

Book Review by Jonah Goldberg

THE RAW DEAL

The Forgotten Man: A New History of the Great Depression,
by Amity Shlaes. HarperCollins, 480 pages, \$26.95



IN THE DEFINING MOMENT, HIS RECENT paean to Franklin Delano Roosevelt, Jonathan Alter claims to have made a genuine historical find: in 1932, members of FDR's inner circle had urged the new president to deputize the American Legion as—in Alter's words—an "extraconstitutional" "private army." In prepared remarks to be delivered to a meeting of the American Legion (and broadcast as his first radio address after his inauguration), FDR was to tell the assembled veterans, "As new commander-in-chief under the oath to which you are still bound, I reserve to myself the right to command you in any phase of the situation which now confronts us."

Alter's interpretation that this was "dictator talk—an explicit power grab" is entirely plausible for any number of reasons, including FDR's determination to use the World War I-era Trading with the Enemy Act as the legal justification for his dirigisme; a memo written at the Democratic Convention by future National Recovery Administration (NRA) head Hugh Johnson suggesting that the entire Congress and Supreme Court be sent into temporary exile while a Mussolini-style dictator set the country straight; and the widespread clamor for a "man of action" to run the country. Walter Lippmann himself urged FDR to assume "dictatorial powers."

But happily FDR didn't read his prepared remarks. Instead, he reiterated the rhetoric of his inaugural address, essentially designating the en-

tire American people as a single "great Army" he would lead in a "disciplined attack on our common problems." And with that, Alter exonerates FDR completely, dubbing him a champion of democracy, defending our way of life even from the authoritarian drives of his own advisors and speechwriters.

Alter's readers would never suspect that President Roosevelt scores as badly if not worse on the typical kinds of charges hurled against George W. Bush and his administration: militarism, ideological cabals, secrecy, lies and lying-us-into-war, unscrupulous punishment of political enemies, disrespect for the Constitution and our political traditions, run-amok Wilsonianism, special favors for Big Business, and, most of all, incompetence.

As historian William Leuchtenburg documented in his essay "The New Deal as Moral Analogue to War," Roosevelt's presidency was drenched in martial metaphors and militaristic appeals to loyalty and unity long before World War II. The New Deal's Public Works Administration (PWA) funded enormous rearmament, including two aircraft carriers, and even the Civilian Conservation Corps was organized along military lines. The preeminent Progressive historian Charles Beard was driven to the point of crankery in his rage against FDR's "Caesarism." Roosevelt's famed Brains Trust was the original ideological cabal, intent not so much on fixing the Depression as on using it as a pretext for schemes of radical reform.

The president ordered the domestic surveillance of his political enemies, and the House Un-American Activities Committee was organized in the 1930s—a decade before Joseph McCarthy became a senator—to hunt down "Browns," real and imagined. FDR's attempt to pack the Supreme Court was an assault on constitutional propriety far more sinister than the alleged irregularities of the *Bush v. Gore* recount decision. The four-term Roosevelt was our first and only president-for-life, flouting the two-term tradition begun by George Washington. He ran for his third term on the promise that he would keep American boys out of another "foreign war," even though he probably had other intentions.

BUT IT IS PARTICULARLY ON THE CHARGE of incompetence that Amity Shlaes's *The Forgotten Man: A New History of the Great Depression* mounts perhaps the best crafted indictment of FDR in at least the last half-century. Debunking the Roosevelt myth is hardly a new pastime, of course. It was already a cottage industry when John T. Flynn published *The Roosevelt Myth* in 1948. Libertarians like the late Murray Rothbard and, more recently, Jim Powell have written excellent broadsides against FDR and his New Deal. Shlaes's work is something different. Her book does not directly confront the standard hagiographies by Leuchtenburg, Frank Freidel, or Arthur Schlesinger, Jr.; nor does Shlaes, a finan-



cial columnist for Bloomberg News, advance her own polemical interpretation. Instead, she offers an almost novelistic rendering of the times, allowing the gray eminences of the 1930s, like Harold Ickes and Rexford Tugwell, to pop out as three-dimensional figures, but also bringing to life less well-known men and women who were affected, one way or another, by the New Deal.

The book's title is richly ironic. Roosevelt made the phrase "the forgotten man" famous as a populist slogan, synonymous with "the little guy" whom the New Deal was supposed to assist. But in doing so, FDR inverted the phrase's original meaning. A half-century earlier, Yale sociologist William Graham Sumner had written an essay about the businessmen, taxpayers, and workers who were generally asked to pay for the good deeds done by others through the instrumentality of government. According to Sumner,

As soon as A observes something which seems to him to be wrong, from which X is suffering, A talks it over with B, and A and B then propose to get a law passed to remedy the evil and help X. Their law always proposes to determine what C shall do for X, or in the better case, what A, B, and C shall do for X.... [W]hat I want to do is to look up C.... He is the man who never is thought of.

For Shlaes, C is also the forgotten man, but so are many of FDR's supposed beneficiaries. She begins her book with William Troeller, a 13-year-old boy whose Brooklyn family had fallen on hard times. At mealtimes the shy William felt guilty asking for his share of the meal when the rest of the family seemed to need it more. He hanged himself from the transom of his bedroom. The *New York Times* headline read: "He Was Reluctant About Asking for Food."

But Troeller didn't hang himself in 1929, one of the notorious suicides in the wake of the initial stock market crash on Black Tuesday. (In fact, Shlaes finds that contrary to legend, suicides didn't increase after Black Tuesday at all.) The boy killed himself in 1937, eight years into the Great Depression, and four years after the New Deal had set out to alleviate the nation's ills.

OF COURSE, THE NEW DEALERS DID NOT want to see children hang themselves, but the political focus was on interest groups rather than individuals. FDR and the New Dealers believed that progress called for wrenching systematic change. So if a few little guys had to be hammered down like obdurate square pegs unwilling to fit into round holes, so be it. In one of the most famous cases, not mentioned in this book, an immigrant dry cleaner named Jacob Maged was thrown in jail for months because he

charged 35 cents to press a suit when the federal government demanded a minimum price of 40 cents. Roosevelt's planners were convinced that traders, middlemen, small businessmen, and independent entrepreneurs were the problem because they made bureaucrats' balance sheets so untidy. "We are no longer afraid of bigness," proclaimed Rex Tugwell. "Unrestricted individual competition is the death, not the life of trade."

Shlaes illuminates the New Dealers' priorities with the case of the Schechter brothers, Orthodox Jews in Brooklyn who raised and sold Kosher chickens (Schechter is derived from the Yiddish word for "butcher"). They ran into trouble with the New Deal codes that said, in the name of quality assurance, that vendors couldn't let individual customers select their own chickens. Of course, "straight killing," as the practice was called, was itself a time-honored method of quality control (as were Kosher dietary laws generally). Nobody deliberately buys a diseased bird. But appeals to tradition, never mind religious tradition, were not merely unpersuasive to the New Deal's crusading progressives, but also insults to the "scientific" mind. The Schechters were harassed, fined, prosecuted, forced out of business, and ultimately sentenced to jail. They appealed all the way to the Supreme Court and won in the famous *Schechter* decision (1935) which, along with its companion cases, effectively ended the New Deal's National Recovery Administration. Although Roosevelt could now blame all of the country's troubles on the supposedly reactionary Supreme Court, the economy rallied after the decision.

THE BOOK FOCUSES ALSO ON THE TRANSFORMATION of another forgotten man, Wendell Willkie, the utility executive who became FDR's Republican challenger in 1940. Originally a New Deal sympathizer, Willkie grew disillusioned with its politics. By the presidential race, he called upon Roosevelt to "give up this vested interest that you have in depression" as the rationale for a "philosophy of distributed scarcity." Willkie was defeated in large part because Roosevelt's political revolution had succeeded, even if his economic one had failed. But Willkie had it right. FDR's political interests were deeply tied to continuing economic misery. His class-warfare rhetoric became self-fulfilling. The more the government failed, the more the people resented Big Business, and wanted Roosevelt to punish the "economic royalists." The longer the economy remained depressed, the more justifiable seemed the New Deal's permanent welfare state and its abandonment of federalism and other constitutional restraints on the federal establishment.

Although Shlaes notes that some industries cooperated with the New Deal, she dramatically downplays the point. (She de-emphasizes, too, the New Deal's roots in Woodrow Wilson's wartime

socialism.) By concentrating so much of her fire on the New Deal's encroachments into utilities regulations (in part to move Willkie's story along) and banking and trade (in order to explain the real causes of the Depression), she sometimes gives the impression that the 1930s amounted to a war between "business and government," the "private sector and the public sector."

The reality was a bit more complicated. Industry leaders were desperate to be inside the tent, carving up the pie, and they were happy to prostitute themselves to the government as the price of admission. These supposed champions of the free market implored FDR to repeal anti-trust rules in the spirit of "cooperation." Henry I. Harriman, the retiring president of the U.S. Chamber of Commerce, and H.P. Kendall, Chairman of the Business Advisory Council, were New Deal yes-men. "We are here to uphold the president's hand in the fight against the Depression," Kendall declared.

Shlaes does not mention Gerald Swope, the General Electric CEO who proposed a sweeping corporatist scheme toward the end of Herbert Hoover's presidency, whereby, according to Swope, industry would "no longer operate in independent units, but as a whole, according to rules laid out by a trade association of which every unit employing over fifty men is a member—and the whole supervised by some Federal agency." The "Swope Plan" was in many respects the intellectual foundation for the National Industrial Recovery Act (NIRA).

As Shlaes amply demonstrates, Big Businessmen, including Hoover, were very often progressives, too (Joan Hoff Wilson's 1975 biography is titled *Herbert Hoover: Forgotten Progressive*). They had their own cults of efficiency, love of "bigness," and hostility to the independent entrepreneurs who made their lives difficult. As with the rise of the railroads in the 19th century, businesses often had a vested interest in having the government centralize and streamline the American economy. An aging Clarence Darrow was tasked with investigating the NRA and found that in "industry after industry" big businesses "have for their own advantage written the codes, and then, in effect and for their own advantage, assumed the administration of the code they have framed." J.T. Flynn's broadsides against the New Deal often came from this direction as well, believing that the collusion of business and government was a harbinger of fascism.

WHICH BRINGS US TO THE QUESTION OF Roosevelt's continued sanctity among liberals. In the liberal imagination, but also among Americans generally, there is a pervasive myth that the New Deal "worked." And most liberals seem content to leave it at that. But if you press them to explain what "worked" means, you will quickly find them shifting ground.

The New Deal didn't end the Great Depression. It didn't cure unemployment or get America



"back to work." By 1938, one in six Americans was still without a job, and many more were less than secure in their employment. Presented with these facts, liberals defensively point to Social Security and the expansion of the welfare state. We can debate the merits of those programs another day, but they did not end the Depression, which was the mission FDR accepted when he declared himself the commander-in-chief of all Americans, not just those in uniform.

To admit this is to concede that the intellectual mandate of Roosevelt's Brains Trust was fraudulent as well. It sought to prove that "planning" was the way of the future and infinitely superior to the chaos of the free market. (And do note the arrogance of the term "Brains Trust." A trust is a monopoly, after all.) But, again as Shlaes shows, not only did planning not work very well—but there was far less real planning than we were led to believe. On one occasion, she points out, FDR raised the price of gold by 21 cents based upon his careful deduction that 21 is "a lucky number, because it's three times seven."

Some contend that these sorts of objections miss the point. Sure, the New Deal made mistakes, they'll concede, but it made them in the exciting spirit of "experimentation"—FDR's abracadabra word for "whatever I please." Left unelaborated is the fact that experimentation and planning are in fact opposites. One doesn't experiment in building a house; one plans, measuring twice and cutting once. The New Dealers cut first and measured later, if at all. Other liberals, like Jonathan Alter, try to find a safe harbor in poetry. FDR provided "hope." But for whom? Not for William Troeller, not for the Schechters, nor for Jacob Maged, nor for the countless sharecroppers thrown off their land or the workers left unemployed because their products were barred from export by New Deal trade policies. Another poetic harbor for liberals is the myth that FDR united the country. At least in those days, the sentiment runs, we were all in it together. But we weren't all in it together, at least not according to Roosevelt. He routinely and blithely made scape-

goats of the wealthy (and not so wealthy), blaming the Depression on "the lack of honor of some men in high financial places" and vindictively prosecuting Andrew Mellon for years. Moreover, the 1930s, like the 1960s, were a time of riotous social unrest and profound ideological conflict. If unity itself were the highest virtue, liberals would look at the 1920s and the 1950s with admiration instead of contempt.

NONETHELESS, AS IS OFTEN THE CASE, the poetry gets us closer to the truth than the social science does. When liberals speak of unity and hope, what they really mean is success. The 1930s and 1960s, unlike the '20s and '50s, were decades when liberals, broadly speaking, were "winning." When you hear liberals bemoaning divisiveness and insisting that we must "get beyond" "labels" and "ideological" differences, what they are really saying is that their opponents should shut up and get with the program. The New Deal's appeal lies in the fact that it was the first time when progressive social engineers had real power without the galvanizing dynamic of a war. The Brains Trusters had spent much of the 1920s complaining "we planned in war," i.e., during World War I; they insisted that they should be allowed to plan in peace as well. The Depression gave them their shot. And that in a nutshell is why supposedly empirically minded and "reality-based" liberals still genuflect to the myth of the New Deal. It is the *ne plus ultra* of liberal power. Defending the New Deal is the first requirement of liberal power-worship.

Of course, FDR was no cruel dictator. But he saw nothing wrong with using the mechanisms and aesthetics of dictatorship in order to advance the Progressive transformation of the American state. Roosevelt himself privately acknowledged that "what we were doing in this country were some of the things that were being done in Russia and even some of the things that were being done under Hitler in Germany. But we were doing them in an orderly way." That so many liberals today find that not only forgivable but laudable

should tell us something about their ambition. After all, the FDR myth remains liberalism's most "usable past."

If there is a major drawback to Shlaes's brilliantly crafted indictment it is that it takes liberals at their word about what the New Deal was really about. She must do this, of course, if she is going to rebut their arguments. But in truth, the economic policies are merely symptoms of the larger disease. FDR was economically incompetent, as Shlaes demonstrates, but he was politically ingenious. Indeed, as she and others have chronicled, FDR's economic missteps were part of a larger political ballet. He transformed American politics by creating vast client constituencies who depended on the government—and by extension the Roosevelt Administration—for their livelihood. Such an enterprise stemmed first and foremost from a philosophical vision, not a mere economic one. FDR's economic policies, like his political maneuvering in general, were means to an end. Recommitting liberalism to the doctrine of a "living constitution" pioneered by Woodrow Wilson, the New Dealers believed that the Constitution could be reinterpreted on the fly, to create a new open-ended constitutionalism that depended not on texts, but on the will of those in charge of interpreting them. "I want to assure you," FDR's aide Harry Hopkins told an audience of New Deal activists in New York, "that we are not afraid of exploring anything within the law, and we have a lawyer who will declare anything you want to do legal." One can only imagine what Jonathan Alter might have said if Karl Rove had been caught saying such a thing.

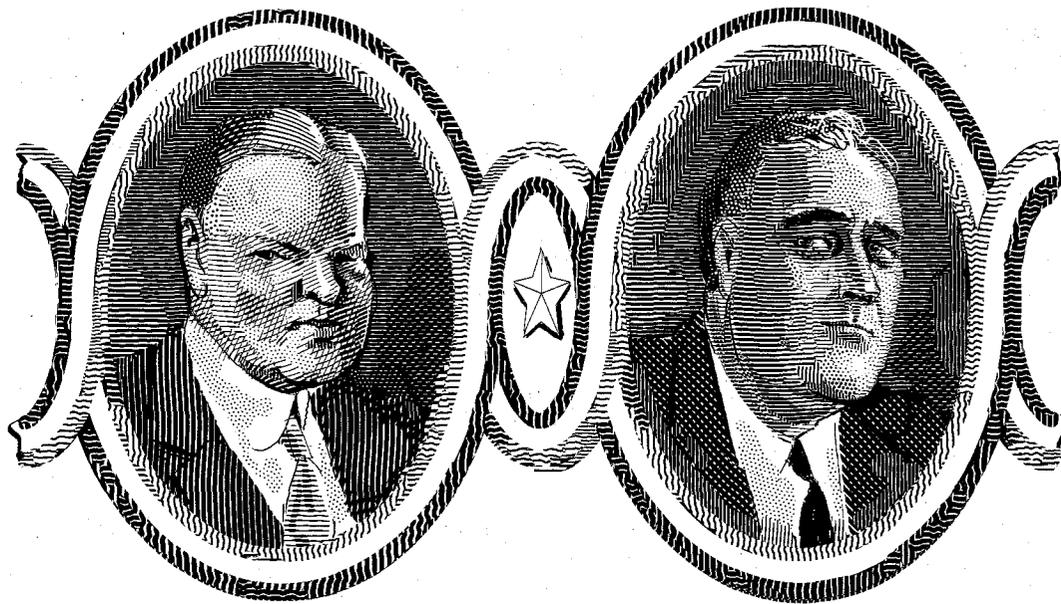
For nearly three generations, liberal intellectuals have consistently refused to apply the same standards to their own heroes that they relentlessly misapply to their villains. Amity Shlaes's *The Forgotten Man* is a careful, even-tempered, and much needed corrective to this sorry history.

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Book Review by William Schambra

DEBATING THE NEW DEAL

The Two Faces of Liberalism: How the Hoover-Roosevelt Debate Shapes the 21st Century,
edited by Gordon Lloyd. M&M Scrivener Press, 432 pages, \$39.95



EVEN AS AMERICAN CONSERVATIVES FACE and attempt to shape an uncertain future, they face and attempt to shape their own past as well. In particular, today's conservatives seek political wisdom from intellectual forebears who might help them in their present struggles to preserve liberty against liberal collectivism. This essentially backward-looking project takes the form of an archeological dig, the first stage of which is to bulldoze from the site sprawling acres of tendentious scholarship. We are thus indebted to Pepperdine University political scientist Gordon Lloyd, who in his splendid edited collection *The Two Faces of Liberalism: How the Hoover-Roosevelt Debate Shapes the 21st Century*, has applied his bulldozer to the New Deal era.

Perhaps nowhere else in 20th century historical scholarship is the story line less flattering to conservatism. As it typically goes, the heartless, clueless conservative President Herbert Hoover, paralyzed by a dogmatic adherence to *laissez faire* individualism, stood by and watched as the nation slid into steep economic depression in the 1930s. Thank heaven, then, for the advent of Franklin D. Roosevelt, who cast aside the narrow, liberty-obsessed liberalism of the past, and introduced a new liberalism, featuring a powerful national government dedicated to alleviating the plight of "one-third of a nation ill housed, ill clad, and ill nourished," and to providing the material conditions necessary for genuine equality of opportunity.

Lloyd, however, probes beneath the clichés and constructs a richer and livelier understanding of the New Deal era. Here, Roosevelt's storied pronouncements are matched by thoughtful and hard-hitting responses from Hoover, who did not in fact fade into the woodwork after losing to FDR in 1932 but rather spoke out for years thereafter against the New Deal. In *Two Faces of Liberalism*, Lloyd includes not only Roosevelt's major addresses—his speeches to San Francisco's Commonwealth Club and Oglethorpe University in 1932, his Inaugural Addresses from 1933, 1937, and 1941, and the transcripts of various "Fireside Chats"; but also a fine selection of Hoover's long-forgotten speeches, including his efforts to explain "Our American System" during his 1928 presidential campaign and presidency, as well as radio transcripts and addresses at various Republican party events.

For conservatives, the most interesting question presented by Lloyd's volume is this: should we embrace Herbert Hoover as one of our own? After all, as these readings demonstrate, even well before the advent of the New Deal, Hoover was an eloquent defender of individual liberty against the collectivism of the age. In a campaign speech in October 1928, he argued that our "political and social system" was "founded upon a particular conception of self-government in which decentralized local responsibility is the very base." Furthermore, "only through ordered liberty, freedom, and equal opportunity to the individual will his initiative and enterprise spur

on the march of progress." Hoover argued that during the First World War the federal government "became a centralized despotism which undertook unprecedented responsibilities, assumed autocratic powers, and took over the business of citizens. To a large degree we regimented our whole people temporarily into a socialistic state." Upon returning to power after Woodrow Wilson's tenure, he continued, the Republican Party faced a "choice between the American system of rugged individualism and a European philosophy of diametrically opposed doctrines...of paternalism and state socialism." Republicans chose to go "resolutely back to our fundamental conception of the state and the rights and responsibilities of the individual."

Given such an assessment of Wilsonian "despotism," it is hardly surprising that Hoover should have found the New Deal deeply alarming as well. Franklin Roosevelt, after all, looked back to the mobilization for the Great War and came to a diametrically opposed conclusion: that it represented, as he put it in the "Forgotten Man" radio address of April 7, 1932, a "great plan," conceiving of a "whole nation mobilized for war" with "economic, industrial, social and military resources gathered into a vast unit" capable of meeting any national challenge. Small wonder that FDR should revert to a military analogy in his First Inaugural Address, calling for the nation to "move as a trained and loyal army willing to sacrifice for the good of a common discipline."