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ARTHUR M.
SCHLESINGER JR.

THE
COMING
OF THE
NEW DEAL



THE AGE OF ROOSEVELT

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The Coming *of* the New Deal

ARTHUR M. SCHLESINGER, JR.

HOUGHTON MIFFLIN COMPANY BOSTON

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THE AGE OF ROOSEVELT

The Coming *of*
the New Deal

Books by Arthur M. Schlesinger, Jr.

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The Age of Jackson

The Vital Center

The General and the President

(with Richard H. Rovere)

The Age of Roosevelt

i. The Crisis of the Old Order, 1919-1933

ii. The Coming of the New Deal

iii. The Politics of Upheaval

The Politics of Hope

FOR
MY MOTHER AND FATHER

"There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle, than to initiate a new order of things."

MACHIAVELLI

Foreword

THE CRISIS OF THE OLD ORDER, the first volume of *The Age of Roosevelt*, described the impotence of the reigning leadership in the United States during the economic breakdown which began in 1929. This second volume, *The Coming of the New Deal*, shows how the American people began in the first presidential term of Franklin D. Roosevelt to respond to the crisis. The events recounted in this volume take place in the main in 1933 and 1934, though in certain instances it has seemed appropriate to continue the stories until a later date. Foreign affairs (except for the London Economic Conference, which was an organic episode in the evolution of domestic policy) are reserved for discussion in subsequent volumes.

May I say again, as I said in the foreword to *The Crisis of the Old Order*, that I will greatly welcome corrections or amplifications of anything I have written in this text. And I want again to thank the busy persons whose generous assistance contributed so much to the pleasure of writing the book as well as to the improvement of the result. I owe more than I can say to my father and mother, Arthur M. Schlesinger and Elizabeth Bancroft Schlesinger, who read the entire manuscript with a care and conscience which did not permit parental sympathy to restrain critical judgment. To my friends Seymour Harris and John Kenneth Galbraith I am endlessly indebted for their willingness not just to read the text but to discuss problems which must have seemed as elementary to them as they seemed complicated to me; if economic solecisms persist, it is the consequence of my obtuseness, not of their counsel. I am under heavy obligation to the following who read portions of the manu-

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ARTHUR M. SCHLESINGER, JR.

March 10, 1958

THE AGE OF ROOSEVELT

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1. Prologue: The Hundred Days

SATURDAY, MARCH 4, 1933. "This nation asks for action, and action now. . . . We must act, and act quickly." The great mass before the Capitol, huddling in the mist and wind under the sullen March sky, responded with a burst of applause. The new President moved on to his conclusion. "In this dedication of a Nation we humbly ask the blessing of God. May He protect each and every one of us. May He guide me in the days to come." Then the flourish of cavalry bugles, and the call to the inaugural parade, and Franklin Delano Roosevelt, his face still set and grim, entered his car to review the marchers from the stand in front of the White House.

Through the country people listened to their radios with a quickening hope. Nearly half a million of them wrote letters to the White House in the next few days. People said: "It was the finest thing this side of heaven"; and "Your human feeling for all of us in your address is just wonderful"; and "It seemed to give the people, as well as myself, a new hold upon life." "Yours is the first opportunity to carve a name in the halls of immortals beside Jesus," wrote one. "People are looking to you almost as they look to God," wrote another.

But others could not suppress anxiety. Eleanor Roosevelt called the inauguration "very, very solemn and a little terrifying" — terrifying "because when Franklin got to that part of his speech when he said it might become necessary for him to assume powers ordinarily granted to a President in war time, he received his biggest demonstration." What could this mean for the baffled

and despairing nation? "One has a feeling of going it blindly," she said, "because we're in a tremendous stream, and none of us knows where we're going to land." ¹

II

In the morning the members of his cabinet had prayed with Roosevelt at St. John's Episcopal Church across from the White House, Endicott Peabody of Groton conducting the services. Late in the afternoon, as the streets of Washington fell silent after the excitements of the day, the cabinet foregathered with him once again, now in the Oval Room of the White House. There they stood, a quiet, serious group, inexplicably brought together by the crisis: — Cordell Hull, Secretary of State, grave, pale and fragile; William Woodin, Secretary of the Treasury, dark with anxiety over the banking collapse; Harold Ickes, the Secretary of the Interior, with his square, stubborn face, and Henry Wallace, the Secretary of Agriculture, earnest and intent, and Frances Perkins, the Secretary of Labor, with her brisk, womanly determination; and, beside them, the political professionals, ready for anything, Attorney-General Homer Cummings, Secretary of Commerce Daniel C. Roper, Postmaster-General James A. Farley, and the service secretaries Claude Swanson and George Dern. As Justice Benjamin N. Cardozo administered the oaths, precedents fell: never before had a cabinet been sworn at a single stroke, never before had the swearing-in occurred at the White House. Roosevelt, with a smile, called it a "little family party" and handed each his commission of office.

So the first day ended in suspense. And on the next, the new President (as he later recalled it), wakening with a pressing sense of work to be done, ate an early breakfast and had himself wheeled over to his new office. There, seated for the first time in the presidential chair, he found himself suddenly alone in an empty room. The desk was empty, the drawers were empty, the President could not even find pencil and pad to make a note. He looked for buzzers on the desk, but found no button to push, no way to signal the outside world. He sat for a moment, the great chamber echoing and silent, the center of action cut off

from the nation at the moment of crisis. At last he bestirred himself and gave a mighty shout, which brought Missy LeHand and Marvin McIntyre running from adjacent rooms. For others, the story, as he used to tell it, seemed a skit on his physical helplessness. For himself—or so at least Rexford G. Tugwell surmised—the predicament was a parable of the national helplessness, extending for a dreadful moment even to what Wilson had called “the vital place of action in the system.”

It was hard to understate the need for action. The national income was less than half of what it had been four short years before. Nearly thirteen million Americans—about one quarter of the labor force—were desperately seeking jobs. The machinery for sheltering and feeding the unemployed was breaking down everywhere under the growing burden. And a few hours before, in the early morning before the inauguration, every bank in America had locked its doors. It was now not just a matter of staving off hunger. It was a matter of seeing whether a representative democracy could conquer economic collapse. It was a matter of staving off violence, even (at least some so thought) revolution.

Whether revolution was a real possibility or not, faith in a free system was plainly waning. Capitalism, it seemed to many, had spent its force; democracy could not rise to economic crisis. The only hope lay in governmental leadership of a power and will which representative institutions seemed impotent to produce. Some looked enviously on Moscow, others on Berlin and Rome; abroad there seemed fervor, dedication, a steel determination. Could America match this spirit of sacrifice and unity? “What does a democracy do in a war?” said Al Smith, the former governor of New York, who had been the Democratic party’s candidate for President in 1928. “It becomes a tyrant, a despot, a real monarch. In the World War we took our Constitution, wrapped it up and laid it on the shelf and left it there until it was over.” “Even the iron hand of a national dictator,” said Alfred M. Landon of Kansas, “is in preference to a paralytic stroke. . . . If there is any way in which a member of that species, thought by many to be extinct, a Republican governor of a mid-western state, can aid [the President] in the fight, I now enlist for the duration of the war.”²

III

The first priority was the banking system. Before anything else could be done, it seemed imperative to clear the financial arteries of the economy. The outgoing President had asked the President-elect in February to join with him in meeting the banking crisis. But Herbert Hoover had stipulated that cooperation was to be on his own terms; this meant, as he privately confided to a friend, the ratification by Roosevelt of "the whole major program of the Republican Administration" and "the abandonment of 90% of the so-called new deal." Roosevelt, angered at the proposal that he renounce the policies on which he had won the election, broke off negotiations. Last-minute attempts to bring the two men together just before the inauguration failed. Avoiding responsibility without power, now, on March 5, Franklin Roosevelt had both.

He had already settled on the main lines of his attack. Before arriving in Washington, he had rough drafts of two presidential proclamations: one calling a special session of Congress; the other declaring a bank holiday and controlling the export of gold by invoking forgotten provisions of the wartime Trading with the Enemy Act. On Saturday night, a few hours after the inauguration, Secretary of the Treasury Woodin agreed to have emergency banking legislation ready for Congress when it convened on Thursday, March 9. After lunch on Sunday, Roosevelt called the cabinet together to complete the program of action. Woodin, after a morning of conferences, reported that the bankers, hastily summoned from across the country, had no plan of their own. Attorney-General Cummings then gave his official assent to the use of the Trading with the Enemy Act. This prepared the way for the two proclamations, and they were issued in the next four hours.

With the declaration of the bank holiday, the administration bought time — eighty hours until Congress reconvened — to work out a plan for reviving the banks. Old officials and new labored together day and night in the Treasury. Ogden Mills, Hoover's Secretary of the Treasury, exhorted the group to produce a program; if they couldn't, let "the President and Mr. Woodin tell us to get the devil out of here and get some men who can." We had

"forgotten to be Republicans or Democrats," wrote Raymond Moley, the chief of Roosevelt's campaign brain trust, now an Assistant Secretary of State. "We were just a bunch of men trying to save the banking system."

The decision to save the system rather than to change it had come about almost by inadvertence. The first problem, as the President saw it, was to banish fear. If he was to restore confidence in the system, he had to offer policies which bankers themselves would support. And he had no real alternative to the restoration of the existing structure. It is true that Rexford G. Tugwell, another member of the campaign brain trust, now Assistant Secretary of Agriculture, had a scheme by which the postal savings system would take over the deposit and checking transactions of banks, while separate corporations would assume the job of commercial credit; but Tugwell's advice was not sought in the banking crisis. Indeed, as Tugwell later acknowledged, Wall Street and the orthodox economists had a monopoly of *expertise* in this area. America had no one outside the charmed circle, like John Maynard Keynes in Britain, who might have conceived a genuine reform.

There was restiveness in Congress about the President's approach. "I think back to the events of March 4, 1933," Senator Bronson Cutting of New Mexico later wrote, "with a sick heart. For then . . . the nationalization of banks by President Roosevelt could have been accomplished without a word of protest. It was President Roosevelt's great mistake." On the night before Congress convened, Senators Robert M. La Follette, Jr., of Wisconsin and Edward P. Costigan of Colorado, two leading progressives, called at the White House to urge Roosevelt to establish a truly national banking system. But they found Roosevelt's mind made up. "That isn't necessary at all," La Follette later recalled Roosevelt saying. "I've just had every assurance of cooperation from the bankers." The very moneychangers, whose flight from their high seats in the temple the President had so grandiloquently proclaimed in his inaugural address, were now swarming through the corridors of the Treasury.³