

THE BIG CHANGE

America Transforms Itself

1900-1950

A new and hopeful kind of history—the story of how great changes in this country have affected every one of us.

Frederick Lewis Allen

AUTHOR OF "ONLY YESTERDAY"



FREDERICK LEWIS ALLEN, Editor of *Harper's Magazine* from 1941 until his death in February, 1954, was widely known not only for his brilliant editorial conduct of that distinguished periodical, but also for his lively appraisals of American life in recent decades.

Bernard De Voto writes: "THE BIG CHANGE is Frederick Lewis Allen's best book. It has all the interest and charm of his earlier ones—and I don't know any books about the period that have more steadily growing excitement. The importance of what he has to say must be stressed. . . . It's a necessary book, one that we had to have. I hope that ten million people read it . . . the book sets itself against the currently fashionable literary despair and describes the bases for belief in the future which unstampeded and informed minds hold firmly to. . . . It's a powerful book, and a valuable one."

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There is no need to rehearse here in detail the familiar story of the New Deal: how the country was cheered and galvanized by Roosevelt's convincing and contagious confidence in the spring of 1933; how in his very first "fireside chat" over the radio, when the banks were still closed, he conveyed a serene assurance that they could be successfully opened—as they shortly were; how during the wild first hundred days he jammed through Congress, at record-breaking speed, a jumble of hastily improvised legislation; how the conservatives, and well-to-do people generally, began before long to foam with rage at him as he continued to push his reform program, and tinkered with the price of gold, and ran up big federal deficits as Harry Hopkins furnished relief through the WPA to millions of families; how he gathered about him two successive Brain Trusts

composed of bright young idealists who furnished him with economic ideas and oratorical ammunition; how he defeated the Republican Landon in 1936, tangled with the Supreme Court in 1937, and faced and overcame—with the aid of further federal spending—the sharp “recession” of 1937-1938; and how he thereafter was distracted from his New Deal objectives by the storm clouds over Europe moving nearer and nearer. It is necessary only to note the hard fact that the New Deal did not at any time bring a full return of prosperity; that was not to come until defense spending went into high gear in 1940-41.

But in many ways the New Deal permanently altered the nature of the American economy, and we may well pause for a moment to look at some of the changes it brought about and the new forces it unleashed.

In the first place it rewrote a good many of the rules of the economic game as played in America. For instance, in order to prevent any recurrence of the financial follies of the nineteen-twenties, it divorced commercial banks from the securities business, forbade the issue of securities without exhaustive disclosure of pertinent facts, circumscribed pool operations on the stock exchanges and set up a federal agency to police these exchanges, and dismantled the more illogical holding-company structures in the utilities business. Not only was there a new rule book, but at many points the federal government moved in as umpire to interpret and enforce the rules.

In the second place, it intervened extensively in the economic game as protector of the underdog. For instance, because the operations of one of the old-time rules of the game, the law of supply and demand, appeared to be doing damage to the American farmer, it stepped in to jack up and then to guarantee the prices he got. (The anomalous result was that the farmers of the United States, as conservative a group temperamentally as were to be found in the land, became dependent for their very economic lives upon government decisions in their behalf!) Similarly, the New Deal continued to prop up ailing corporations through Hoover's RFC; made arrangements to prevent near-bankrupt firms from going broke; aided farmowners and home-

owners in meeting their mortgage payments; underwrote the financing of new housing enterprises; insured bank deposits; gave a measure of aid to unemployed people and old people through Social Security; and wrote a minimum wage and hours law for labor.

All this was as if Washington were saying, “Do a lot of people seem likely to get gypped through the unhindered workings of economic law? All right, we'll make it up to them through subsidies, guarantees, or insurance.” In short, while the New Deal did not abolish the market place as the determiner of values and rewards, it rigged the market plenty.

In the third place, it went into the active business of stimulating employment, by building dams, bridges, parkways, and playgrounds on the grand scale, and by putting even the recipients of relief to work at all manner of enterprises carefully concocted so as not to interfere with private business; and it set up the Tennessee Valley Authority to do a combined job of competing with the private electric utilities, preventing floods, and teaching farmers some of the principles of conservation.

In the fourth place, the New Deal gave a go-ahead signal to organized labor. Up to this time such laws as seemed to authorize collective bargaining, like the Clayton Act, had frequently been nullified by the courts. But now the Norris-LaGuardia Anti-injunction Act of 1932 was followed by Section 7a of the National Industrial Recovery Act of 1933, and—after that law had been set aside by the Supreme Court—by the Wagner Act. The authorization to organize being clear and specific, there was a rush to join unions. In 1935 John L. Lewis formed the CIO, which on being expelled from the A F of L became a rival outfit specializing in industrial unions. The CIO moved into the hitherto unorganized heavy industries, especially the automobile and steel industries, and a terrific struggle ensued: unreconstructed employers spending hundreds of thousands of dollars on hiring industrial spies and plug-uglies; angry workers organizing violent strikes. Within a few months from the fall of 1936 to the spring of 1937, almost half a million American men and women quit their jobs, mostly using the new—and illegal—sit-down technique

fostered by Communist organizers and taken up by others too; there was a tension in the industrial towns almost as of civil war, with riots and bloodshed. But at the height of the tension Myron Taylor, chairman of the board of the great United States Steel Corporation, voluntarily entered into a union contract with a unit of the CIO; and although the little steel companies continued the struggle, it was presently clear that unionization was the order of the day.

By the end of the decade the number of union members in the United States had climbed from the 1933 figure of less than three millions to nearly nine millions; office workers who had never in their earlier years dreamed of joining a union found themselves organizing and threatening to strike; executives and their employees found themselves separated from one another by a wall of mutual distrust; and, partly because of union pressures, the average work week in business and industry was about five hours shorter than it had been at the beginning of the decade (one estimate gave a decline from 49.3 hours to 44 hours), and the two-day week end was becoming standard.

Through its general sympathy with labor, the New Deal had unleashed what J. Kenneth Galbraith has subsequently called a "countervailing force" in the American economy—a force which, acting in opposition to business managements, and generating for the time being a formidable amount of friction, served to bring about a redistribution of the national income downward to those in the lower income brackets.

Finally, the New Deal tried to do a job of managing the national economy as a whole. It abandoned the automatically operating gold standard and introduced something approaching a managed currency. It abandoned the idea that the first duty of a government was to balance its budget, and embraced the Keynesian idea of deficit spending, with the highly optimistic notion that deficits in bad years would be counterbalanced by surpluses in good years. Whatever the dangers inherent in such a dream, at least the idea became pretty solidly established that it was the job of the authorities at Washington so to

manipulate their spending and their fiscal controls that the economy would run on a reasonably even keel.

The result of all these interventions—the reform measures, the subsidies and guarantees, the public works, the encouragement of labor, and the attempt to steer the economy as a whole—was certainly not a socialist order, at least in the old sense of the government's taking over the management of business and industry. For the management of the vast variety of concerns remained in private hands (though it was so often hedged in by regulations, bedeviled by taxes, and opposed by unions that many an executive felt himself a prisoner of government and labor). Nor was it a free economic order, at least in the old sense of an order in which everybody's economic fortunes were determined by the action of buyers and sellers in the open market, with the government standing aside as Herbert Hoover had tried to stand aside in 1930-1931. It was something between the two: one might call it a repaired and modified form of capitalism in which—to revert to our earlier figure of speech—the government umpires were forever blowing their whistles and rushing onto the field to penalize this player or that, or to pace off a fifteen-yard gain for a hard-pressed team.

Nor, for that matter, was this new order planned in any comprehensive way by Roosevelt and his Brain Trusters. It was a patchwork of measures devised almost without regard for one another; and as a result the American economy, after a few years, was less like a new and statelier mansion than like an old house extensively remodeled, with a new bit of roofing here, a new wing there, new supports under part of the flooring, and a greatly enlarged staff of servants.

Nor did the new order seem to work particularly well. Full disaster had been averted, it is true, and many people long forsaken by fortune had been given new hope. But it was not until the shadows of war began to deepen, and the United States began to arm feverishly for defense, that this new, hybrid American system began really to work.

However, the grim decade of the nineteen-thirties had left a num-

ber of legacies to the American people, of major importance to their future.

The first of these, and the most fundamental, was the idea that the fortunes of individual Americans are interlocked, that they are "all in the same boat." Never before had a national crisis so challenged the ability of economists, sociologists, students of government, and intelligent citizens generally to find out what was actually happening to their fellow countrymen, how they were variously affected by the actions of bankers in Wall Street, manufacturers in Detroit, legislators and bureaucrats in Washington, and how they lived from day to day. During the years 1930 and 1931, when I had been at work on *Only Yesterday*, an informal history of the United States in the nineteen-twenties, my best sources had been the daily papers and magazines of the period; the books of reportage or appraisal which I really needed to consult could have been ranged on a single shelf. In 1939 I wrote a similar book about the nineteen-thirties, *Since Yesterday*; this time, the books on which I might have drawn, had I had the time and energy, would have filled a large library building, so diligently had the pollsters, social analysts, economic statisticians, and authors of assorted surveys been examining the conditions of their contemporaries. And there was manifest, too, among great numbers of men and women, including not only scholars but comparatively untutored folk, the gradual expansion of a sort of half-mystical faith in the American people—a faith all the more striking because the ability of these people to order their affairs successfully was being so gravely tested. It was as if men and women of different circumstances and antecedents, having discovered that their fates were interdependent, had begun to regard one another with a fresh understanding and had found that on the whole they liked one another. Confronted as this faith did with the political and social frictions of the times, it was hard to measure and its durability was uncertain. But I wonder if a good many readers of these pages, recalling, let us say, their reactions to the New York World's Fair of 1939, will not remember feeling—as they enjoyed the fountains, the illuminated trees, the fireworks, the artificial waterfalls streaming down the sides of

buildings, the imaginative General Motors Futurama, the girls swimming to waltz time at the Aquacade, and the brightly colored side-shows—a sort of inner exhilaration which, if it had found words, might have said something like this: "All these things, the beautiful and the silly alike, reflect in their various ways the one hundred and forty million people of this land, friendly, inventive, hopeful people who have found that their lot is cast together."

Two more legacies of the nineteen-thirties were based upon the first one and supplemented it. One was the idea that if individual Americans are in deep trouble, it is the job of the rest of the people, through their government, to come to their aid. The other was that it is their job, again through their government, to see that there is never another Great Depression. Each of these ideas, born in travail and fiercely contested for years, was by 1940 implicitly accepted by the vast majority. Whether they could be lived up to remained to be seen.