War II period, including cheap energy, a backlog of savings, growing consumer demand, new industries, and low inflation.) Unfortunately, this was less than half of the Keynesian prescription. It could—and did—become politically popular to spend, but what was to be done when the economy overheated? Keynes called for a reversal of the fiscal and monetary policies he prescribed for bad times. But what politician would vote for collecting more in taxes than the government was spending?

Roosevelt and other traditionalists had been right in their feeling that large deficits could not continue forever. Although the fear of inflation had been ludicrous in 1937, sooner or later it would become a problem if deficits were not compensated for. When a man from Texas who pictured himself as a new Roosevelt took over in the 1960s and tried to outdo his idol in lavish domestic programs, fight a war at the same time, and not raise taxes to pay for it, inflation finally did become a major problem.

Yet despite Lyndon Johnson’s overheating of the economy, inflation had risen to an annual rate of only 4.7 percent when he left office in 1969. The really serious, runaway inflation of the 1970s began only with the combination of the Arab oil embargo of 1973–74 (and the consequent leap in energy prices) with Richard Nixon’s huge grain sales to the Soviet Union, which contributed substantially to a 20 percent jump in food prices in 1973. These pressures added spectacularly to the inflationary flames Johnson’s deficits had kindled. The Organization of Petroleum Exporting Countries threw more of their oil on the fire in 1979, when energy prices shot upward by another 37 percent. In
so doing, OPEC joined with the efforts of one of its members, Iran, to complete the discrediting of Jimmy Carter and pave the way for the election of a man committed to dismantling the New Deal and returning, as much as possible, to the days of Calvin Coolidge.

It is an extraordinary irony that the first firm ideological opponent of the New Deal and Keynesianism to occupy the White House since Franklin Roosevelt was the one who finally created a deficit so large that it exacerbated an already bad economy and brought on a serious collapse. There can be no question that Ronald Reagan’s economic policies of drastic tax cuts combined with increased spending (although shifted from social programs to the military) and tight money were a major cause of the “recession” of the early 1980s, easily the worst such economic disaster since the Great Depression. Plainly it was more than coincidence that the increase in unemployment began in precisely the same month (July 1981) that Reagan’s economic program was enacted. Ronald Reagan performed the striking feat of demonstrating anew that “supply-side” (i.e., Coolidge-Mellon) economics does not work and at the same time showing that excessive use of one side of the Keynesian formula (deficit spending) can lead to disaster.

In fact, Keynesianism had offered a temporary way out of the Depression, but by itself it could provide no permanent solution. The fundamental problem in the economy remained maldistribution of income. That maldistribution continues to be severe, but as the following table indicates, there were some significant changes in income distribution in the United States between 1929 and 1981. There were important reductions in the shares going to the top 5 percent and the top 20 percent. Most of these declines in the relative positions of the richest Americans took place during the Great Depression and World War II, with less dramatic drops being registered in the 1960s. Interestingly, though, the redistribution from the top fifth went mostly to the second and third fifths; to the middle class. The shares going to the lower two income fifths increased somewhat during World War II, but have not improved since. Although the poorest Americans have not benefited greatly, it is reasonable to conclude that the redistribution from the richest to the middle-income brackets helped sustain purchasing power in the postwar years of relative prosperity. As the table shows, Ronald Reagan’s 1981 imitation of Andrew Mellon’s tax cuts favoring the rich reversed this beneficial trend, and did so quite intentionally.

The apparent vindication of Keynesianism in World War II led to its rapid conquest of the field. Unmodified laissez faire nearly expired in the Roosevelt years. Some Republicans continued thereafter to hold aloft the tattered banner of the unfettered marketplace, but Eisenhower made no attempt to dismantle the New Deal, Goldwater was crushed when he suggested he might try, and Nixon shocked many when he announced in 1971 that he was a Keynesian. Even Ronald Reagan ran into firm opposition when he attempted to tamper with the more basic parts of the New Deal legacy, such as Social Security. And Reagan himself—although he would never admit it—used Keynesianism when he induced a recession to curb inflation. Oddly, although
Roosevelt never became a Keynesian, his administration created a new orthodoxy, of which conscious government use of fiscal and monetary policy was a primary part.

<table>
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<th>Year</th>
<th>Lowest Fifth</th>
<th>Fourth Fifth</th>
<th>Middle Fifth</th>
<th>Second Fifth</th>
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<td>4.6</td>
<td>10.6</td>
<td>16.7</td>
<td>24.3</td>
<td>43.7</td>
<td>16.5</td>
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<tr>
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<td>4.9</td>
<td>10.9</td>
<td>16.4</td>
<td>23.8</td>
<td>44.1</td>
<td>16.1</td>
</tr>
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<td>4.6</td>
<td>10.9</td>
<td>16.4</td>
<td>22.7</td>
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<td>22.1</td>
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<td>5.0</td>
<td>11.1</td>
<td>16.0</td>
<td>21.8</td>
<td>46.1</td>
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<tr>
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<td>4.1</td>
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<td>22.3</td>
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Yet the real “solution” to the Depression that emerged from the New Deal and the military spending of World War II was, basically, to return to an old and comfortable American assumption: more or less constant expansion. The economic boom of World War II allowed Americans to opt once more for the easy solution of an ever expanding pie. With the return of prosperity and the coinciding swing of the pendulum away from social concerns and toward a more self-centered outlook and a complacent sense that the economic problem had been licked, the values of the Depression era declined.

Two principal factors are often cited as having kept up growth and prevented a new depression in the postwar years. One is that enough Keynesianism had been learned that government usually moved in the correct direction during critical periods to reverse recessions. The other is that many programs established by the New Deal—unemployment compensation, Social Security, welfare payments, deposit insurance, and so forth—worked automatically to counter economic downturns. Both of these facts were of great importance in keeping the economy in relative health from the early 1940s to the late 1970s, but both were seriously undermined by the policies of the Reagan administration.

Two other phenomena were of at least equal significance in creating and maintaining the greatest economic boom in the history of the world. Both served to persuade what might otherwise have been a reluctant public and Congress to spend at high enough levels to keep up sufficient demand. One was the Cold War, which from the early 1950s kept military spending at high rates even while the nation was at peace. At times when
neither congressional nor public opinion was given to supporting heavy spending for social programs, the need to defend ourselves from the Communist threat in fact helped protect us from the possibly more immediate danger of economic collapse. In the years between the Korean War and the early 1970s, a majority of Americans usually seemed ready to believe that the country could never have too much defense. The resulting government spending played no small part in keeping the economy on a general rise during those years.

Even more significant in the great postwar economic boom, though, may have been another coinciding boom: that of babies. The phenomenal explosion in births in the years 1946–64 fueled the demand needed to keep the American economy growing. “A civilian market growing by the size of Iowa every year,” Fortune magazine noted in 1951, “ought to be able to absorb whatever production the military will eventually turn loose.” Seven years later, Life headlined its cover story: “Kids, Built-In Recession Cure—How 4,000,000 A Year Make Millions In Business.” The Cold War and the Baby Boom combined to keep the economy strong enough that its occasional slips remained within the bounds of what mild Keynesianism could correct. Both phenomena, however, added to the reliance on an ever expanding economy. Should that growth ever slow appreciably, a new crisis would be inevitable. We are now facing that crisis.2

The economic impact of Franklin Roosevelt’s actions as president have been immense and lasting. The same can readily be said of his political achievements. Politics was the area in which FDR considered himself an expert. The changes he helped effect in this realm were monumental.

Winning the election in 1932 was no particular accomplishment, of course. The Depression had assured a Democratic victory. After coming into office, though, Franklin Roosevelt began a dramatic alteration of American politics. He focused public attention on genuine problems for the first time in more than a decade. More even than in the Populist and Progressive eras, American politics became issue-oriented in the 1930s. The Depression itself was largely responsible, to be sure, but it should be remembered that the Republicans and many important Democrats sought to ignore economics and concentrate the 1932 campaign on such diversions as prohibition. Roosevelt’s personal role cannot be discounted.

Although immigrants had long played a part in urban machine politics, and ethnic groups had had some impact in the Progressive era, national politics before 1933 remained—despite the Al Smith nomination in 1928—largely the province of property-owning, Anglo-Saxon Protestant males. The New Deal began the slow process of bringing other Americans into the democratic process. Roosevelt’s goal was to create a lasting coalition of interest groups that would assure his party majority status for decades to come. With the help of the Depression he succeeded. The economic collapse of the 1930s did for the Democratic party what the depression of the 1890s had done for the Republicans.
Creating such a lasting majority was an exceedingly difficult task. The bedrock of the Democratic party had long been the Solid South. For a Democrat to reject the South was unthinkable; for the South to reject the Democratic party was worse. The “Southern Way of Life,” with its complete white domination, was tied to the one-party system.

At first, Roosevelt and southern Democrats got along famously. He was, after all, a part-time Georgian. Southern delegates had put FDR over the top to win his 1932 nomination. They were generally pleased with the AAA, and relief programs seemed no great threat in the beginning. Soon, however, doubts arose. The attempts by Ickes, Hopkins, and other New Deal relief administrators to see that blacks were not discriminated against in the dispensing of government funds rubbed many white supremacists the wrong way. Relief rates, as low as they were, often exceeded the criminally low pay scales southern whites offered black employees. As Eleanor Roosevelt’s beliefs in a greater degree of racial equality came to be better known, she became for many southern whites the world’s single most hated person, known simply as “That Woman” to thousands who considered the utterance of her name improper for ladies and gentlemen.

In the general euphoria of 1936, southern Democrats allowed the abrogation of the party’s requirement that a presidential nominee receive the support of two-thirds of the delegates. The rule had for a century given southerners a veto over Democratic nominees. When Roosevelt introduced his Court plan the following year, many southerners believed that the President secretly wanted to appoint justices who would upset the racial order of their region.

Although the section’s long-standing paranoia made the situation look more threatening than it was, southerners were correct in seeing a fundamental change in their position in the Democratic party. With the huge Democratic majorities elected in 1936, the southerners found themselves a distinct minority within their own party. Still, the need to maintain a one-party system seemed absolute. The changes in the Democratic party in the thirties were enough to scare southerners, but not yet sufficient to cause them to abandon the party of their grandparents. The move of blacks, labor unions, Catholics, and Jews into the Democratic party did, however, provide some strange company for southern conservatives. The possibility of a formal alliance between southerners and Republicans lay open. What Barry Goldwater, Richard Nixon, and John Mitchell, the architects of the “southern strategy,” would try to accomplish in the 1960s was clearly foreshadowed by the events of the thirties.

The greatest trouble of all in trying to appeal to opposing groups came with the President’s early attempt to keep both big business and the working class on his side. It did not succeed, and early in 1935, facing mounting pressure from the left, Roosevelt seems to have made a decision similar to that made by Nixon in the early 1970s on the advice of aide Patrick Buchanan: “Cut ... the country in half; ... we would have far the larger half.” Roosevelt’s division had the redeeming feature that at least the enemy he singled out—the reactionary rich—had clearly done harm or been indifferent to the plight of a majority of Americans. America’s upper crust responded to Roosevelt’s
rhetorical attacks with bitterness unmatched in the annals of twentieth-century presidents. Two famous cartoons illustrated the feelings of the wealthy toward one they viewed as an apostate. One by Dorothy McKay in Esquire for November 1938 showed an upper-class youngster writing “ROOSEVELT” on the sidewalk. His tattletale sister was informing on him. “Mother,” she exclaimed, “Wilfred wrote a bad word!” In a similar vein, Peter Arno drew in The New Yorker two groups of well-to-do people at a club. “Come along,” the first urged the second. “We’re going to the Trans-Lux to hiss Roosevelt.” On a copy of this cartoon, FDR wrote “Grand.”

With his class-oriented actions and talk of 1935 and 1936, Roosevelt had crossed a political Rubicon. The rise of the CIO and the wave of sit-down strikes in 1937 took place while the President’s fortunes were tied up with the working class, whether he continued to like it or not.

He had, though, little reason not to like it. The coalition formed of labor unionists, relief recipients, blacks, southerners, ethnic and religious minorities, intellectuals, and sometimes farmers has dominated American politics since the thirties. Even as the South split along class lines in the 1970s, with many of the better-off whites in the region becoming Republicans, a majority could still be formed in 1976 of the remaining parts of the “Roosevelt Coalition.” And the outcome of the 1980 election, while unquestionably marking at least a temporary shift to the right, was far more a repudiation of Jimmy Carter than it was the death knell of the New Deal and the majority that the Depression and Roosevelt had put together. By the 1982 off-year elections, the half-century-old New Deal coalition was able once more to demonstrate enough strength that The New York Times could proclaim editorially: “‘Liberal’ Is No Longer a Dirty Word.”

That political concerns motivated so many of Franklin Roosevelt’s actions is disturbing to some observers. Critics can condemn FDR for opportunism. Obviously, that is just what it was, but perhaps that is not as bad as most of us think. Opportunism may play a crucial role in democracy. The President must lead, but if he wants to be reelected he must conform finally to the popular will rather than to a preconceived plan of his own. It is possible that Roosevelt’s relative success and his great popularity were functions of his being more of a politician (in the best sense of the word) and less of an ideologue than many of his critics liked or recognized.

Discussions of the New Deal’s place in history in recent years have concentrated on its conservative aspects—that is, its success in keeping the system running. Aside from inducing apoplexy in surviving right-wing Roosevelt-haters, the most serious problem with this view is its present-mindedness. The troubles that paternalist liberalism produced in the 1960s and 1970s should not be used to condemn the reforms made in the 1930s.

There can be no doubt that the New Deal performed a marvelous job of conservation: it saved American capitalism at the time of that economic system’s worst crisis to date.
To accept this, however, is not to say as some leftist historians have in the last two decades that things would have been better had the reforms of the Roosevelt administration never occurred. It may very well be regrettable that the New Deal did not do more, particularly that it did nothing effective to strike at the maldistribution of wealth and income that continues to plague the American economy. But some reform is better than none. Making things worse is not a way to make them better; the reelection of Hoover in 1932 would have been a disaster; allowing the poor to starve is not a way to make their lives better.

Of course the New Deal defused discontent; doubtless this was one motive for relief expenditures. This is, however, much easier to condemn from the friendly confines of Stanford or Columbia several decades after the fact than it was from a WPA project in the midst of the Depression. It also seems unfair—and more than a little inconsistent—to criticize the New Deal both for not helping workers and for aiding them sufficiently to undermine their discontent.

This said, however, a basic question about the New Deal must be asked: Whom did it help? Of the early measures, the NRA aided big business, the AAA helped large landowners and hurt tenant farmers, the Emergency Banking Act and the FDIC helped bankers and depositors, the HOLA aided lenders and homeowners, the SEC helped stock investors, and the so-called economy bill helped no one, except perhaps some befuddled classical economists. The only things in the First New Deal that directly benefited the really poor were the TVA, the Farm Credit Administration (which saved many small farmers), and the relief programs.

Considering these facts, many observers have wondered why Franklin Roosevelt was loved most by those he helped least. It is a legitimate and important question. One answer is simply that the provision of relief was in itself so much more than the federal government had done before for the down-and-out that they naturally appreciated it. In addition, there was the Second New Deal. The benefits of the Wagner Act, Social Security, and the later Fair Labor Standards Act were not shared by Americans at the very bottom of the economic ladder, but these acts did reach further down than most of the First New Deal legislation. Next to Roosevelt’s fatherly image, the WPA was the most important factor in tying the poor to the New Deal. For all its problems, the WPA seemed to most who worked for it to mean one thing: the government had finally remembered the “forgotten man.”

The New Deal created the welfare state. Never again would it be seriously argued that society had no responsibility for the unemployed, the aged, and the infirm. The government might not do much for them, but it would not let them again completely fend for themselves. Even Ronald Reagan, a half century later, found it necessary to pay lip service to the idea of a federal “safety net” for the “truly needy.” The federal government’s relationship to the American people was drastically altered. “Washington”—previously the name of the first president, numerous other people, a state, and various landmarks and towns, including one on the Potomac River—suddenly came in the 1930s to have a new meaning for most Americans. It was the source of
income for many, the collector of social security taxes for more, and the stimulator of the economy for almost all. “The government” now always meant the national government. The United States became, through the New Deal, an “it” instead of a “they.” No longer “these United States,” the nation more than ever before became the United States.

The New Deal did even more than this. By making the Depression livable, it preserved a free, democratic society in an age when the survival of such societies was by no means assured. This laudable end was achieved at considerable expense, though. The trend toward centralized power was one that held the potential for subverting democracy, as events of the sixties and seventies showed.

Moreover, the methods employed by the New Deal were generally not designed to maximize participation. Based as they were on the concept of paternalism, most New Deal programs edged America closer to dependence on competition between big government, big business, big labor, and other such institutions. Those who belonged to none of these organizations were left out of the theory of pluralism that grew out of the Roosevelt years; and most of those in the groups, such as union members, also had little say in the affairs of their institutions. Pluralism was but one legacy of the New Deal. I have discussed many others. Such bequests are not difficult to find, since most of them still survive. Indeed, the New Deal defined the limits of political debate for at least a half century.

For all it did, for all it changed, the New Deal never succeeded in its primary goal: ending the Depression. Roosevelt himself had stated the objective best during the 1932 campaign. In his April “Forgotten Man” radio address, the candidate declared: “A real economic cure must go to the killing of the bacteria in the system rather than to the treatment of external symptoms.” This Dr. New Deal never accomplished; he was quite effective in easing symptoms, but the bacteria remained untouched. Necessary as analgesics were in the thirties, they may, as painkillers often do, have done a long-term disservice to the patient. Deadening the pain lessened the urgency of finding the cause and cure of the affliction. This is not to belittle the accomplishments of the New Deal; it is simply to indicate that more might have been done.

But could more have been done? The changes brought by the Depression and the New Deal were immense. Franklin Roosevelt’s role in those changes was certainly large. Yet in Roosevelt’s first term, Congress was often to his left, not merely agreeing to presidential proposals but pushing more substantial changes on its own. The National Labor Relations Act, the Wagner-Steagall Housing Act, and the creation of the FDIC were all congressional initiatives. The NRA had been a response to the certainty of more drastic action in Congress.

Whether or not more could have been achieved in the political atmosphere of the Depression years, it is beyond question that the economic collapse and Franklin Roosevelt’s response to it decidedly altered the course of the nation. The simplest and most meaningful statement that can be made about the New Deal is that it brought into
our government the sense of compassion that arose among so many Americans during the Depression and left that sense of caring as a legacy to subsequent generations of Americans.

Perhaps the chief impact of the Great Depression was that it obliged the American people to face up to the necessity of cooperative action because it took away, at least temporarily, the easy assumptions of expansion and mobility that had decisively influenced so much of past American thinking. Those assumptions had generally made most Americans feel that it was unnecessary to inquire much about the degree of justice in their economic system. For a time during the Depression, the nation confronted that basic question and began to answer it by moving toward the “moral economic” values I described earlier.

Americans have always been basically pragmatic. They were willing to accept an unfettered marketplace economy so long as it seemed to be working—so long, that is, as it appeared to be living up to Adam Smith’s original moral belief that it eventuated in the common good. For many industrial workers, it was apparent as early as the immediate post-Civil War era that laissez faire and the marketplace did not produce their common good. By the 1880s and 1890s, many farmers in the South and Great Plains had reached a similar conclusion. Both of these groups moved in the late nineteenth century toward values based on a greater degree of cooperation. For the vast “middle class” of the United States, however, it took the Great Depression to convince them—at least for a while—that the marketplace was not benign in its workings.

During the Depression America moved toward community-oriented values simply because so many were in need. With up to one-fourth of the work force unemployed, an even larger percentage of the population (when dependents are figured in) without a regular source of income, and more still in constant fear that they might be next to lose their jobs, most people came to realize that they faced a common predicament. People became much less willing to “go it alone” with no thought of the consequences for others. They became less selfish and more compassionate.

When I speak of the compassion of the thirties as contrasted to the egoism of the twenties, I certainly do not mean to imply anything approaching the sort of absolute dichotomy posed by such extremists as Ayn Rand. It is not an either/or situation. If the prosperity decade had some men who approached the megalomania of Rand’s Fountainhead characters, Gail Wynand and Howard Roark, the utterly selfless people of the Depression decade—epitomized by Melanie Hamilton in Gone With the Wind—were entirely fictional. The quest for justice in the Great Depression implied no desire to destroy the individual or to impose totalitarian collectivism. It merely meant that people sought a greater degree of sharing, a more ethical, cooperative individualism; not at all an obliteration of the self, but a recognition of the rights, needs, and humanity of others. President Roosevelt stated it well in 1936: “I believe in individualism ...—up to the point where the individualist starts to operate at the expense of society.”
John Steinbeck put the emerging quality beautifully: “The baby has a cold. Here, take this blanket. It’s wool. It was my mother’s blanket—take it for the baby. This is the thing to bomb. This is the beginning—from ‘I’ to ‘we.’ ” Steinbeck went to the heart of the economic influence on the change in values from prosperity to depression: “For the quality of owning freezes you forever into ‘I,’ and cuts you off forever from the ‘we.’ ”

The initial impact of the Depression was, of course, devastating for most people. They quickly rejected the acquisitive individualism associated with the business ethic of the twenties, but they were slower to see just what they might replace it with. Self-blame was a natural outgrowth of the self-congratulation of the preceding era of prosperity. The turning point came in 1933. Franklin Roosevelt and the New Deal provided hope to go with the hard times. Hope is a necessary ingredient in any significant movement for change. The shift in attitudes beginning with the Hundred Days was reflected in movies, union militancy, “thunder on the left,” declining self-blame, new attitudes toward relief, and many other ways. This change has sometimes been misinterpreted as a return to the values of competitive, acquisitive individualism. In fact, those values were more firmly rejected after the New Deal provided hope of a more just society than they had been before Roosevelt’s inauguration. What happened was a return to the partly mythical older values of justice, cooperation, and moral economics. Since these older values were reshaped in the context of the 1930s, they amounted to a new cooperative approach, although one with clear roots in the pre-marketplace economy.

The circumstances out of which the reforms of the Great Depression arose differed in several important respects from those of earlier American reform eras. Most obviously, such earlier successful reform movements as Progressivism occurred in times of relative prosperity, while the New Deal took place under just the opposite conditions. Progressivism was much more a series of reforms initiated from above for those in the lower ranks of society. The Depression-era reforms were pushed from below, by those who needed them. If Progressivism was, as historian Charles Forcey has said, a “strange mixture of guilt and moral fervor,” the New Deal was characterized only by moral fervor, and that of a different sort. Inspired as they were by those who were the victims of the economic collapse, the reforms of the Depression years were in no sense a product of guilt. Those who pushed for the changes were not the guilty parties in the Depression, and after 1933 most of them understood this. As victims, those demanding change during the Depression were not thinking in terms of giving, but of sharing.

Another distinction between the mood of the Progressive era and the values of the Great Depression deserves mention and leads us into a new perspective on the values of the Depression era. The reformers of the earlier period had, as Otis Graham has put it, “a strong appetite for adventure.” Certainly Theodore Roosevelt’s “urge for great ‘male’ exploits” is beyond question. The emphasis that Americans placed on supposedly “male” qualities had always been high. One of the highest “male virtues” was competition, trying to win, seeking “success.” Indeed, much of Western society since the beginnings of industrialization in the eighteenth century had become separated into “male” and “female” spheres. The former was closely associated with the emerging marketplace
political economy. The division of labor that Adam Smith postulated was carried further and led to a division of human qualities into those appropriate for men and those proper for women. The male sphere, which has dominated Western and especially American society for the past two centuries, placed a high value on aggressiveness, toughness, competition, and pursuit of self-interest. The female sphere, on the other hand, emphasized cooperation, sharing, compassion, service to others, self-denial—in short, the traditional Judeo-Christian ethic. Such qualities were necessary for human survival, but would get in the way of the pursuit of success in the marketplace. Hence, they were confined to the sphere of women, which was coextensive with the home and the church. In the most simplified terms, the male sphere in the industrialized world was the amoral marketplace, the female world the place where morality was still to reign—but where it was to remain confined, a haven for men from the brutal struggle outside.

Students of public opinion in the early 1980s noted a “gender gap” on a series of topics ranging from nuclear disarmament through Ronald Reagan to social welfare programs. The element that seemed to tie together the concerns of women on these varied issues, pollsters tell us, was a desire for “fairness” and “morality.” These findings are suggestive about the rise of “moral economic” values during the Great Depression.

In certain respects, the Depression can be seen as having effected a “feminization” of American society. The self-centered, aggressive, competitive “male” ethic of the 1920s was discredited. Men who lost their jobs became dependent in ways that women had been thought to be. Women in films in the early Depression, for example, were portrayed as totally dependent. In *Faithless* (1932), Tallulah Bankhead attempts to find work but meets nothing but “No Help Wanted—This Means You” signs. She marries, but neither she nor her husband is able to find work. Bankhead is obliged to sell herself in order to survive. The message is the same in such other early Depression films as *Susan Lenox, Her Fall and Rise* (1931) and *Blonde Venus* (1932): women—Greta Garbo and Marlene Dietrich, respectively—are totally dependent and must prostitute themselves to get ahead. A similar fate seemed to have befallen many men by 1932. Like women, they rejected the success-oriented life, became passive, and in an economic sense, expressed a willingness to prostitute themselves in order to survive.

As in so many other ways, 1933 was the turning point. With the New Deal the nation moved from passive acceptance of the Depression’s effects to active attempts to overcome them. It may not be coincidental that 1933 was also the year in which Hollywood’s only “different” woman of the decade—Mae West—burst forth. In *She Done Him Wrong* (1933), West is not a dependent woman. She is in complete control. Yet it is not a simple role reversal, for Mae West does not use “male” qualities to get ahead. She is a representative of the poor; bighearted and generous, she helps people.

If men in the Depression found themselves much more often in the traditional position of women—on the bottom, in a state of dependence—they also moved toward the “feminine” values I have here called “moral economics.” When, with the New Deal, they got beyond passivity and became active in their quest to improve their situation, Depression victims tended to do so through “female” values. They sought to escape
dependence not through “male,” self-centered, “rugged” individualism, but through cooperation and compassion.

The division between female and male values is, of course, essentially another way to look at the effects of the Depression on American values that I have been concerned with throughout this book. It does, though, cast a slightly different light on the subject, and it may help us to see what has become of those values in the more than four decades since the Great Depression ended.

First, it must again be made clear that I am not speaking about absolute distinctions or suggesting that women are inherently “better” than men, any more than I am saying that the poor are automatically better than the rich. Obviously some women adopt so-called masculine values and some men adhere to “feminine” values, just as many of the poor at times adopt the acquisitive, competitive ethic and many of the rich are compassionate. I am speaking about tendencies. The situation in which the poor find themselves has led many of them to see the benefits of basing the economy on moral considerations. Similarly, for a variety of societal reasons, women have been encouraged to be compassionate. (I have neither the inclination nor the expertise to enter the thicket of whether there may be a biological as well as a social basis for the difference, on the average, between the values of men and women.) Depression conditions strengthened the attraction of the values of the poor for the sinking middle class and the values associated with women for men.

If reformers in the Progressive era remained essentially “masculine” in their outlook, but those demanding change from below during the Depression were adopting more “feminine” values, it would seem that another fundamental difference between these reform eras has been identified. This distinction can also be made between the motivation for reform in the Depression and that in the subsequent liberal period of the 1960s. The leaders of the later period had as great an “urge for ‘male’ exploits” as did such Progressives as Theodore Roosevelt. John F. Kennedy’s reputation for such things is too large to require repetition here. Lyndon Johnson’s internal conflict between female compassion and male toughness and his continuing fear of appearing to be a “sissy,” which have been detailed by Doris Kearns, ultimately led to tragic consequences as he sought to demonstrate his “manhood” in far-away places. Spurred on by concern over the mistreatment of black Americans and the effects of the “vigorous” foreign policies of JFK and LBJ, a growing number of Americans—particularly younger ones—turned in the 1960s toward values of compassion, equity, and justice. But the “Movement” of the sixties was fundamentally different from that of the thirties. In the 1960s prosperity reigned and most of those who demanded change had themselves grown up surrounded by material abundance. The liberalism of the sixties was based upon the assumption of an expanding economic pie. President Kennedy even revived an old term for this cherished American belief when he spoke of a New Frontier. A majority in the sixties was willing to help others because they thought that this could be done without harming themselves.
When the American economic pie stopped growing in the 1970s, much of the population was ready once again to turn inward. As at the end of the Progressive era, the people grew tired of sacrifice for others and returned to concern with the self. The “me” generation came into dominance.

In the seventies and eighties, the American people have again been confronting the prospect of limits. The 1973–74 Arab oil embargo, inflation, a decline in productivity, and a general change from an industrial to high technology economy have combined to create an unfamiliar situation for Americans. The future no longer seems certain to be better than the past. The initial reaction of most appeared to be almost the opposite of that which occurred when a similar conclusion was reached in the Depression.

Postwar American society has been so permeated by the values of acquisitive individualism (despite the survival of some residue of the social concern of the Depression) that few of us have escaped it. The mass media bombard us with a self-centered ethic of consumption, and advertisers are far more skillful than they were in earlier decades in convincing us that we need what, without their assault on our senses, we would not even know we wanted. Given this framework, it should not have been especially surprising when many Americans greeted the new economic problems associated with limits by “looking out for number one.” If we had to accept that things in general would not get better, we could still assume the good—and improving—life for ourselves.

If, as I have contended, the Great Depression led many middle-class Americans to see their interests as coinciding with those of the poor, the same has plainly not been the case in recent years. Middle-class Americans in the thirties identified with the Joads; in the seventies and early eighties they aspired not only to keep up with the Joneses, but to try to catch up with the Rockefellers. Americans of moderate means have been encouraged to live beyond those means, to try to emulate those above them on the income scale. Products are purchased not merely for their use or enjoyment, but to demonstrate one’s position in society. “The pressure on all these people to dispose of their cash as they do,” The New Republic observes, “does not come from a sudden prosperity…. The pressure comes, rather, from a social ethos for which the highest value is style.” That ethos is diametrically opposed to the one that dominated in the Great Depression. The official crowning of the social ethos of style was the election of Ronald Reagan in 1980. The Reagan administration has lifted much of the remaining stigma from the practice of acquisitive individualism. More even than a return to the doctrine of social Darwinism, this seems to represent the development of what might be called “social Calvinism.” The successful see themselves as the economically Elect and the unemployed as the socially damned. The former need not concern themselves about the latter. By concentrating on increasing their own success, they further prove that they are among the Chosen. As John D. Rockefeller once put it: “The good Lord gave me my money.”

The indicators of the turning inward to private concerns in the latest conservative swing were ubiquitous by the late 1970s. While the New Deal had persistently reflected
Depression-era America’s desire for public projects, by the 1970s there was a noticeable decline in interest in the commonweal. Public transportation systems were allowed to decay while citizens spent ever greater sums on private cars and the fuel to operate them. Budgets for public education were cut while the wealthy—and those who aspired to be—demanded tax credits for their children to attend private schools. Voters from California to Massachusetts passed referendums limiting the amount of taxes that could be collected to support public projects. Public libraries were often among the first targets of state and local budget cutters.

Politics in recent years has been increasingly dominated by single-interest groups. “Today everyone is imitating the National Rifle Association,” Charles Peters wrote in The Washington Monthly in 1983. “That’s the way to have a successful lobby. It’s also the way to ruin America.” The major concerns of the National Rifle Association are, in fact, among the best examples of the contrast between the community-oriented values of the thirties and the “every man for himself” attitude of the seventies and eighties. Instead of accepting that the provision of security is a responsibility to be undertaken by society, many Americans—including President Reagan—maintain that individuals armed with everything up to and including armor-piercing bullets should provide protection for their families. That way lies the road to anarchy, not community.

The private concerns of Americans in the 1970s and early 1980s were evident also in the growth of career orientation among college students. They sought ways to “plug into” the system, not to challenge it. Many of the terms that became clichés in these years made the same point: “assertiveness training,” “getting in touch with myself,” “open marriage,” “my space.” So did the fads, cults, and “therapies” of the period: health foods, est, “consciousness raising,” Esalen, and so forth. Former Yippie Jerry Rubin, whom the media once made a symbol of in the 1960s, became a much better representative of the seventies when he said he had learned “to love myself enough so that I do not need another to make me happy.” Predictably, the results of such an attitude (although, of course, most people would not put it so bluntly) included an increase in the divorce rate and a decline in the birthrate. Marriage requires a willingness to sacrifice, share, and consider the needs of another. And children, after all, can disrupt one’s “lifestyle.” They demand that a parent give of his time and himself. It was a sacrifice many seemed unwilling to make.

The mood of egoism has become worse in modern American business than it was in the 1920s. American corporate executives today seek to construct personal images as “winners.” They show little loyalty, even to their companies. Competition has gone beyond that between companies and come to be between individual executives. Success is defined in the management textbook Routes to the Executive Suite as “not simply getting ahead,” but “getting ahead of others.” The “winning image” is usually achieved by concentration on short-term profitability. Corporate executives have worked at what Harvard economist Robert Reich calls “paper entrepreneurialism”—the manipulation of stock and finances—rather than at increasing productivity. Such attitudes have played a large role in the weakening of the American economy.6
If the values of Americans in recent years seem closer to those of the 1920s than those of the Depression, there are other disturbing parallels between the economic situation leading into the Depression and that we face today. Any study of the Great Depression ought to address the question: Can it happen again?

That the values of acquisitive individualism that helped create the climate for the depression appear again to have been dominant in recent years is not a good sign. Nor is it comforting to know that we have a president who admires Calvin Coolidge, believes in the economic policies that were in effect in the 1920s, and wants to weaken the social programs that have helped prevent large economic collapses throughout the postwar years.

The economic slump of the early 1980s was the worst since the Great Depression. The previous post-Depression peaks of unemployment were 7.9 percent in the recession of 1948–49, 7.5 percent in the 1957–58 recession, and 9.0 percent in the 1973–75 recession. All those records were left far behind in the early 1980s. In December 1982 the jobless rate hit 10.8 percent. Approximately 12 million Americans seeking jobs were unable to find them, the largest absolute number of unemployed Americans since 1933. Moreover, several million more had either given up and stopped looking (and so were classified as “discouraged” rather than unemployed) or were working part-time when they wanted full-time jobs. Some 6 million of those without work had exhausted their unemployment benefits. Certain industries, such as automobiles, housing, and steel, were at Depression levels, as were the states of Michigan and West Virginia and localities in many industrial states. Bankruptcies in 1982 reached the highest level since the bottom of the Great Depression in 1932. More than 200 American financial institutions—banks and savings and loan associations—closed their doors in 1982.

There were also disturbing impressionistic signs reminiscent of the Great Depression. By late 1982 an estimated 50,000 migrants a month were taking to American highways searching for work in other regions. Some of these were going to the very areas—Oklahoma and Texas—from which “Okies” fled in the thirties, but for many California remained the land of promise. Some of the migrants of the eighties were being called not “Okies,” but “black tag people,” because of the color of their Michigan license plates. Many Americans—perhaps 2 million—in 1982–83 were again homeless, living in vans, cars, or under bridges. In several cities, tent colonies of jobless families—now dubbed “Reagan ranches” rather than “Hoovervilles”—were established. The head of the Northern Ohio Salvation Army told a congressional hearing at the end of 1982 that people in Cleveland were sleeping in the organization’s deposit boxes. “What do you say to a husband and wife and three children sleeping in an old car on the road desperately looking for work, the temperature in the teens ... ?” he asked. Half of the men in New York City’s shelters for the homeless in 1982 were reported to be high school graduates and 20 percent of them were college graduates. The number of “customers” at soup kitchens multiplied dramatically in 1982. In Cleveland alone, the number of soup kitchens leaped from three in early 1981 to more than thirty only two years later. The lines at many such establishments stretched for blocks like an eerie vision of the
breadlines of the thirties. Many of those standing in the soup kitchen lines were previously “respectable” folks who said they had never taken “handouts” before and had to swallow their pride because they were hungry and had no means to buy food. “I just don’t like people knowing how bad off we are,” explained a man at an Elyria, Ohio, soup kitchen. The Christmas wishes of Depression-era children were echoed in a December 1982 report from Sears, Roebuck that one of the most common requests their store Santas were receiving from children was to “help their parents find a job or pay bills.”

The sense of déja vu made itself felt in other ways. Median farm income dropped from $18,483 in 1979 to only $15,755 in 1980. By December 1982 the parity ratio was down to 54, the lowest since records began to be kept in 1910. This means that farmers had only 54 percent of the relative buying power their forebears had in 1910–14. When the Farmers Home Administration attempted to auction off the dairy equipment of a bankrupt western Illinois farmer in November 1982, some one hundred other farmers came to the sale and shouted down the auctioneer, thus preventing the sale. Similar confrontations took place in farming communities throughout the Midwest. Earlier in 1982 farmers in Oto, Iowa, slashed the tires of a truck Internal Revenue agents were using to seize machinery from a debt-plagued farmer. American Agriculture Movement (AAM) groups in some areas were talking about other forms of direct action, such as burning grainfields. Early in January 1983 police had to use tear gas to disperse a crowd of AAM members in Springfield, Colorado, who attempted to prevent the forced sale of a farm. At about the same time, a district director of the United Steelworkers of America in the Pittsburgh region declared: “If we don’t start doing something for these people [the unemployed], there’s going to be a revolution.” And the sheriff of Allegheny County, Pennsylvania, proclaimed a moratorium on foreclosures of owner-occupied homes because he “sympathized with the plight of the unemployed.”

In 1983 a recovery began, and analogies to the Great Depression quickly faded. Proclaiming that it was “morning in America” and that he was “bringing America back,” Ronald Reagan swept to a huge re-election victory in 1984. But there is no assurance that the danger that seemed so imminent in the early eighties has evaporated.

The similarities between the economy of the 1980s and that of the 1920s remain unsettling. The half-century trend toward a slightly more equitable distribution of income has been reversed. As in the 1920s, there has been a growing gap between the incomes of those at the top and those at lower levels on the income scale. The three largest accomplishments of the Reagan administration have all been aimed at providing assistance for those who need it least. The 1981 tax cut, the extraordinary military buildup, and the rapid growth of the national debt all amount to transfer payments to the wealthy: those in high tax brackets, stockholders in defense companies, and holders of government securities. The net result has been an echo of the Coolidge years: a shift in the distribution of income back in favor of those at the top.

The farm crisis, which continues to worsen in the mid-eighties, is similarly reminiscent of the twenties. While much of the economy appears to be enjoying prosperity, farmers
suffer from the worst depression they have faced since the 1930s. Just as was the case in the optimistic 1920s, farmers today can find little about which to roar. It may be morning on Wall Street, which in the mid-eighties was having its headiest days since the late twenties, but it appears more like nightfall in the farm belt.

Perhaps most ominous of all the troubling indicators is the extremely fragile condition of the international banking structure. Between 1972 and 1982 international indebtedness increased tenfold, rising to some $2 trillion. Nine leading American banks have lent approximately one-half of their total capital to Mexico, which by early 1986 owed in excess of $100 billion. International bankers have made extremely unwise loans, much as did their predecessors in the 1920s. The collapse of oil prices in early 1986 served to exacerbate the crisis, leaving several of the largest debtors in virtual bankruptcy, with the international banking structure’s fate bound with that of the major debtor nations.

There has also been a disturbing turn toward the sort of self-destructive economic nationalism that worsened the Great Depression. Political pressures for protectionism have grown with the trade deficit in the United States and several other countries suffering balance of payments problems.

Nor has the unemployment problem been solved by the recovery that began in 1983. Just as unemployment remained high in the seemingly prosperous 1920s, so it has stuck at a level near 7 percent throughout the “roaring eighties.” In May 1983, President Reagan told an audience of Cuban-Americans in Miami that no special programs were needed for Hispanics or other depressed groups because “a rising tide lifts all boats.” Six days earlier, though, the chief executives of America’s leading corporations said at a meeting of the Business Council at Hot Springs, Virginia, that they would “rehire few of the workers they laid off in the recession, no matter how strongly the economy recovers.” In the mid-1980s, one in every seven Americans was existing in poverty. The rising tide of the eighties, it appeared, would lift yachts more easily than dinghies.

Nothing was more debilitating for the unemployed of the eighties than to hear talk about recovery while they faced the prospect of continued, perhaps permanent, joblessness. Many of those who enjoyed prosperity showed little concern for the problems of the less fortunate. President Reagan’s interest was plainly with the other end of the economic spectrum. Sounding more like a member of the Liberty League than a former supporter of Franklin D. Roosevelt, Reagan echoed the words of John Raskob a half century earlier when he told a 1983 news conference, “What I want above all is that this country remains a country where someone can always get rich. That’s the thing that we have and that must be preserved.” (Compare Raskob’s 1934 statement, this page–this page, above.)

For all the similarities between the problems of the eighties and those of the twenties, though, there are also significant differences. In some respects, unemployment may not be quite as devastating in modern America as it was before the New Deal. Unemployment compensation and other social programs help. So does the fact that at
the depths of the recession in 1982 almost 60 percent of the unemployed were in families with more than one wage earner. If President Reagan does not succeed in dismantling the social programs of the New Deal and the Great Society, the burden of joblessness will remain a bit easier to bear than it was in Herbert Hoover’s day.

One cause of the collapse of the 1920s was the rapid growth in productivity with wages not keeping pace. That clearly has not been a problem in the 1970s and ’80s. There exists today a tremendous excess capacity in many basic American industries, far more than there was in 1929. This of course reduces the incentive to invest. There is no reason to invest in new plant when so much already in existence is unused. It has therefore been most difficult to raise the level of investment significantly, despite the large tax cuts granted by the Reagan administration.

Another crucial difference between the Depression and the economic problems of the 1980s is that the Coolidge-Mellon tax cuts took place at a time of low government spending, but the Reagan tax cuts were implemented at a time of large deficits and growing spending. This will make the Keynesian prescription difficult to apply when the next recession strikes. President Reagan gave the economy a massive injection of the Keynesian deficit drug, and the patient became increasingly dependent on such fixes. As with any addictive drug, it has taken ever larger doses of deficits to give the economy the “kick” it needs. Even annual deficits in the range of $200 billion were able to produce growth rates averaging only 2.5 percent in the first five years of the Reagan presidency. To follow the usual Keynesian prescription to deal with the next recession is to take a serious risk of giving the economy an overdose of fatal proportions.7

Part of our difficulties today are the result of the failure of both conservatives and liberals to look at the full economic picture. Most conservatives have ignored the problem of maldistribution and have depended on a growing economy to solve all problems. For their part, liberals from the 1960s through the early 1980s concentrated only on the division of the pie, not on its size. Questions of distribution are fundamental, but so are those of productivity. We need a more equitable distribution of wealth, not of poverty. If we are to succeed economically and morally, we must concern ourselves both with the size of the pie and with how it is sliced.

There are no easy solutions to the economic problems of the late twentieth century, but the Great Depression does have lessons to teach us that can be useful in facing our latest challenges. One, clearly, is that “supply-side” or Coolidge-Mellon economics is precisely the wrong medicine. More important, though, is the relevance of the Depression era values for Americans today. The self-centeredness of the 1970s and early 1980s was one of the sources of our present economic problems, just as the similar attitudes of the twenties had helped to bring on the Great Depression. New York Mayor Edward Koch complained in 1982 of a nationwide “outbreak of selfishness.” “President Reagan,” Koch said, “has initiated a regressive philosophy of government in which the concept of federal burden-sharing is being eliminated. And people are being told to watch out for themselves.”
Yet even while Ronald Reagan was trying to undo the New Deal, there were some encouraging signs that the cooperative spirit of the thirties might be rekindled. In his January 1983 inaugural address as governor of New York, for example, Mario Cuomo spoke words reminiscent of the man who preceded him to Albany fifty-four years earlier. “It has become popular in some quarters to argue that the principal function of government is to make instruments of war and to clear obstacles from the way of the strong,” Governor Cuomo noted. “It is said that the rest will happen automatically. The cream will rise to the top.” The New York governor rejected this view. “We can, and we will, refuse to settle for just survival and certainly not for just survival of the fittest,” he declared. Calling the state a “family,” Cuomo said both blessings and pains must be shared “equitably, honestly, and fairly” by all. He decried “the massive inequity of the new redistribution of national wealth” resulting from President Reagan’s policies. (Economist Robert Lekachman has pointed out that Reagan’s redistribution is similar to Roosevelt’s, “with the trifling difference that FDR sought to alleviate poverty and Ronald Reagan enthusiastically enriches further the already obscenely rich.”) Cuomo’s similar themes in his speech to the Democratic national convention in 1984 seemed to strike a long-dormant part of the conscience of many Americans.

Regardless of what the economic future holds in store, we would be better off if we could regain the values of Depression-era Americans. As he did so often, Franklin D. Roosevelt spoke in words that perfectly reflected those values and the spirit of the time when he accepted the 1936 Democratic presidential nomination. These words, I believe, speak directly to Americans today: “Governments can err; Presidents do make mistakes, ...but better the occasional faults of a Government that lives in a spirit of charity than the consistent omissions of a Government frozen in the ice of its own indifference.” Surely we could all benefit from a greater practice of the values summarized by those words. The Great Depression has no more important message for modern America.


(1933, Lowell Sherman, Paramount).

