

THE NEW DEAL AND AMERICAN
LIBERALISM

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Anyone who speaks of liberalism confronts a knotty problem of definition. In the United States the word has recently signified the popular and "left" side in controversies over domestic economic and political issues, and it is in this sense that I use the term here. In practical politics the American liberal tradition which begins as a national movement with Jeffersonian and Jacksonian democracy, continues in the post-Civil War agrarian reform movements that culminated in the Populist revolt, in the Progressivism of the early twentieth century, and in the New Deal. Its outstanding political leaders have been Jefferson, Jackson, Bryan, the elder LaFollette, Wilson, and the two Roosevelts.

From the beginning, American liberals have had a set of humanistic goals and a series of substantive programs. Their humanism, which has formed a relatively stable core from Jeffersonian democracy to the New Deal, lies in a moral tone and in general articles of faith: belief in the rights and potentialities of the common man and in the diffusion of political power, subordination of vested interests to the common welfare, hostility to big capital and entrenched property rights, respect for civil liberties and dissenting opinion. On the whole, these articles of faith have not been matters of dispute among liberals; they have been common ground for liberal thought and action.

Between successive substantive programs, however,

change has been so far-reaching over a century and a half as to amount almost to a turnabout. Liberalism, of course, has not been a self-contained and self-propelling movement with an internal dialectic all its own. It has been a series of responses by different people to different problems, and these responses do have sufficient cumulative effect to make it possible to speak of an American liberal tradition. Within this tradition, the New Deal has been notable for novelty and accelerated change. Thus while the rhetoric of New Deal liberals has much in common with the rhetoric of Jeffersonian liberals, in the actual implementation of goals the two movements are poles apart. The distance between them is the measure of an immense transformation of society.

II

At the outset American liberals were chiefly agrarians, professionals, and small entrepreneurs. It has often been remarked that American farming has not been a settled way of life but an aggressively competitive, often highly speculative business. During the nineteenth and early twentieth centuries, it was generally possible for agrarian and urban small enterprisers to combine on many issues and ideas -- as they did in Jacksonian democracy, the Greenback movement, and in Progressivism. The farmers, professionals, and small business men who provided the backbone of liberal movements centered their demands about such issues as monetary panaceas, the easing of credit, and the

maintainance or restoration of competitive conditions. Their objectives were phrased in terms of personal and individual success through fair competition under conditions of open opportunity provided in a market which was to be regulated and moralized by democratic government. What differentiated one group of liberals from another was chiefly the small variations and reforms they wanted to make in a market economy which, fundamentally, almost all of them accepted.

The central facts for the liberalism of the past twenty years have been the decline of the market economy and the accelerated growth of the national state. These trends have not only been accepted but fostered by the liberals of the New Deal era. With the approval of most of them, the national government has taken the major economic decisions from the hands of private business and has displaced the state governments in bearing the brunt of political intervention in economic life. Its total functions and the extent to which it impinges upon the life of the ordinary citizen have grown at a geometrical ratio, a trend which can be roughly measured by the growth of the federal budget. In pre-Civil War days, under President Buchanan, the average annual federal expenditure per capita was a little over two dollars. By the time of Theodore Roosevelt it had risen to about seven dollars. During the twentieth century -- and particularly after the first World War -- it had risen steadily, so that present "peacetime" budgets approach three hundred dollars per capita, and the fiscal operations of the national government

have become the pivot of the entire economy.

The resulting situation is antithetical to that faced by liberals at the beginning of the nation's history. The conception of the national state originally developed by Jeffersonian agrarian liberals was determined by their opposition to Hamilton's use of the federal government as an instrument of the commercial, manufacturing, and speculating classes. They argued that the national state must cease to be an instrument of privilege and must be reduced to severely limited functions, neutral between the social classes. The Jeffersonians generally assumed that if government did not throw its weight upon the side of the rich and powerful the beneficent mechanisms of the market would be sufficient to provide opportunities for the common man.

In the main, these assumptions were accepted by Jacksonian democrats. But the Jacksonians went further in that they proposed not only to divorce politics from privilege but also to eliminate privilege from the sphere of politics itself and to open politics as a career for the common man. While in the economic order the Jacksonians accepted laissez faire for the federal government, they often could not do so in the states. There was such intense competition for regional and local markets that much state sponsorship and control of crucial economic ^{activity} won broad popular approval.

After the Civil War, as a national economy replaced regional and local markets, as gigantic corporations replaced small enterprise and as state regulation like that attempted by the Grangers failed, liberals increasingly recognized that early

nineteenth-century federal laissez faire was inconsistent with their ideals of democracy and competition. In the 1870's they began to demand federal intervention, and from the late 1880's to 1914 a gradual shift of the regulatory function from the states to the federal government did take place. The most important difference of opinion among liberals -- which became an open issue between Wilsonians and followers of T.R. -- was whether the goal of regulation should be to restore competition or to control monopoly. One side insisted that monopoly had not been and would not be regulated; their opponents answered that the ideal of competitive small enterprise was retrogressive ("a form of sincere rural toryism," as T. R. put it), and that it was impossible to reverse the course of social evolution. Both were largely right, and in the long run their problem was not solved but transformed.

III

What made the problem obsolete was the Great Depression. It is important to remember that the liberals of the Progressive era, who were the immediate precursors of the New Deal liberals, had developed their programs and argued their problems in a time of sustained prosperity. Acknowledging the brief "bankers' panic" of 1907 and the recessive tendency of 1913-14, which in a time of peace might have developed into a major depression, it is still possible to say that the period of 1897-1913 was a rare age of good times. The problem of the liberal intellectual was not

economic collapse but economic concentration; his quest was not for recovery, but for democracy. T. R. and Wilson shared the fortunes of Jefferson and Jackson in starting liberal regimes under conditions of prosperity. Franklin D. Roosevelt stands alone among the leaders of the liberal tradition in having taken over a sick economy.

The depression accelerated several trends that had existed almost without notice before. With the breakdown of the market economy, large sections of big business and organized commercial agriculture appealed to the federal government to bail them out of their difficulties. The growing force of labor also made political claims that had to be met. The early New Deal program in attempting to meet these demands and cope with the problem of recovery, unwittingly changed the social basis of American liberalism. Unwittingly it helped to call into being a labor movement that dwarfed all previous labor organizations; rapidly it built up a huge federal bureaucracy of a kind quite unfamiliar to American experience. For liberals this created new problems of orientation toward the bureaucracy and big labor. It also made new types of liberals, the labor liberal and the bureaucratic liberal, whose style of thought deviated from the main liberal tradition. Neither the liberal trade unionist nor the liberal administrator is occupationally situated so that the traditions of individual action in the market economy can be meaningful to him. Both are dedicated to interfering with market processes through group action. Instead of thrift, profits, and

business opportunity, they think in terms of public investment, employment, consumption, stability, and security. I do not mean, of course, to slur over their points of conflict, but simply to suggest that their ways of thought and action are jointly at cross purposes with those that have hitherto been dominant in the liberal tradition. With their arrival as major participants in liberalism, the moralized market has lost its central place among liberal assumptions and must compete with various versions of the new ideal of planning.

Before the New Deal, organized labor had played a minor role in the practical politics of liberalism. It had been an occasional ally, an object of sympathy and assistance, a useful threat which liberals could use to persuade conservatives of the need of moralizing capitalism. During the New Deal, however, labor became an increasingly necessary political base for the administration's liberal measures. Time has shown -- and the point was underlined by the 1948 elections -- that the labor vote is a more stable source of New Deal support than either the farm vote or the middle class vote. Labor is the sole force in the economy that is capable of a sustained, simultaneous, political and economic counterpoise to the power of big business. To this extent American liberalism has become essentially labor liberalism, as opposed to the older tradition of entrepreneurial and professional liberalism.

Before the era of the New Deal, labor was regarded by most liberals as another special interest with a very limited

claim upon their support. In much liberal thought of the Progressive period there was a strong undercurrent of fear of the potential strength of organized labor. In the framework of the new liberalism, labor's general interest appears to be far more consonant with and indispensable to the public interest. Labor and the general interest are linked, in the new liberal ideology, through some form of underconsumptionist economics, in recent years particularly by Keynesianism. This by no means gives labor a categorical endorsement for every demand but it does underwrite in a general way labor's claim to a larger part of the social product.

There has been a corresponding change within labor itself, from relatively apolitical business unionism (which took its tone and ideas from business society), concerned with the wage-hour bargain in a narrow sense, to a kind of industrial statecraft, concerned with wages, prices, profits, the general standard of living, and the public interest. There is an emerging sense within the labor movement, best represented now by Walter Reuther, that a great union, like a great corporation, is not simply a bargaining or business unit, but a public agency. With the approval of liberals, unions have looked to government to underwrite their bargaining power -- an inconceivable demand in the nineteenth century. As the pendulum of national labor legislation has swung from the NRA to the Wagner Act to the Taft-Hartley Act to the new dispensation under Truman, it has become clear that the balance of power between labor and capital has

become as much political as it is economic.

IV

The liberal bureaucrat, like the labor liberal, makes a strong claim to represent in a special way the general interest. He also argues that this function is indispensable to the goals of liberalism under the conditions of modern life. This is an assertion that would have been unintelligible to Jeffersonian democrats; and indeed many of the fulminations of anti-New Dealers against the liberal bureaucracy have drawn heavily upon ancient Jeffersonian rhetoric. A measure of the transformation that has been wrought in a century and a half is provided by Pendleton Herring's observation in Public Administration and the Public Interest that, "paradoxical as it may seem to Jeffersonian Democrats, the liberal democratic state must be sustained by a huge bureaucracy."

A large federal bureaucracy is very new in the United States. It has grown so suddenly and so recently, and so much of it has been identified with New Deal policies, that it has become the center of an enormous amount of windy and obscurantist denunciation. Intelligent public discussion of its problems has been all but impossible. But bureaucracy exists, in business or government, whenever a large number of decisions have to be made and functions carried on by an organized and stable officialdom. Since any complex society and any large organization must have a bureaucracy, the decision to do without bureaucracy no longer

seems possible, although the question is usually posed in such terms. The real issue raised most urgently by the New Deal, is to what extent the decisions of society are to be made by governmental, business, or trade union bureaucracy; and how bureaucracy is to be recruited, motivated, made efficient, and controlled.

A liberal bureaucratic -- or perhaps liberal administrative -- point of view is emerging in the United States. The bureaucrat insists that his function has a singular kind of usefulness. Admittedly he has his own career aspirations and some taste for power, but feels that his ways of thinking and acting represent the general interest more adequately than those of the Congressman or the business man.

No one expects the business man to be motivated by anything broader than a statesmanlike and intelligent concern for the profits of his own enterprise; he is exceptional if he can grasp the problems of his entire industry; certainly he can not be expected to act from the standpoint of the economy as a whole. The Congressional politician similarly represents - and properly so - a particular geographical constituency whose interest he must keep uppermost. But the bureaucrat occupies a functional position from which it becomes possible, and indeed necessary, to understand events and make decisions in terms of the general interest. To the argument that bureaucracy exercises a hidden and unchecked power, the liberal administrator replies with an impressive list of checks upon his discretion, including journal-

istic examination and public criticism, constant and far-reaching official Congressional criticism and interference, a kind of unofficial but effectual Congressional lobbying within the bureaucracy on behalf of complaining constituencies, executive supervision from above, and finally, occasional court action.

Whatever the merits of his argument, the bureaucrat has come to occupy a strategic place in national life. A bureaucracy is not merely a center of administration; it is a source of careers and a site of observation from which new perspectives are possible. Many young men who formerly would have gone into business or private law now choose a government career as a way of life. A stream of businessmen has come into federal administration, and many former New Dealers, attracted by the higher rate of private pay, have passed from the federal bureaucracies into the bureaucracies of business. Under a permanent bureaucracy it is possible that there will be a continual fluid interpenetration of government and business personnel, and that in the long run the points of view of private business and the public business, at first so much at odds, may tend somewhat to merge.

V

When we turn from institutional changes to the realm of ideas, it becomes evident that liberals were almost as unprepared as conservatives for the crash of 1929 and the ensuing depression. The Progressive liberalism of the early 1900's had been based, as I have said, upon prosperity. The golden glow of

the 1920's, which hardly provided a stimulus for new liberal thought, had almost dissipated liberalism. The acute suffering of the early thirties, although it revived the morale and purpose of liberals, suggested no solutions. Most liberals -- and many who could not be so called -- were willing to try any possible remedy for their ills, a fact which Roosevelt sensed when he declared in 1932 that the public temper demanded "bold, persistent experimentation." In his remarkable Commonwealth Club speech of that year, in which he became the first American statesman to write finis to the nineteenth century, he indicated clearly that a new age in American political and economic life had opened. What followed was a period of random and well-meaning experimentation (often, as in the NRA, badly misconceived). It was now easy for liberals to see that the preconceptions of their conservative opponents, inherited from small town capitalists and rural entrepreneurs, had completely broken down; but it was harder to accept the fact that their own notions, inherited from much the same sources, had also ceased to be relevant. If action by individuals in a market society had given way to action by groups in a politico-economic complex, if the new functions of the state, the new bureaucracy, the new labor relations, and the new process of government no longer corresponded to old models of thought, the liberal argument as well as the conservative had lost much of its meaning.

The primary act of liberal thought, therefore, was not one of synthesis but of destruction. There was a vogue of "semantics," manifested in such books as Stuart Chase's The

Tyranny of Words; people tried to convince themselves that they had been imprisoned by the old and outmoded language of individualism and need only achieve terminological accuracy to set their minds on the path to free and truthful thinking. The most brilliant, effective and enthusiastically received products of this preoccupation with symbols were Thurman Arnold's books, The Symbols of Government and the Folklore of Capitalism.

Arnold's fundamental perception was that the maxims by which men attempted to explain things and guide their conduct had very little relation to realities. What commonly passed as "sound thinking," was hardly thinking at all, but a kind of tribal folklore, useful at times in giving cohesion and comfort to the group, but a barrier to intelligent action when action was needed. "Principles have been obstacles, and not aids." "Rational societies achieve more irrational results in trying to follow their reason when they act on impulse." Arnold distinguished between the rational and principled style of thought and the "practical or humanitarian attitude [which] develops techniques and not logical arguments." His villains -- or rather the butts of his ridicule -- were those social types that are given to systematic rationalization and the elaboration and repetition of principles -- judges, lawyers, economists, preachers, and the writers of newspaper editorials. His heroes were the practical, efficient, benevolent men who do "constructive" things -- the great business men of the age of the robber barons, the practical politicians who violate moral standards but perform essential services. "The great

constructive achievements in human organization have been accomplished by unscrupulous men who violated most of the principles which we cherish." It is hard to imagine any previous leader of American liberal thought who could have uttered this sentence.

opportunism

Arnold's work takes on its full significance when it is seen as a sophisticated vindication of the experimental temperament and political techniques of Franklin D. Roosevelt. Embracing Roosevelt's disdain for the accepted generalizations of the professionals ("I happen to know," Roosevelt once said, "that professional economists have changed their definitions of economic laws every five or ten years for a long time"), his disregard for constitutional inhibitions, his tendency to rely on intuition and impulse, his practical benevolence, even his irreverent humor, Arnold's books form a kind of theoretical and literary equivalent of Roosevelt's opportunism.

But there was an immense lack in Arnold's work: in spite of his appeal for "constructive" action, the practical impact of his ideas was negative. He made his war against obsolete rational abstractions and symbols -- a war against rationality itself-- and he elevated his rediscovery of the political irrationality of men from an instrument of analysis to a positive value. He was suggesting, in a sense, that action should replace thought, without saying how coherent action might be possible. ^{as for what ends it did} Like ^{be aimed} Roosevelt, he provided not so much a program as an attitude. And the New Deal, with its flurry of policies, so often contradictory, seemed at times like a political realization of his benevolent

and "practical" but essentially planless irrationality.

VI

No movement, however, is likely to remain in power for very long without developing some kind of a positive tendency, and ultimately a theory to fit. By 1940 it was clear that the New Deal, although quite successful with reforms, had largely failed to achieve the more fundamental goal of recovery. Moreover, what recovery it had effected was dependent upon fiscal policy. It was toward fiscal manipulation that the New Deal stumbled in practice; and in theory toward the doctrines of John Maynard Keynes, which in time assumed more and more the proportions of that positive rationale which the new liberalism needed.

At first it had been Roosevelt's intention to return to balanced budgets, to use federal spending merely as a stopgap. However, the recession of 1937-38 -- a momentous episode in the development of the New Deal -- made it clear that spending had become essential while other devices for recovery had substantially failed. Roosevelt's budget message of 1938 contained an implicit acknowledgment that he had become a prisoner of his spending policies; his epochmaking budget message of 1940 made a virtue of necessity by repudiating his earlier fiscal philosophy and leading straight toward Keynes's new economic premises.

The author of the New Deal's positive heresy, like most other makers of American economic thought, was English. His

doctrines, of course, had grown out of the problems of the European economy in the interval between the World Wars; but but the depression experience and the New Deal made Keynesian economics particularly relevant for the American mind. Since 1936, when The General Theory of Employment, Interest and Money was published, Keynesian thought has swept over the American economic profession with a force that Ricardo, Mill and Marshall might have envied. C. E. Ayres has said of the Keynesian revolution, that it is "comparable to the Darwinian revolution or even perhaps the Copernican revolution."

We need only recall Veblen's formidable assault upon the preconceptions of classicism to realize that Keynesian economics was not the first influential heresy in modern American economic thinking. But Veblen had been primarily an historian of the classical illusions who provided some useful categories and a vocabulary of satire and invective; his accomplishment, like Arnold's, was essentially negative. His positive proposals, which were almost an afterthought, had been utopian in character, with little direct relation to the mundane problems of earlier liberalism. Keynesianism, on the contrary, has been a practical heresy, which offers liberals a counter-program to the classical doctrines by calling upon the national state to direct the level of economic activity. Moreover, in recommending a total underwriting of the economic structure, it goes far beyond that piecemeal interference in special industries with special problems that was the limitation of the older liberal thought.

Perhaps Keynesianism's most important meaning for liberals is that it suggests a way in which the old ideal of competition can be reconciled with the new ideal of planning. Liberals shrink from undertaking too complete a reconstruction of society and from a vigorous struggle to reshape its power structure. Keynesianism seems to promise that the desire for planning and security can be fulfilled without wiping out the entire apparatus of private enterprise and the motives upon which it is based. It gives the idea of planning, otherwise bewilderingly complex, a relatively simple focus in fiscal policy and in the control of investment, savings, and interest. It offers the hope that an immense expansion in human welfare can take place largely within the traditional framework.

The idea of planning itself has made such immense gains that it has decisively altered the direction of liberal thought. Within the relatively short span of years since the Calvin Coolidge left the White House, it has become a major symbol which must be discussed with a certain deference even by those who reject it, which must be included in the rhetoric of every new objective. The United Nations commit themselves in their Charter to an effort to promote "higher standards of living, full employment, and conditions of economic and social progress and development." The Employment Act of 1946 declares that "it is the continuing policy and responsibility of the Federal Government to foster and promote free competitive enterprise and the general welfare...and to promote maximum employment, production,

and purchasing power."

Such commitments, it must be said, do not go beyond promises, beyond rhetoric. Yet every notion that makes its way into the accepted body of popular ideals must first become embedded in standard rhetoric before it can be translated into reality. Planning and full employment, never before dominant in American liberal ideologies, have now taken their place in the official rhetoric of liberalism.

VII

Since the New Deal began, many conservatives have been arguing that the substantive program of modern liberalism is inconsistent with its humanistic heritage, and that if the former is ^{carried much further} ~~continued~~, the latter will inevitably be destroyed. The very freedoms which concern liberals most grew up in association with capitalist enterprise. The essence of the conservative position is that the two cannot be dissociated; that ~~the~~ property rights are the kingpin of the entire system of liberties; that to impair them is to cripple all other liberties. The liberal replies -- and I do not see how his reply can be refuted -- that freedom of enterprise for individuals controlling their own property has already been eliminated from the lives of such a large portion of the population that it is for the most part illusory. The chief holders of this freedom were the independent farmer and the little business man who, together, once made up the bulk of the population. In industrial America they have ^{become} ~~been reduced~~ to a minority. The figures here are most impressive. By 1870 free enterprisers,

including farmers, business men, and self-employed professionals, totaled a little more than a third of the population; by 1940 they were a little less than one-fourth. This is entirely accounted for by the decline of the farmer. From 1870 to 1945 the American farm population fell from 75 to 17 per cent of the total population; the number of persons engaged in agriculture dropped from 53 to less than 15 per cent of the gainfully occupied population. Within the ranks of the so-called free enterprisers, the farmers outnumber the business men by almost four to one. In theory, therefore, they are still the ^{numerical} backbone of the free-enterprise element in the population. The irony of the situation lies in the fact that there is no element in the population that is more dependent upon the national state.

The objective position of the liberals, at least in the short run, is far weaker than their ~~unsubstantiated~~ rhetoric and their arguments. The notion of optimistic liberals that society is tending toward a form of planned welfare capitalism, with large areas left free for private enterprise, is challenged by another point of view, shared by some conservatives and some radicals, that continued planning and continued interpenetration of governmental, business, labor, and military bureaucracies will not lead to freedom and welfare but to military preparedness, restriction of political rights, and an enforced solidarity of interests in a garrison state. In essence, the contention of the latter school is that planning, full employment, and the reconciliation of powerful contending interests in American politics will be most easily attained in war or under a garrison state whose central goal is preparation for war. In the light

of an exigent problem of national security, it is argued, the conflicts normal to a capitalistic democracy are likely to be found too hazardous and too costly.

Moreover -- to return to the terms of Keynesian
the
thought --/use of fiscal power to achieve full employment under

peacetime conditions is unlikely to win sufficient sanction from powerful conservatives to sustain it as a policy; but equal expenditure directed toward military preparedness can get support from both liberals and conservatives. Keynes himself remarked in 1940, in the course of a somewhat disenchanted review of American experience with deficit spending during the previous decade, that "it seems to be politically impossible for a capitalistic democracy to organize expenditure on the scale necessary to make the grand experiment which would prove my case -- except in war conditions." (He added, however, that he hoped that American war preparation would teach Americans so much about the potentialities of their economy that it would be "the stimulus, which neither the victory nor the defeat of the New Deal could give you, to greater individual consumption and a higher standard of life.")

In spite of the fact that the United States has been involved in every pan-European war it was formerly possible for American liberals to consider national economic problems as essentially domestic. This luxury American liberals no longer enjoy and are unlikely to enjoy ^{soon} again. In the ~~bi~~ bipolarized world of the present, the Soviet Union's challenge to American security cannot be evaded by any regime, liberal or conservative, and the American economy now takes its cue from military-international planning. The forty-billion-dollar Truman budget of 1948-49 put a total of \$11,744,902,000 into defense and \$7,218,508,000 into foreign economic expenditure, including ERP. (The magnitude of these expenditures can be partially realized by recalling

that FDR's "high" peacetime budgets ran about \$7,000,000,000.)
The foreign situation is the Achilles heel of American liberalism.
War, and preparation for war, convert all the slogans and techniques of liberalism -- planning, full employment, the defense of "liberty", social solidarity -- to non-liberal ends.

In the long run, this is an advantage that conservatives are not likely to enjoy. A garrison state is not only an unhappy but a precarious one, and it is even more fatal to what is loosely called "free enterprise" than is a welfare state. It can go to war, but wars often exacerbate, never solve, social conflicts. And if there is anything that does more than a depression to undermine and destroy what is left of the market economy, it is a war.

Never thought in about now

The irony remains, however
~~It is ironic, then,~~ that after a long period of substantial liberal domination, the liberal position is ~~now~~ singularly precarious. Much depends upon the viability of what I have called the humanistic core of the liberal tradition. So long as its humanistic and libertarian goals hold their grip upon the national imagination, the possibility of fruitful substantive experimentation is held open. Liberalism in this sense has not yet withered away in any nation where it has ^{had} a long historical continuity. In the United States it has survived two world wars and the public lassitude of the period 1865-95, when exploitative energy and political corruption were rampant. It may conceivably survive the present difficulties. Liberals have before them on ~~one~~ one hand a problem of resourceful adaptation of thought to new conditions, and on

the other, of maintaining political morale: since the major decisions of society are increasingly made in politics rather than in the market, apathy toward politics has become more costly than ever.

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