America's 60 Families

BY FERDINAND LUNDBERG

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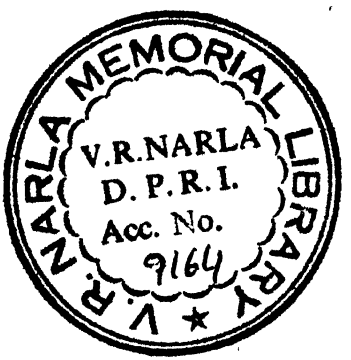

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To

FRANKLIN M. WATTS,

Who first saw the urgent need of a book

on this phase of contemporary affairs

XII

The "New Deal"—and After

I

NOTHING would be more gratifying than to be able to say at this juncture that the swashbuckling administration of Franklin D. Roosevelt, with all its war cries against "the money-changers in the temple," the "economic royalists," and the "gold-plated anarchists," had succeeded in placing a checkrein and halter on the restless, powerful, self-centered clans of great wealth. But such a conclusion would not, unfortunately, be justified by the facts.

Roosevelt's "New Deal" at its inception in 1933 was denounced by the Communists as semi-fascist, was hailed by the Socialists as semi-socialistic, and was quietly welcomed by apprehensive Democrats and Republicans alike as their salvation. J. P. Morgan, for example, stepped forward with indecent celerity and publicly blessed the abandonment of the gold standard; this rite was a clear signal to conservatives to remain calm.

But, as events unfolded, the Communist Party came to look more and more tolerantly, albeit skeptically, upon the "New Deal," and the Socialist Party turned away from it, professing to discern portents of a budding fascist authoritarianism, while conservative Democrats and Republicans soon came to regard it with more or less feigned alarm as bolshevistic.

These were all acutely partisan reactions, predicated upon the shifting political and economic needs of each faction, but they illustrated concretely that the "New Deal" was born of crisis and has had its existence in a period of confusion and transition.

Yet in the face of all the hostile partisan cries the Western p[illegible] sive Republicans and Farmer-Laborites as well as liberal D[illegible] found the "New Deal," on the whole, to their liking; [illegible]ions

of people, saved from downright starvation, and returned by the Federal government to their pre-Hoover condition of chronic malnutrition and insecurity, were pathetically grateful to it. It was these latter, overjoyed at having their immediate needs met by an unexpectedly and mysteriously benign government, that returned Roosevelt to office in 1936 by an overwhelming plurality. However, the Administration, in succoring the pauperized millions, acted from motives that were not primarily benevolent.

The final verdict on the "New Deal" is, of course, impossible to formulate, for it is still evolving. But certain conclusions may be tentatively ventured on such factual evidence as is available, and these conclusions are here sought in a frankly critical spirit in the hope of avoiding those mistakes in judgment made by sentimental observers during the administrations of Wilson and the first Roosevelt.

The "New Deal," while subject to discriminating criticism, certainly, has not been without progressive ingredients that deserve the support of liberals and humanitarians in a world where nothing is perfect; and such support has been merited more especially by reason of the fact that political leaders of the Left—Communists, Farmer-Laborites, Socialists—have thus far been unable to develop a common, practical program of action that would attract the adherence of wide sections of the electorate.

The first conclusion drawn from the facts to be reviewed in this chapter is that the "New Deal" is not revolutionary nor radical in any sense; on the contrary, it is conservative. Its mild, tentative reformist coloration is but a necessary concession in the face of widespread unrest. In its basic tenets and practical aims the "New Deal" is well within the American political tradition. It is a stanch exponent of Jackson's maxim that "to the victor belong the spoils." It believes in punishing its enemies and rewarding its friends, especially those that have contributed generously to its campaigns. And Franklin D. Roosevelt, like Wilson and the first Roosevelt, has been an adept in concealing group economic objectives under a gloss of pleasant rhetoric.

Circumstances have contrived to lend some support to President Roosevelt's forensic assertion that his program is actuated by purely

philanthropic motives; yet those among the economically disinherited who believe the "New Deal" will lead them into a promised land of social security and "the full life" are probably due for a rough awakening. It is safe to predict that when the "New Deal" is over the poor will be no richer, the rich no poorer.

This observation could be buttressed by citation of many facts, of which the most salient one will be cited here. *The New Republic* (August 11, 1937) published, on the basis of figures obtained from reports of the Securities and Exchange Commission and the Department of Labor, a study of the yearly salaries of officials and average weekly wages of workers of 133 leading corporations in 1936. The wage averages, of course, did not prevail throughout the year. The salaries of corporation officials varied from $25,000 to $260,000, and were received in return for standardized, often perfunctory duties. Weekly wages of workers as of December, 1936, ranged from $15.86 to $38.25. The low of $15.86 prevailed throughout the tobacco industry—American Tobacco Company, Consolidated Cigar Corporation, General Cigar Company, P. Lorillard, R. J. Reynolds Tobacco Company, and United States Tobacco Company—all sturdy "New Dealers" and contributors to the Roosevelt campaign funds. George W. Hill, president of the American Tobacco Company, on the other hand, drew $246,173, and two of his associates received $125,000 each. Hill, a gusty innovator of advertising slogans, was rewarded at a rate twenty times greater than such epochal intellects as Professor Albert Einstein or Professor John Dewey.

The "New Deal," in brief, is not by any means a "people's coalition" directed against the vested interests that have seized everything of pecuniary value in the land. It is only in the remarks of the President and of his supporters that it is made to appear as such. In essence the "New Deal" represents one faction of great wealth—the light-goods industrialists—pitted in bitter political struggle against another faction—the capital-goods industrialists. Roosevelt, addicted as he is to verbal castigation of the wealthy, was supported in 1932 and again in 1936 by some of the richest families of the country. But because the juntas of the rich against which the presidential barbs were directly aimed were better publicized than those which stood behind him, the belief became prevalent that the "New Deal" was

hostile to great aggregates of wealth. Some of its tax policies lent color to this misconception, which will not be eradicated until it is generally realized that the "New Deal" merely represents an unfamiliar though orthodox way of dealing with problems within a capitalistic context.

From its beginning the "New Deal" was underwritten by those wealthy individuals whose revenues derive primarily from direct exploitation of the retail market—department-store owners, textile fabricators, cigarette manufacturers, independent industrialists, processors and distributors, and big real-estate operators. Excepting the latter, these comprise the light-industries group. And because the task of the "New Deal" was to restore prosperity to these beleaguered capitalists by restoring purchasing power to the populace, it succeeded in rallying around itself organized labor and the farmers; for in expanding popular purchasing power certain immediate small benefits accrued to these latter. The "New Deal's" big public works program, combined with unemployment relief, operated further to spread purchasing power and at the same time solved the immediate economic problem of millions of paupers, who thereafter became its grateful supporters.

Candor is, perhaps, the most effective form of deceit in politics, and President Roosevelt has frequently been very candid about the aims of his administration, knowing that his frankness would cost him nothing, since his partisan critics were bound to scoff at whatever he might say. He has constantly reiterated that the basic aim of the "New Deal" was to revive purchasing power, and that in so doing it was following a middle-of-the-road course. It has been no part of the strategy of the Republicans to disclose what the actual "New Deal" aims are, because to do so would disclose the political essence of the Republican as well as of the Democratic Party: special favors for wealthy supporters. The Republicans have perforce been obliged to criticize the "New Deal" unrealistically as a radical regime that is undermining the sacred, blood-hallowed structure of American society. The deliberately false accusations of radicalism have, ironically, gained supporters for the "New Deal" among the economically disinherited and have failed to frighten middle-grounders.

The heavy industries, including the banks, which are bound in-

extricably to heavy industry by the latter's constant need for new capital, ran the country as they pleased during the Harding, Coolidge, and Hoover Administrations. Aiming always at monopoly control of industry, the banks were committed under Hoover to the policy of allowing the depression to "take its course." Further deflation would, indeed, have brought the sinking light industries and merchandising enterprises under the dominion of the banks, and monopoly centralization of America's economic apparatus would have been virtually completed. The banks and heavy industries, of course, did not want to see popular purchasing power wiped out completely, although in retrospect it may seem that they did. They were simply committed to reviving purchasing power on a lower price level, with all of industry under their control.

The light-goods industrialists and merchants, seeing in this course their virtual extinction so far as their independent status was concerned, were quick to take advantage of Hoover's unpopularity to install the "New Deal," espousing policies for which the Democratic Party has always more or less stood. So-called economic reforms under the "New Deal" have all, it is pertinent to observe, been engineered at the expense of the big banks and the heavy industries. The 1936 measure taxing corporate surpluses, for example, was directed only at the heavy industries and banks, which had built up big surpluses in the 1920's and had preserved them by dropping millions of workmen from their pay rolls during the depression. The discharge of these millions and their consequent loss of purchasing power had the effect of cutting into the surpluses of the light industries, consisting in the main of inventories which had to be turned over several times annually in order for profits to be made. The "New Deal" light industrialists, to protect themselves against a recurrence of such destruction of the retail market by general layoffs throughout heavy industry, have encouraged the unionization program of John L. Lewis and the Committee for Industrial Organization. This program has been directed to date only against the citadels of heavy industry—steel, oil, chemicals, coal, and automobiles—and although the C. I. O. will in time probably take light industry under its jurisdiction this will be a matter of little concern to light industrialists, secure in the

knowledge that the employment policy of heavy industry is locked in a vise.

The "New Deal," in short, has represented one side of a grave split in the camp of the big capitalists, and although fundamental questions relating to capitalism and its basic theory have not really been in dispute, the method of coping with capitalist crisis has very definitely been in violent dispute. The "New Dealers" are those who, consciously or unconsciously, are working to smash the synthesis of finance capital completed under Harding, Coolidge, and Hoover. They are trying, by the political methods of finance capital itself, and by novel political forms inspired by communism, fascism, and liberal democracy, to return to the capitalism of the individual industrial and mercantile entrepreneurs who were free of the overlordship of banks and banking alliances. By drawing upon the forms of the future, they hope to resuscitate the political past.

It has, however, been no part of the "New Deal's" intention to crush heavy industry and banking. The aim appears to have been merely to bring them into parity with the light goods and merchandising enterprises. But the details of the reforms which have whittled down the power of heavy industrialists and bankers are interesting, and will be touched upon.

II

There was nothing in the prepresidential career of Franklin D. Roosevelt which would have led anyone to surmise that he would espouse such ameliorative social principles as many observers believe he stands for and as he himself professes to stand for. Yet President Roosevelt is not, it must in fairness be admitted, hostile to reform—unless the reform threatens one of his powerful partisans.

Son of a wealthy aristocratic family intermarried with the Astor and other great clans, now including the Du Ponts, Roosevelt was educated at Groton and Harvard. Before the World War he was a member of the New York State Legislature, and was named Assistant Secretary of the Navy (1913-1920) because he supported the campaign for Wilson's nomination in 1912. In 1920 he was given the Democratic vice-presidential nomination apparently only for the reason that his name was Roosevelt, and his campaign speeches then

were notable chiefly for their callow militaristic bias. He advocated, among other things, universal military training in the schools. Early in his presidential career he revived some of these sentiments in a saber-rattling speech before the American Legion in Chicago.

After an unfortunate illness, from which he recovered, Roosevelt in 1924 and again in 1928 advanced himself politically by placing Alfred E. Smith in nomination for the presidency at two Democratic conventions. In 1928 Roosevelt was rewarded with the second highest office in the nation when Smith, recognizing the potency of the Roosevelt name in building up a vote-getting Democratic ticket, procured for him the Democratic gubernatorial nomination in New York. Roosevelt captured the governorship, while Smith lost the state.

As Governor of New York Roosevelt's only noticeable departure from the Smith gubernatorial policies related to electric power. Whereas Smith had advocated the building of state-owned power generators and no more, Roosevelt came out for state transmission of power as well, where satisfactory contracts could not be negotiated with private companies. This embellishment gained for him many influential supporters among liberals, who are accustomed to expect little in a world where tougher personalities habitually take all.

The oratorical passion for the underdog which Roosevelt later exhibited as President was not to be found in any of his words or deeds as Governor, although it may well be, as friends have said, that his illness aroused in him a profound sympathy for the problems of the helpless throughout society.

His bid for the presidency in 1932, it is significant, was not reinforced by an espousal of any of the dynamic social issues abroad in the land. Candidate Roosevelt contented himself with criticizing the Hoover Administration for its ineptitudes and for its extravagant expenditures, which he promised to curtail by consolidating government bureaus. The campaign strategy was obviously to take advantage of the unpopularity of President Hoover, and to promise as little as possible. In the speeches of Roosevelt and his partisans there was no foretaste whatever of the heady brew to come, and it was the consensus of political observers that the country voted less for

Roosevelt, who stood for nothing in particular at the time, than against Hoover.

Victory for Roosevelt on the fourth ballot at the Chicago Democratic convention was contrived through a typically American political deal between William Randolph Hearst, William Gibbs McAdoo, John Nance Garner, and Mayor Anton Cermak of Chicago. In return for the votes of the California, Texas, and Illinois delegations, controlled by the Hearst coalition, Garner received the vice-presidential nomination, and from the vantage point of that office he was afterward to do everything in his power to sabotage progressive proposals of the "New Dealers." Failing in his attempt to corral for himself the presidential nomination, Alfred E. Smith, in concert with John J. Raskob, Bernard M. Baruch, and Hugh S. Johnson, tried to procure the nomination for Newton D. Baker, upon whom Walter Lippmann had placed a Morganatic blessing in his syndicated column. But the Smith-Du Pont-Guggenheim-Morgan forces were unsuccessful.

In his 1928 campaign for the New York governorship Roosevelt had been supported by the same faction of finance that tried to place Smith in the White House. In 1930 Roosevelt's campaign was financed by Vincent Astor, Edward S. Harkness, Bernard Baruch, Percy S. Straus (R. H. Macy and Company), Owen D. Young, and Jesse H. Jones. Except for Astor and Harkness, these were all Democratic stalwarts.

Virtually the same individuals helped reduce the heavy Democratic deficit left over from 1928. At the end of 1931 the Democratic National Committee still owed Raskob $345,250 and the County Trust Company of New York $433,766. Toward liquidation of this indebtedness during 1931 Astor gave $25,000; Pierre S. du Pont, $12,500; Percy S. Straus, M. F. Reddington, and Potter Palmer, $5,000 each; Charles H. Sabin, $2,000, etc. Early in 1932 the deficit was still further reduced by a contribution of $125,000 from Raskob and $27,000 from Pierre S. du Pont.

The largest known contributions from the camp of wealth to Roosevelt's presidential campaign fund in 1932 were as follows:

Bernard M. Baruch	$45,000	
Additional for Senatorial funds	15,000	
		$60,000
Vincent Astor		35,000
William H. Woodin (American Car and Foundry Company)		35,000
Percy S. Straus (R. H. Macy and Company)		30,000
William Randolph Hearst		25,000
John J. Raskob		23,000
Peter Goelet Gerry		22,000
Morton L. Schwartz		20,000
Jesse I. Straus (R. H. Macy and Company)		20,000
James W. Gerard, former Ambassador to Germany		17,528
Edward A. Guggenheim		17,500
W. N. Reynolds, Bowman Gray, James A. Gray, S. Clay Williams	R. J. Reynolds Tobacco Company	16,000
Joseph P. Kennedy, banker and stock market operator		15,000
Francis P. Garvan (Brady)		15,000
Edward S. Harkness		12,000
Potter Palmer (Chicago real estate)		5,000
Harry Warner (motion pictures)		5,000
Robert Goelet		5,000
Mrs. Harry Payne Whitney		5,000
Herman B. Baruch		5,000
Mrs. Sumner Welles, wife of the diplomat		5,000
Charles R. Crane		4,000
Cyrus H. McCormick		4,000
Arthur Curtiss James		2,500
Eleanor Patterson		2,000
William K. Vanderbilt		1,000
Harold F. McCormick		1,000
Edward A. Filene, Boston department-store owner		1,000
Total		$408,528

Other members of these families also contributed, with the result that about $1,000,000 of the Democratic fund appears to have come from the wealthiest families. The remainder was collected by professional politicians from the host of aspirants to political berths in the new administration.

A great deal of additional financial impetus was given the Roosevelt candidacy by his espousal of the "wet" cause in the Prohibition issue; and when one includes the contributions of the wealthy families to the Association Against the Prohibition Amendment, its members primarily interested in the tax yield of a revived distilling and brewing industry, the Democratic Party funds exceeded those of the Republicans. Sums of money ranging from $10,000 to more than $100,000 were given to the anti-Prohibition organization over a period of three years by Lammot du Pont, Pierre S. du Pont, John J. Raskob, Edward S. Harkness, Richard T. Crane, Arthur Curtiss James, Eldridge R. Johnson, Marshall Field, Samuel Mather, Frederic A. Juilliard, and others.

Contributions of $5,000 to $50,000 were made in 1932 to the Republican Party by John D. Rockefeller, Sr., and Jr., Eldridge R. Johnson, Ogden L. Mills, Andrew W. Mellon, Richard B. Mellon, William Nelson Cromwell, Edward F. Hutton, Felix M. Warburg, John M. Schiff, Hallam Tuck, G. A. Tomlinson, Harvey S. Firestone, Mrs. Edward S. Harkness, Mrs. Andrew Carnegie, Mrs. John T. Pratt, Jeremiah Milbank, Alfred P. Sloan, Jr., Edward E. B. Adams, Julius Fleischmann, George M. Moffett, Herbert N. Straus, Harrison Williams, Myron C. Taylor, George D. Pratt, Harold I. Pratt, Herbert L. Pratt, Mrs. Ruth Baker Pratt, H. H. Timken, George W. Crawford, Frederick B. Pratt, Mrs. George F. Baker, L. K. Thorne, Alfred H. Loomis, Mrs. Daniel Guggenheim, Thomas W. Lamont, Murry Guggenheim, S. R. Guggenheim, Simon Guggenheim, J. P. Morgan, Josuah D. Armitage, Charles Hayden, Percy A. Rockefeller, Mr. and Mrs. Childs Frick, Howard Heinz, W. L. Mellon, Albert H. Wiggin, Clarence Wiggin, R. R. M. Carpenter (Du Pont), Silas Strawn, Archer M. Huntington, Howard M. Hanna, E. T. Weir, Robert W. Goelet, Walter E. Frew, Henry Ford, Edsel Ford, William Cooper Procter, Mortimer Fleishacker, Sidney Z. Mitchell, Lawrence C. Phipps, E. T. Stotesbury, Jasper E. Crane, Max E. F.

Fleischmann, Thomas Cochran, Anne S. Davison, George F. Baker, and Sewell Avery.

Families that contributed both to the Republicans and to the Democrats included the Du Ponts, Harknesses, Vanderbilts, Fleischmanns, McCormicks, Goelets, Whitneys, Strauses, Guggenheims, and Bradys. Where identical estates did not contribute to both parties on a family basis they often did so on a corporate basis. Many corporation officers in the lower brackets of contributors gave funds to the party formally opposed by the head of a particular clan. In this way the avenue of approach was kept open to the key men, the financial managers, in each party.

The Wall Street banks, incidentally, while Republican in politics, make a regular practice of keeping a few outstanding Democrats among their chief officers. Jackson E. Reynolds, chairman of the First National Bank, and S. Parker Gilbert and Russell C. Leffingwell, both of J. P. Morgan and Company, are all sturdy Democrats.

III

Roosevelt upon taking office had initially to address himself to a grave emergency, for the nation was in the throes of one of those disastrous collapses which Karl Marx had predicted would one day mark the melodramatic end of the capitalist system. Banks were toppling by the hundreds all over the country, and the crashes in Detroit brought the situation uncomfortably close to New York, Chicago, Boston, and Philadelphia.

A "bank holiday" was therefore proclaimed, and the government went to work during the general shutdown to salvage the existing banking system and to repair it where it was most severely damaged. The President unmistakably betrayed his bias toward the *status quo* when he failed to propose, as he could have with exploded banks on every hand, that the government, to avoid a recurrence of the situation, take the banking system into its own hands, where it properly belonged.

But the new President's task, as he envisioned it, was merely to restore the faltering economic system to operation and then to revive popular purchasing power. Although various "New Deal" measures have been sorted by critics into "reform" and "recovery" categories,

every one of them, without exception, was designed to induce recovery of the export and domestic retail markets before all else. This policy played directly into the hands of merchants and light industrialists, who were further accommodated by the government's stringent measures against heavy industry and the banks.

No part of this program was consciously formulated at first, and it is highly doubtful if any individual had the entire plan *a priori* in mind. But the economic interests of the President's closest supporters and advisers, each one of whom came forward with some pressing personal problem, made the ensuing pattern inevitable. And as time went on, the design becoming more and more conscious, those advisers that were inspired principally by their stake in heavy industry or banking dropped away, while certain other groups that had opposed Roosevelt in 1932, suddenly seeing their needs catered to in unexpected fashion, came forward to lend their counsels to the Washington gatherings. Roosevelt, in short, did not concoct the "New Deal." Rather was he made by the "New Deal" to stand for something he had never, as recently as January 1, 1933, given any sign that he intended to espouse.

Aside from the suspension of the gold standard (the first and most important price-lifting measure) and the closing and reopening of the banks, the most spectacular early measures of the "New Deal" were the Agricultural Adjustment Act and the National Industrial Recovery Act. Both were nullified by the Supreme Court which, by these very decisions, contributed greatly to the outcry for judicial reform. The AAA gave subsidies to farmers for taking land out of cultivation, and did much to raise farm-purchasing power in consonance with the basic aim of the "New Deal." An unusually severe drought in 1934 provoked a storm of criticism, much of it insincere, of the Administration's program of destroying crops and farm animals in order to achieve higher prices; the same critics had not been perturbed by the sabotage of industry practiced by the banks and heavy industrialists when they shut down factories and laid off workers in 1929-33. Farm production had declined only about five per cent in four years, but industrial production had been reduced by 48.7 per cent. Within one year the AAA increased farm income by thirty-eight per cent and farm purchasing power by an estimated

twenty-five per cent through the inauguration of the very production-control method that was originally used by the industrialists. The cost of the farm subsidy was met by a $1,000,000,000 processing tax, in effect a sales tax imposed on the consumer.

The increased farm-purchasing power redounded to the immediate benefit of the group which had financed Roosevelt. The McCormicks of the International Harvester Company benefited from increased sales of farm implements. Mail-order houses and manufacturers of clothing, cigarettes, and household products profited as well.

The National Industrial Recovery Act, approved June 16, 1933, concealed some very questionable aims under cover of Section 7A, which guaranteed to labor its already legally established right to bargain collectively through agents of its own choice. The Act closely resembled a plan that had long been advocated by Gerard Swope of the General Electric Company, and it bordered, indeed, upon fascism. President Roosevelt himself is said to have been greatly perturbed by the operation of certain features which had been written into the measure by many hands during the confusion attendant on the NIRA's creation. As cogently summarized by Professor Dwight Lowell Dumond in *Roosevelt to Roosevelt,* perhaps the most complete economic and social history of the United States for the period 1900-1936, the act "intended (1) to legalize those voluntary trade associations which President Hoover had encouraged by removing the restraints of the antitrust laws; (2) to make them effective by bringing the recalcitrants into line through compulsion; but (3) to bestow these privileges upon trade and industry in return for an acknowledgment of their social responsibility in the form of concessions to labor and the consumer."

The act, in short, sought to restore industrial stability by guaranteeing the *status quo* of worker and employer, one in possession of little, the other in possession of much. As those industries which assented to the codes were exempted from the operation of the antitrust laws, the government was underwriting monopoly more flagrantly than it had ever done before. In most instances the codes were merely the existing agreements of the monopolistic trade associations, with the government underwriting and agreeing to enforce them; in some

cases they were precise copies of these agreements. In almost every instance the authorities responsible for enforcing each code were simply the leading executives of the trade associations.

Washington in 1933 and 1934 was once more flooded with the same crowd that had inundated it in 1917 and 1918. The "dollar-a-year men" were back, wrapped in the banner of high patriotism, with the stiletto of narrow self-interest concealed in its folds.

Most of the code provisions required the establishment of a forty-hour week and minimum weekly wages of $12 to $15 as well as the elimination of child labor. Section 7A, which avowed the right of workers to buttress these guarantees with unions of their own choosing, was immediately violated by the big industrialists, who formed company unions, turned loose an army of labor spies, and devised complicated schemes for evading even the wages and hours provisions. As voting control of all the code authorities was vested in the big industrialists, these latter utilized the provisions of the codes not only to war upon labor but also upon small, independent enterprises. A majority report of the NRA Board of Review, signed by Clarence Darrow and Charles Edward Russell, found on the basis of voluminous evidence that the Act was being used to foster monopoly. Senator William E. Borah made the same ugly charge.

"Here was a case," as Professor Dumond scathingly observes, "where the sovereign powers of self-government were handed over to private businessmen, whose trade and industrial association regulations were clothed with the authority of Federal statutes and, although they were written for private gain, without thought for the welfare of society as a whole, they were presented to the people as economic planning—the policies of the nation as determined by the considered judgment of Congress."

The controversy over Section 7A, however, did much to stimulate public thinking about the problems of labor. The cold-blooded, ruthless fashion in which the industrialists consciously moved to vitiate those provisions of the section that were beneficial to labor perhaps did more to educate the country about the socially irresponsible character of the big proprietors than had all the preachments of radicals for years. Moreover, the pathetic eagerness with which a vast multitude grasped at pay of $12 a week, and the outcry from

the Southern industrialist against such "high" wages, drove into public consciousness the fact that labor in the United States, excepting its aristocracy in the American Federation of Labor crafts unions, had long been fiercely exploited at coolie pay. Details of the farm situation, highlighted in the debate around the AAA, also had a similar educative effect, so that if the "New Deal" did nothing else it succeeded, in these and other of its efforts, in implanting a deep suspicion in the public mind about the motives and methods of the big feudalistic proprietors, who habitually masquerade as simple "businessmen."

The gigantic program of unemployment relief embarked upon by the "New Deal" was of direct aid to retail trade and to the farmers in that the money paid out to the unemployed went immediately into the purchase of necessities. Several government agencies were created to handle the projects, but the Works Progress Administration, launched on May 6, 1935, finally consolidated all the divisions of relief. Works Progress funds were allocated to naval building, to municipal improvements and construction where local governments shared part of the cost, to reforestation, and many other ends; the principal aim, however, was to get money into circulation. In connection with the building and construction phases of this program there was, of course, a demand for cement, stone, machinery, steel, and lumber, which was of benefit to heavy industry; but the benefit was neither so great nor so immediate as that conferred upon industries more closely aligned with the retail market.

Meanwhile, various measures designed to hamper the banks in their domination of heavy industry were passed under presidential authority. The first of these was the Banking Act of 1933, which divorced commercial and investment banking, provided for insurance of deposits, and vested in the Federal Reserve Board the right to control loans entering speculative channels. The separation of the deposit and underwriting functions of the banks was a blow directed consciously at J. P. Morgan and Company, and measurably weakened the power of that and other private banking houses. Not at all strangely, this action was sought and approved by Winthrop W. Aldrich, chairman of the Rockefellers' Chase Bank. Weakened under Hoover, the Rockefellers were strengthened for a time by the "New

Deal"—by the sharp rise in oil prices and by the improvement of the real estate market; and although John D. Rockefeller, Jr., outwardly maintained his Republicanism the Standard Oil clans helped the "New Deal" at many points and manifested cordiality to its acts. The "New Deal" reciprocated by doing nothing, in its early stages at least, to disturb or injure the Standard Oil empire.

After passage of the Banking Act J. P. Morgan and Company immediately set up Morgan, Stanley and Company for handling securities issues, but as this branch was effectively segregated from the central house the firm could no longer function as freely as of old. Extension of the powers of the Federal Reserve Board by giving it control over the so-called "open market committee" and over the reserve requirements of the member banks also weakened Morgan power in finance, for under the old dispensation the Federal Reserve System, dominated by the New York money market and the Morgan banking bloc, was as effectively under Morgan control as if J. P. Morgan and Company owned it. Symbolic of the new regime Marriner S. Eccles, small banker and mining entrepreneur from Utah, was made Governor of the Reserve Board. Control of the money market, transferred to Washington, was thereafter to be wielded by whoever controlled the government.

There was an immediate outcry, to be sure, against "political control" of the Reserve System, but it had always been under "political" control. It was only a question of which political faction should control it. The method of control made little difference.

The next big blow against the finance capitalists of Wall Street by the independent industrial and mercantile capitalists came with the passage of the Federal Securities Act, signed by the President on May 27, 1933. Its provisions required the registration of securities with the Federal Trade Commission, but did not require its approval, and gave purchasers the right to recover losses incurred by misrepresentation. A campaign against this Act, fiercely waged by Wall Street for more than a year, resulted in passage of the new Securities Exchange Act, in June, 1934. This measure established the Securities and Exchange Commission and gave the Federal Reserve Board enhanced power to regulate the money market. It forbade the operation of pools or other devices for manipulating market values, required the registra-

tion but not approval of securities, and penalized promoters for making false statements in the sale of securities. This was, without doubt, an intolerable handicap to the finance capitalists, who had long been accustomed to raking in the money of investors under cover of the most unbridled misrepresentation.

Another severe blow directed against banking capital was the Wheeler-Rayburn Act, passed in August, 1935. This measure directed the Federal Power Commission to supervise the interstate transmission of electric power and the Federal Trade Commission to supervise interstate transmission of gas. Significantly, the Act prohibited officers of banks, and of brokerage or investment houses, from serving as officers or directors of public-utilities companies—an obvious attempt to divorce the profitable utilities industry from the banks. The Securities and Exchange Commission was given the power to determine depreciation write-offs, to pass upon dividend rates, and to require public-utilities lobbyists to register with it. An amendment by Senator Borah abolishing all except the holding company immediately above the operating companies, referred to in the press as the "death sentence," was defeated in Congress after an intense and spectacular campaign waged by the public-utilities companies. The Securities and Exchange Commission was, however, empowered to eliminate all holding companies that were proved to be acting against the public interest. Intercompany transactions, which had been so profitable to the holding companies, were forbidden under the new law.

As to the source of opposition to this and other legislation, Professor Dumond justly observes about the opponents of the Federal Securities Act: "For the most part, it was those financiers who had been responsible for the stock and bond swindles and those corporation directors and lawyers who had always opposed social legislation who led the attack and who, there is some reason to believe, delayed refinancing with the fixed purpose of bringing pressure to bear upon Congress for modification of the act."

The effectiveness of all these measures in keeping the banking clans out of the industrial picture in the future will be determined to a large extent by the severity of their enforcement. A rightist Republican or Democratic government succeeding the "New Deal" would

unquestionably relax the enforcement of many of these measures on the ground that they were retarding "business," *i.e.*, the flow of profits to the richest families.

The "New Deal" tax measures were aimed specifically at the biggest clans of wealth, although they significantly left loopholes for its own clans to slip through. There has been some protest that the tax base was not broadened enough, that lower incomes were not brought into the tax net; but such a blighting assault upon popular purchasing power, already siphoned away by steadily rising prices, was carefully avoided. The tax measures of the Roosevelt Administration are interesting, and deserve analysis.

Congress in 1932, with the authority of President Hoover and the Republican Party weakened, engaged in some writing-up of tax schedules. The Revenue Act of 1928 had imposed a regular tax of five per cent on incomes of more than $8,000; the Act of 1932 set the regular tax at eight per cent. Whereas the Act of 1928, the last one to be sponsored by Mellon, had levied a flat surtax of twenty per cent on all incomes of more than $100,000, the Act of 1932 set a rate of forty-eight per cent on incomes of $100,000 to $150,000, of forty-nine per cent on incomes of $150,000 to $200,000, of fifty per cent on incomes of $200,000 to $300,000, of fifty-three per cent on incomes of $500,000 to $700,000, and of fifty-five per cent on incomes of more than $1,000,000. The Revenue Act of 1934 raised the surtax on incomes of $100,000 to $150,000 to fifty-two per cent, on incomes of $150,000 to $200,000 to fifty-three per cent, on incomes of $200,000 to $300,000 to fifty-four per cent, on incomes of $500,000 to $700,000 to fifty-seven per cent, and on incomes of more than $1,000,000 to fifty-nine per cent.

There were further sharp write-ups of the rates in the Act of 1935, which levied fifty-eight per cent on incomes of $100,000 to $150,000, sixty per cent on incomes of $150,000 to $300,000, seventy per cent on incomes of $500,000 to $750,000, seventy-three per cent on incomes of $1,000,000 to $2,000,000, seventy-four per cent on incomes of $2,000,000 to $5,000,000, and seventy-five per cent on incomes of $5,000,000 or more. The Revenue Act of 1936 left these relatively high rates unchanged, and, on the whole, the "New Deal" may be said to have wrought well thus far.

As to the estate taxes, the Act of 1928 levied only three per cent on estates of $100,000, and the Act of 1932 levied nine per cent; the Act of 1928 levied eight per cent on estates of $1,000,000, and the Act of 1932 levied nineteen per cent; the Act of 1928 levied fifteen per cent on estates of $5,000,000, and the Act of 1932 levied thirty-five per cent; the Act of 1928 levied twenty per cent on all estates of $10,000,000 and above while the Act of 1932 levied forty-five per cent. For these same net estates the Act of 1934 respectively levied twelve per cent, twenty-eight per cent, fifty per cent, and sixty per cent. The Act of 1935 instituted further write-ups in the estate levies, $100,000 paying seventeen per cent, $1,000,000 paying thirty-two per cent, $5,000,000 paying fifty-six per cent, $10,000,000 paying sixty-five per cent, $10,000,000 to $20,000,000 paying sixty-seven per cent, $20,000,000 to $50,000,000 paying sixty-nine per cent, and $50,000,000 and more paying seventy per cent. The Revenue Act of 1936 left these rates undisturbed.

The Revenue Act of 1932 instituted a gift tax to stop the widespread practice among the rich of giving away, tax free, their fortunes to relatives prior to death. Gifts of $1,000,000 were required to pay $92,125, plus fourteen per cent on additional gifts up to $1,500,000. Gifts of $5,000,000 were required to pay $862,125, plus twenty-six per cent up to $6,000,000. Gifts of $10,000,000 were required to pay $2,312,125, plus 33⅓ per cent on any excess. The Revenue Act of 1934 lifted these rates to a flat twenty-one per cent on $1,000,000 to $1,500,000, to 37½ per cent on $5,000,000 to $6,000,000, to forty-five per cent on $10,000,000, to 50¼ per cent on $10,000,000 to $20,000,000, to 51¾ per cent on $20,000,000 to $50,000,000, and to 52½ per cent on $50,000,000 and more. The Revenue Act of 1935 raised the rate to twenty-four per cent on gifts of $1,000,000 to $1,500,000, to forty-two per cent on $5,000,000 to $6,000,000, to 48¾ per cent on $10,000,000, and retained the rates of the 1934 Act in the higher brackets. These rates were not changed by the Revenue Act of 1936.

The Act of 1936, however, blocked an important loophole through which the wealthiest taxpayers had escaped the provisions of the law. It placed a tax of fifteen per cent on corporation income of more than $40,000 and established a graduated tax scaling up to twenty-seven per cent on undivided corporation profits. The rich owners

of corporations, instead of disbursing profits in dividends, had been plowing them back into surplus, to be drawn upon at some future date after they had been successful in getting income-tax rates reduced; this untaxed surplus stood behind the stockholdings, and was as good as money in the bank. Indeed, it was reflected in the advanced market prices of the stocks of those corporations which had large cash surpluses. Under the Act of 1936 it became more profitable for the rich to distribute this surplus in the form of dividends, and many corporations did. It was this item of legislation, incidentally, which Republican presidential nominee Alfred M. Landon in 1936 called "the most cockeyed piece of tax legislation ever imposed in a modern country."

That there was nothing quixotic or haphazard in President Roosevelt's tax reform proposals was indicated clearly when, at a press conference in July, 1935, he discussed with reporters some interesting features of the 1932 tax returns of which he had just made careful study. In that year 58 persons had reported incomes of $1,000,000. These individuals who, the President remarked, deserved to be called "the 58 thriftiest people in America," had paid no tax at all on $21,000,000, or thirty-seven per cent of their aggregate income, which was derived from tax-exempt securities. The President further revealed that in 1932, when gift-tax legislation was on its way through Congress, one man transferred about $100,000,000 in tax-free gifts, and another transferred about $50,000,000. One estate, the President reported, was reduced, to avoid estate taxes, from $100,000,000 to $8,000,000 within two years of the owner's death.

In the course of this press conference Roosevelt aimed at very big game when he said that one family in 1932 had divided its holdings into 197 separate trust funds which could easily be demonstrated to have been designed for tax evasion. Although he did not name the family, nor did subsequent tax investigations reveal it, the Rockefellers were generally conceded to have been the family in question. It is, incidentally, a fact verifiable on the public record that Rockefeller, Jr. began, a few days after these revelations, hastily transferring parts of his fortune to relatives to escape the higher gift and estate taxes which Roosevelt had just recommended to Congress.

Stringent though the Roosevelt tax measures may have seemed,

they left many loopholes. Some of these have been disclosed, and provision made for their closing; but the most important loophole has not been discussed at all, and it concerns the gift-tax rates. As the law governing gift taxes is drawn, the tax is levied on each individual gift. Actually it operates to penalize the wealthy man who has a small family and to make avoidance of heavy taxes possible for the man with a large family. By making multiple gifts a rich man may spread among his many sons and daughters a huge fortune, and incur only a small tax. As we have already mentioned, John D. Rockefeller, Jr., in 1935 "gave away" $27,000,000 of stock at one stroke, and he has been making "gifts" of large blocks of securities regularly since 1933. If the $27,000,000 stock gift was made to one person, it incurred a tax of 51¾ per cent; but if it was distributed among his six children it incurred a total tax of only thirty-two per cent. If any grandchildren were included in this stock distribution, then the percentage of tax paid was even lower, perhaps less than twenty-five per cent. By doling out his fortune in this way among his many children and their offspring Rockefeller will be able, even under the "New Deal" tax laws, to give away most of his fortune, incurring only an approximate 25 per cent tax upon it rather than the flat 70 per cent to which he would otherwise be liable under the estate-tax law as it stands.

Where there are few children, as in the case of Andrew W. Mellon, or no children, as in the case of Hayden, the obvious course of tax avoidance is to leave the bulk of the estate to "charity," under control of the children or of business associates. Although both Mellon and his brother have died, the Aluminum Company and the Gulf Oil Company remain in control of the Mellon family, unaffected by the most stringent tax laws. It remains for the authorities to pass upon the validity of these "charitable" endowments, whose central purpose is to retain industrial control and power, and if the law is properly interpreted the charitable character of the endowments will be denied, for it was the plain intent and expressed purpose of Congress in writing these tax laws that they should so operate as to dismantle the largest of the mammoth estates even though they do not seriously affect the smaller ones.

The gift-tax loophole should be stopped up by a statute making a

flat levy on the total of gifts over a period of five years at the rate that the estate-tax schedule provides in its present form—with the additional provision that taxes shall be collectable retroactively after death at the same rate that would apply had the gifts not been made and as though their sums were still a part of the estate.

This statute should also be applied to gifts to family-controlled charitable foundations, and the income-tax laws should be made to apply to the income of all these foundations, including the privately controlled university and church endowments, which are all merely instruments for the concentration of pecuniary power in the hands of the wealthy individuals that supervise them. Closure of the multiple-gift loophole, the philanthropic gift loophole, and the foundation-income loophole would effect an appreciable reduction in the political and social power of the very rich.

A further necessary measure for blocking avenues by which the wealthiest citizens escape taxes designed to encroach upon their dictatorial social and political power should be a law that would forbid the filing of separate returns by members of a family jointly drawing unearned income in excess of $50,000 annually. The filing of many income-tax returns by a family in receipt of more than $5,000 annually tends to reduce the tax rate, and the greater the amount of income the more sharply the tax rate is reduced. Where many members of a family are in receipt of earned income from professional or business sources it would obviously be unjust to force these individuals to file a consolidated family tax return. But where unearned income is drawn by several individuals solely by reason of the fact that they are members of a family group it is obvious that the income tax should be levied upon the *family* rather than the *individual*. The Rockefeller sons draw unearned income not because they are individuals with some talent or ability to contribute to society but because they are members of the Rockefeller family. The family should therefore be required to file a joint tax return, incurring a higher levy, with first cousins, nephews, and nieces of the main branch of each family included. In circles of great wealth the family itself becomes a pecuniary device, to be manipulated at will, and primarily valuable in evading taxes levied upon individuals.

There are so many ways in which the very rich can evade taxes

that it is doubtful whether all the legal loopholes can ever be closed. Much can be done, however, to whittle down the largest estates. In such an undertaking the less wealthy among the rich, with fortunes ranging from $10,000,000 to $20,000,000, might well collaborate, for in the very competitive character of contemporary private enterprise the biggest estates are a menace to them as well as to poorer people. Few among the lesser rich, for example, are given a share of the vast "melons" that from time to time are divided among the richest elements—melons like the Panama Canal swindle, the initial United States Steel pool, the Tennessee Coal and Iron grab, the Teapot Dome grab, the life-insurance racket, the government-subsidy racket, the Morgan "favor list," etc.

The "New Deal" government made a genuine contribution by disclosing many of the more novel means used by the rich to evade taxes, although it should be clear that the fundamental ways of escaping taxes have naturally not been called into question by an administration that is supported by one faction of great wealth. Secretary of the Treasury Henry E. Morgenthau on June 17, 1937, listed the following devices for evading income taxes: formation of foreign personal holding companies, foreign insurance companies, domestic personal holding companies; the incorporation of yachts and country estates (expenses of operation being charged off against income); creation of multiple trusts for relatives and dependents; establishment of family partnerships, and pension trusts. Scores of wealthy taxpayers employed such devices as these.

Alfred P. Sloan, Jr., chairman of General Motors Corporation, was shown to have incorporated his yacht *Rene* under the name of the Rene Corporation. Operating "losses" on this pleasure vessel for 1931–36 were $278,474, which Sloan deducted from his income of $2,140,563 for the period. This neat trick enabled him to avoid payment of $128,528 in taxes—an amount which he was then free to invest in a bathtub, a pipe-organ, or a hunting lodge. Sloan and his wife, according to data adduced on June 29, 1937, by the Treasury Department, also avoided payment of $1,921,587 in taxes in 1933–36 by the personal-holding-company device. Others who gained large tax savings through personal holding companies were Henry L. Doherty, Mrs. Helena A. Raskob, Mrs. Wilhemina du Pont Ross,

Ailsa Mellon Bruce, William Randolph Hearst, Horace Havemeyer, Pierre du Pont, F. V. du Pont, R. C. du Pont, O. D. Fisher, O. W. Fisher, D. R. Fisher, Roy W. Howard, Robert P. Scripps, E. W. Scripps, William Dewart, Paulina du Pont, Mrs. H. Ethel du Pont, Charles F. Kettering, Charles Hayden, Thomas W. Lamont, Jacob Ruppert, Frederick H. Prince, Edward A. Cudahy, Jr., Jeremiah Milbank, and others. Eighty incorporators of personal holding companies, according to the Treasury Department, evaded an aggregate of $2,500,000 of taxes for 1936.*

Some very peculiar devices were brought to light, illustrating the desperate lengths to which the rich are willing to go to preserve from public use their huge accumulations. Myron C. Taylor, chairman of the United States Steel Corporation, incorporated his various residences and personal properties, on which he claimed an "operating loss" of $354,083 during 1931–35, charging it against income. John Hay ("Jock") Whitney incorporated his magnificent stables at $1,325,940 and for the years 1932–35 saved $396,125 in taxes. Alfred I. du Pont incorporated his Wilmington residence at $1,000,000, saving taxes of $200,000 from 1931 to 1935. Mrs. Emily R. Cadwalader of Philadelphia, daughter of John A. Roebling, incorporated her big yacht and saved taxes of $220,183 in six years. Mrs. Wilhelmina du Pont Ross incorporated her stables and farms, saving $172,469 in taxes.

Abe Fortas of the Yale Law School, testifying in Washington as an expert, explained how the rich also evaded taxes through the incorporation of airplanes, automobiles, and miscellaneous possessions. The rich tax dodgers, in their eagerness to retain every last cent of the money under their control, appear to have stopped short only of incorporating their children and mistresses. *The New York Times* and other newspapers of reaction stressed that the personal holding company and other devices were all perfectly legal, and so they were. Legality, it may be said, is often the last refuge of a scoundrel.

Following these disclosures, Congress set to work on measures

* Wilbur K. Potter, secretary to the late Edward H. R. Green, testified on May 26, 1937, during a court struggle over the estate of Green, that his employer had paid no state income taxes at all from 1917 through 1929 on an annual income of $20,000,000. Green avoided these local income taxes, as not a few of the rich do, by failing to maintain any permanent address, thereby achieving the status of a multimillionaire vagabond.

for preventing further evasions; but as Congress concentrated on rather superficial evasions and as the significant loopholes had not even been discussed, the tax laws as they stand will still enable most of the rich families to resist the plain intent of Congress and the people that the big fortunes be seriously reduced. For it is coming more and more widely to be recognized, even among many very capable businessmen who find the big corporations impeding them at every step, that huge fortunes confer entirely too much power on a few individuals in what is sedulously advertised as a great democracy.

And while one can say that the "New Deal" tax measures, directed though they are mainly against finance and heavy industry (the tax on corporation surplus was especially directed against heavy industry, which had saved its surplus by throwing out its workers in 1929–33), represent a great step forward—they by no means solve the problem. Much remains to be done, especially in focussing public thought on the new ways of tax-dodging behind the beautiful tapestry of philanthropic, religious, and educational bequests.

The root of the tax-dodging dilemma is to be found in the fundamental law itself and in fewer than a dozen of the eminent law firms of New York and Washington. These firms are an integral part of the apparatus of finance capital, and while they will not be discussed further here, they do merit an increased amount of attention from social critics, who should be able to show in detail how these firms function in harmony with local and national political machines, philanthropic and educational bodies, banks and corporations, and the exclusive millionaires' clubs.

In encroaching upon the prerogatives of the socially inimical bank capitalists and in making it less difficult for ordinary businessmen to operate, the "New Deal" has been fairly conventional and altogether in harmony with the American political tradition. But these conventional political accomplishments have been, unfortunately, mere stop-gaps in an exceedingly complicated and menacing situation. Where the "New Deal" has distinguished itself to the greatest degree in an historical sense has been in its unconventional anticipations of the future, in its so-called experiments. These have been, it is all too true, rather tentative, but collectively they provide a body

of experience and form a framework around which later economic and social development may concentrate in an orderly fashion.

Among the measures looking to the future has been the creation of the Tennessee Valley Authority to provide seven southern states with electric power and fertilizer, and to supervise reforestation, control of floods and soil erosion, the erection of subsistence homesteads, educational institutions, etc. Funds for this vast project were supplied by the protean Public Works Administration as part and parcel of the scheme to get the nation back to work and to rehabilitate the domestic market by spreading purchasing power; but it was, too, more than this—it was a partial unveiling of the future. Under the TVA was created the Electric Home and Farm Authority to inaugurate the use of electric appliances and equipment in the region served by TVA—a great step forward in an area that has been culturally, economically, and socially backward since the Civil War.

The National Housing Act of 1934, which helped home owners refinance and make repairs and improvements, was also a forward step in that it made provision for the building in cities of model apartment homes and for the resettling of agrarians in villages abutting on farm areas. This agency has been seriously hampered in its progress by the political intrigue of real-estate speculators who for many decades have profited heavily from the exploitation of city-dwellers in slum areas, but work has proceeded at a cost of more than $200,000,000 on about fifty separate projects scattered all over the country. The Resettlement Administration has been concerned with the erection of four model villages, and while the result of its work, like that of the city division of the Federal Housing Authority, has not been entirely satisfactory and has been impeded and sabotaged at every step by hostile political forces, it nevertheless provides valuable experience for the future.

The Social Security Act was also forward-looking in its provision for Federal aid to states that instituted old-age pension laws, for Federal old-age pension annuities, and for unemployment insurance. As it stands, this plan, as President Roosevelt himself admitted, is by no means perfect; but a beginning has been made, especially in the education of the public.

The "New Deal" has also been alive to the inability and refusal

of private agencies to face the cultural crisis of the great depression. As wealthy men, long hymned by newspapers as patrons of the arts, indifferently turned their backs, musicians, actors, painters, writers, impresarios, designers, and their helpers and assistants stood in breadlines and subsisted on meager charity. Divisions of the Works Progress Administration established cultural projects for all these workers, projects that have attained, on the whole, an amazingly high degree of excellence. Although attacked by newspapers like *The Sun,* which deliberately belittled the activities in which unemployed adults were finding a creative outlet, and although at first it provided for many non-professional interlopers that should merely have been on other projects, a genuine public service was rendered by this nation-wide program. *The Sun,* its nominal publisher the beneficiary of a tax-dodging personal holding company, one of its leading stockholders a Morgan agent, its editorial and news columns redolent of the stench of special interest, was, to be sure, the logical foe of "boondoggling." The WPA cultural projects, above all else, provided a body of experience upon which the future can build.

Thus far throughout this study, it may be remarked, critical attention has been focussed upon the selfish activities of the rich in catering to their own sterile whims and needs, but it must be admitted that the wealthy would be unable to function as they do if they were confronted along a wide front by an enlightened public opinion. The "New Deal" has done much to stimulate public thinking, however, and it may be that the future historian will conclude that its greatest public contribution lay in this alone, even though it was probably no part of the original intention of the "New Dealers."

The "New Deal" has been active progressively in so many other fields that all its work cannot be touched upon in a single chapter. It attacked the tariff snarl which had ruined foreign trade, and which, since the enactment in 1930 of the Smoot-Hawley Act, had played a major role in keeping the world in a state of economic stagnation. In an attempt to break the deadlock, the State Department set about painstakingly negotiating reciprocal tariff agreements with many nations. The Administration also addressed itself to the vital related problem of neutrality, at least insuring that the American people will, if called upon to participate in the next general war, join

the belligerents with their eyes open. It formally disavowed the old policy of armed intervention in Latin America, and to prove its pacific intentions abrogated the vicious Platt Amendment. It renewed diplomatic relations with Russia, which had remained severed for more than a decade and a half only because certain special interests like the National City Bank of New York, the Singer Sewing Machine Company, the International Harvester Company, and the Metropolitan Life Insurance Company had various individual grievances against the Soviets arising out of the Russian revolution.

Most universally popular of "New Deal" accomplishments was the repeal of the Eighteenth Amendment, and, while the "liquor problem" remains, the situation marks a vast improvement over the Harding-Coolidge-Hoover bootleg era when the master collaborator in the obstruction of the law-enforcement agencies was the Treasury Department under Andrew W. Mellon. That the prohibition law could have been enforced, there is no longer any doubt. Prohibition enforcement was sabotaged by the inner circle of the Republican Party even as it genuflected publicly to the Anti-Saloon League and the Methodist Board of Temperance, Prohibition, and Public Morals.

But full approval of the "New Deal" as an instrument of popular or semi-popular welfare must be qualified. The "New Deal" has not been nearly so progressive as it has tried to appear. Students of the sports pages are familiar with the pugilistic ruse of making a rigged boxing match look "good" when its outcome has been determined in advance. Students of labor affairs know the technique of the old Industrial Workers of the World in seeming to be busily at work while actually soldiering on the job. This technique of seeming to do much while actually doing little has been borrowed from politics, and the "New Dealers" have been political adepts.

Documentary evidence may some day be forthcoming to prove that some of the measures President Roosevelt espoused in public he failed to champion in the crucial legislative arena. One of these was the Tugwell Pure Food Bill, emasculated in Congress by lobbyists for the pharmaceutical and proprietary interests who have otherwise been stanch "New Dealers." Another measure was the Child Labor Amendment which, approved by more than thirty states,

reached the Legislature of the President's home state and, despite the patronage club at the disposal of the White House, was allowed to go down to defeat under the joint onslaught of Cardinal Hayes and a horde of newspaper and sweat-shop proprietors. This stopped, for the time being, the drive to get thirty-six states to endorse the amendment, which had been before the nation since 1924. There were many such rhetorical fights for "New Deal" progressive measures that were signally lacking in the practical political organization needed to put them into effect.

Yet despite his failure to translate many of his promises into action, it cannot be denied that President Roosevelt has on a number of occasions stepped far to the forefront of his advisers and has even alienated some of the most influential of them by his advocacy of reform. He has done this at times without regard for political expediency, which explains the cry of "Dictator" raised by conservatives against him. The rich clans can understand a President that favors one group of special privilege, even though it is not their own; they see something menacing, however, in a President moving to implement a generalized public interest.

Marked Rockefeller hostility, for example, dated approximately from the July, 1935, press conference already referred to at which the President brashly stigmatized rich tax-dodgers before proposing the hotly assailed Revenue Act of 1935. The Rockefeller interests had earlier shown a willingness to collaborate with the Administration, notably in formulating the NRA petroleum code. But in 1936 the Rockefeller family was the third largest contributor to the Republican campaign fund, a factor which served to throw many votes to Roosevelt. It is also from the date of this press talk that Vincent Astor is said to have begun turning against the "New Deal," whose virile supporter he had been. Astor, one of the biggest Democratic campaign fund contributors in 1932, does not appear in the lists of contributors for 1936.

Further evidence that President Roosevelt, unlike many preceding Presidents, is not given to deferring to the rich merely because they are rich, is to be found in the Treasury Department's challenge of the pretensions of the A. W. Mellon Charitable and Educational Trust. In this the Administration is establishing an important

precedent for a general future assault on the fake philanthropic enterprises of the wealthy families.

The accomplishments of the Roosevelt Administration through 1936 were achieved at the relatively small cost of a Treasury deficit of about $14,000,000,000 or less than half the cost of our participation in the World War. The Hoover Administration left a deficit of nearly $6,000,000,000, with nothing to show for it but a record of having salvaged the privately-owned railroads, banks, and insurance companies that supported the Republican Party.

Not the least of the items that must be set to the credit of the "New Deal" has been its relative friendliness to labor. It is the first administration in American history that has even attempted to deal fairly with labor. In this departure, as in others, it has not, however, been actuated entirely by ideals; the "New Deal" labor policy has, like its other policies, been forced upon it by necessity.

After the early melancholy experience with the dubious NRA, which labor was soon to characterize as "The National Run-Around," it became plain to the light-goods industrialists and merchants around the President that stern measures would be required if heavy industry were not to depress wages again to the jeopardy of the retail market. Not only were the heavy industrialists taking bold advantage of the chaotic situation, but many fly-by-night operators in the light-goods and mercantile fields were following their example. It was the plan of the President's advisers not only to deal with these latter, but to strike the first blow at heavy industry and its fat war and post-war surpluses.

The industrial unions of the American Federation of Labor thereupon broke away and formed the Committee for Industrial Organization under John L. Lewis. Since the heads of all these unions, including Lewis, had been the President's close collaborators in labor affairs, it is safe to assume that the entire movement was practically inspired by the Administration, whose light-goods industry advisers saw clearly that the old crafts-union policy of the American Federation of Labor had for years been of assistance only to the banks and to heavy industry in their domination of the national economy. The crafts-union policy had made it impossible for labor to organize heavy industry, although the A. F. of L. had succeeded in fastening a noose

around certain of the light industries, making it difficult for them to compete with heavy industry for their share of the national income.

Banking capital and its allied newspapers immediately opened fire on Lewis, called the CIO a revolutionary organization and succeeded in building up a certain amount of public distrust that was by no means helpful to the Committee's orderly progress. Lewis, however, was far from being a social revolutionary. He had once backed President Harding and for years had fought the radicals in the United Mine Workers union. Although the Communists applauded the aspirations of the CIO, they did so only because it organized hitherto unorganized workers. That the "New Deal" also looked benignly upon the CIO was explainable on quite other grounds. The CIO, by organizing workers in heavy industry, was making it impossible for heavy industry and the banks during the next downswing of the business cycle to institute arbitrarily the wholesale lay-offs which had robbed the mercantile houses of their customers during the years 1930–33.

While the CIO was swinging into action on the industrial front, the unionization campaign was implemented by the passage on July 5, 1935, of the Wagner-Connery Labor Dispute Bill which established a permanent National Labor Relations Board to "promote equality of bargaining powers between employers and employees and to diminish the causes of labor's disputes," and declared collective bargaining to be a national policy. Commonly known as the Wagner Labor Relations Act, this law was intended to succeed Section 7A of the NIRA. Of almost equal importance to labor was the passage, in the same year, of the Guffey Coal Bill, although it, like the NIRA, was found unconstitutional by the Supreme Court. The Wagner Act, however, stood the test of the courts, and was significant chiefly for the fact that it encouraged workers to organize in the knowledge that the Administration was behind them. It has since been recognized that there are elements in the Wagner Act which are susceptible of modification, so that at some future time labor courts might be set up to function against labor. Any changes, interpretations or amendments of this law will bear careful scrutiny on their individual merits by the leaders of the labor movement.

With the heavy industries organized the government can, during the next decline, accelerate its housing and general construction program while the corporations involved debate with the CIO the merits of laying off workers and reducing their wages. The government, given notice by the formally declared intention of the steel, automobile, chemical, and oil industries to curtail operations, will be able to allocate appropriations to those "experimental" fields it has already marked off. If the procedure is orderly—though it is probably too much to hope that it will be—the government during each of these downswings should enlarge the field of its activity until greater and greater areas are gradually brought under the same auspices that now efficiently operate the Army and Navy, the Panama Canal, the Post Office, the rivers and harbors, the Coast Guard, the Alaska Railroad, etc.

The "New Deal" has not, the fact is, been socially revolutionary at any stage, and in substantiation of this conclusion one can refer to analyses of its work in *The Economist*, of London, chief theoretical organ of world capitalism. The "New Deal" merely represents enlightened capitalism at work, doing the best it can with a bad, almost hopeless, contradictory situation. Except for those unconventional features of its work which look to the future, none of its accomplishments has been more than part of a transitional phase of historical development.

But although one can, and should, criticize it in the interests of a realistic approach, it must be admitted that the "New Deal" represents without doubt the most enlightened government the United States has had in the post-Civil War industrial age. It is, indeed, a better government than the people by any concerted political action of their own have earned. It has been the one alternative, in a time of profound crisis, to government by machine-gun.

IV

The "New Deal" has not been above according special favors to powerful interests in consonance with the old tradition of power-politics. Such favors have been an integral part of its strategy and, although no attempt will be made here to outline them in detail, a few may be mentioned. In 1934 President Roosevelt personally inter-

vened to set aside a decision of the National Labor Relations Board requiring William Randolph Hearst, then one of his supporters, to reinstate an illegally discharged employee. There is also good reason to believe that President Roosevelt personally intervened early in 1937 to have the CIO terminate the strike at the Chrysler automobile plant; Walter P. Chrysler had, after 1932, become an ardent "New Dealer." But the General Motors Corporation strike was bitterly fought out to the end, with the company losing the decision and the White House holding aloof.

It has been President Roosevelt's unusual faculty for nice discrimination in the parceling out of special favors within the framework of his general economic program that has given him his political strength and that has, indeed, raised the Democratic Party to the peak of its power. That the "New Deal" has not cracked down indiscriminately upon the wealthy, that it has given special favors, and that it is far from being radical, was clearly indicated in the personalities that rallied to support President Roosevelt's re-election in 1936.

The lines divided, it will be observed, rather strictly between light and heavy industry, with most merchants in the former group and all the bank capitalists in the latter group. After 1932 there had been some defections in the "New Deal" ranks, but most of them may be explained on the basis of the division between the banks and heavy industry on one hand and light industry and the merchandising clans on the other. The chief defection was represented by the Democratic wing of the Du Pont family, which turned Republican. Another important defection was that of William Randolph Hearst, who had been checkmated by the "New Deal" tax stipulation that inter-company transactions within holding company systems might not be used to reduce income-tax liability, *i.e.*, that the losses of one company in a loosely held holding-company structure might not be deducted from the profits of other companies in a consolidated holding-company income-tax return. Hearst, moreover, was heavily in debt to the Wall Street banks, a factor that made his turn against the "New Deal," which his papers had once extolled, entirely logical. The Scripps-Howard newspapers, their leading proprietors enmeshed in tax-dodging personal holding companies, the papers themselves part of a holding-company system that was embar-

rassed by the new tax laws, remained loyal, but lukewarm, to the "New Deal."

The heaviest individual contributions to the Roosevelt re-election campaign came from the following, mostly identified with light manufacturing enterprises and businesses dependent upon the retail market:

Walter A. Jones	Oil lands	$102,500
James W. Gerard	Former Ambassador to Germany	51,000
Henry L. Doherty	Cities Service Company	50,000
Mrs. Doris Duke Cromwell	American Tobacco Company	50,000
Mr. and Mrs. Joseph E. Davies	(Post-Hutton) General Foods Corp.	26,500
Joseph and Nicholas Schenck	Theatrical and amusement enterprises	26,000
Curtis Bok	Curtis Publishing Company	25,000
Lucius B. Manning		25,000
Mary Drexel Biddle		25,000
Joseph Medill Patterson	Publisher, New York Daily News	20,000
Nathan and Percy S. Straus	R. H. Macy and Company	20,000
R. J. Reynolds Tobacco Company	Through Richard S. Reynolds, W. N. Reynolds, James A. Gray, and S. Clay Williams	28,500
Jesse H. Jones	Texas banker and promoter	16,000
W. L. Clayton	Texas	15,000
Mark Eisner		12,200
Emil Schwartzhaupt		11,510
Fred Pabst	Premier-Pabst Corporation, brewing	10,000
Robert W. Bingham	Diplomat and Louisville publisher	10,000
Cameron Morris	North Carolina	10,000
Bert Fish		10,000
Arthur Mullen		10,000
F. W. Burford		10,000
Fred J. Fisher	General Motors Corporation	10,000
John T. Turtletaub		10,000
A. Phelps Dunham		10,000
Laurence C. Steinhardt		10,000
Floyd Odlum	Atlas Corporation, investment trust	10,000
Cornelius Vanderbilt Whitney	Vanderbilt-Whitney family	10,000
Lewis S. Rosenthal		7,500
Frank L. Crocker		5,000
James D. Mooney	President, General Motors Export Corp.	5,000
Samuel S. Fels	Soap manufacturer	5,000
Margaret B. Biddle	Biddle family, Philadelphia	5,000
Jacob Ruppert	Brewer	5,000
W. A. Harriman	Banking	5,000
Henry E. Morgenthau		5,000
Mrs. Henry Morgenthau		5,000

Albert A. Hovell		$5,000
George H. Johnson		5,000
Charles Harwood		5,000
Paul V. Shields		5,000
James Roosevelt		4,293
Donald R. Richberg	Chicago lawyer	4,000
A. B. Klepper	Brooklyn	3,500
Harold F. McCormick	International Harvester Company	3,000
Augustus A. Busch, Jr.	Brewing	2,500
Thomas E. Wilson	Wilson and Company, packing	2,500
Christian Feigenspan	Brewing	2,500
Mrs. Gaspar Whitney		2,000
Herbert Bayard Swope	Radio-Keith-Orpheum Corporation	1,000
Sosthenes Behn	International Telephone and Telegraph Corporation	1,000
Fowler McCormick		1,000
		$719,003

William Hard, Republican radio commentator, in August, 1936, stated quite truly that 400 persons identifiable as "economic royalists" gave money to the Democrats. Among them he listed Russell Leffingwell and S. Parker Gilbert, partners of J. P. Morgan and Company; Walter E. Frew, head of the Corn Exchange Bank (Lehman); Walter Dunnington, trustee of the Central Hanover Bank and Trust Company; P. A. S. Franklin, head of the International Mercantile Marine; Arthur Curtiss James; William K. Vanderbilt, Frederick H. Prince; Walter P. Chrysler, Vincent Bendix, airplane entrepreneur; Jesse I. Straus, Cyrus and Harold McCormick, Vincent Astor, and A. P. Giannini.

The New York Times, December 2, 1936, listed Mr. and Mrs. E. C. McCann, of Oyster Bay, heirs of the Woolworth fortune, among the largest Democratic contributors, although they apparently made their major contribution through some agency not reported in the press. Their names, however, can be found in a number of places credited with amounts like $1,000, and presumably they made many contributions of this size.

Scores of professional politicians contributed from $500 to $5,000 on their own account. Committees in each state busily collected from $5,000 to $50,000 each from unidentified individuals, so that many of the persons in the foregoing tabulation may have contributed addi-

tional funds that do not appear upon the national record. In any event, the funds collected by state committees were obtained from merchants, manufacturers, and professional men.

In order to cope with the avalanche of money turned loose against it by finance capital and heavy industry, the Democratic Party cleverly made use of a number of new, and possibly illegal, devices for raising money. Advertisements in a souvenir handbook of the Philadelphia convention were sold to almost all the leading corporations, netting $385,525; many of the "advertisers" also contributed heavily through their chief officers to the Republican Party. Advertisers included Armour and Company, Firestone Tire and Rubber Company, Bethlehem Steel Corporation, etc. Large quantities of this handbook were then sold to wealthy individuals that did not want to contribute directly to the Democratic Party. This sale brought in $142,711.07.

Mrs. A. J. Drexel Biddle, Jr. bought $20,000 worth. Walter P. Chrysler gave $12,600 to the literary cause; the American Radiator and Standard Sanitary Company gave $15,000; the Automatic Voting Machine Company, $3,000; the Cuban-American Sugar Company, $1,250; John Bass, $1,200; the Bethlehem Steel Corporation, $5,000; Ellsworth Bunker, $2,700; the Chilean Nitrate Educational Bureau, $2,500; Colonel Edward A. Deeds, $2,750; George F. Trommer, brewer, $1,500; the National Gypsum Company, $1,250; the Trico Products Company, $3,900; C. J. Devine and Company, $6,000; Remington Rand, Inc., $1,250; Oliver Cabana, $1,000; Gruman Aircraft Engineering Corporation, $1,000; Robert R. Young, $3,750; James D. Mooney, $2,500; S. Klein, department-store merchant, $1,000; William Gaston, $2,500; Collins and Aikman Corporation, $1,000; etc., etc.

Another money-raising device was the Roosevelt Nominators, which sold dollar memberships that totalled $237,390.68. Jackson and Jefferson Day dinners were also given under Democratic auspices throughout the country, netting large sums over and above costs.

The light-goods and mercantile interests behind the Democratic Party received unprecedented support from labor organizations, which contributed the following extraordinary amounts:

United Mine Workers of America	$469,668
American Labor Party	133,534
International Ladies Garment Workers Union	5,000
Amalgamated Clothing Workers Union	5,000
International Brotherhood of Electrical Workers	1,000
Brotherhood of Locomotive Firemen and Engineers	1,000
Order of Railroad Telegraphers	1,000
International Alliance of Theatrical Stage Employees and Moving Picture Operators	10,000
Miscellaneous labor	144,016
	$770,218

The story of the "New Deal's" struggle for re-election would not be complete without an enumeration of the Democratic Party loans outstanding at the end of the campaign. The party owed Joseph P. Kennedy, Boston banker, former head of the Securities and Exchange Commission, and now chairman of the Maritime Board, $36,876; Richard J. Reynolds, $10,000; Samuel Kramer, $25,000; Walter Jones, of Pittsburgh, $50,000; the United Mine Workers, $50,000; the Manufacturers Trust Company of New York, $100,000, and the Chase National Bank of New York, $100,000.

It was well that the Democratic Party had the labor unions with it financially, for otherwise it would have been unable to shield itself against the onrush of hostile money. It may be conservatively estimated that the Republican campaign absorbed at least $50,000,000, although the cost is set officially at less than $10,000,000. In this latter total are included only direct contributions, although a dozen subsidiary agencies, including the Liberty League, the Crusaders, the Independent Coalition of American Women, the Landon-Knox Clubs, the Pennsylvania Protection Bureau, the Women Investors of America, the National Civic Federation, the Sentinels of the Republic, the Minute Men and Women of Today, the Southern Committee to Uphold the Constitution, the Economists' National Committee on Monetary Policy, the Farmers Independent Council, fought shoulder to shoulder with the Republican Party, and collected funds throughout the East. More than direct contributions are involved in campaign costs, however; William Randolph Hearst, for example, gave the Republicans $50,000 in cash, but the thousands of pages of Republican propaganda printed in the Hearst newspapers represented a contri-

bution on their proprietor's part of several million dollars. R. R. McCormick, of the Chicago *Tribune,* made no visible contribution in cash, but he spent millions of dollars for the Republicans in his newspapers. His wife gave $10,000.

The identities of the "New Deal" opponents were an important source of strength to the Democratic ticket, for they comprised all the heavily publicized clans whose selfish activities have tormented the American people for many years. A few of the heaviest contributions placed upon the record (and what the *sub rosa* contributions were will perhaps never be known) were as follows:

18 Du Ponts	E. I. du Pont de Nemours	$855,520
J. Howard Pew family	Sun Oil Company	514,102
5 Rockefellers	Standard Oil Company	187,000
8 Mellons	Aluminum Company and Gulf Oil	130,775
Ira C. Copley	Public utilities	103,011
Ernest T. Weir	National Steel Corporation	97,300
2 Whitneys	Standard Oil Company	77,625
Max C. Fleischmann		76,156
3 Morgans	J. P. Morgan and Company	67,706
2 Milbanks		59,000
5 Guggenheims	Copper mining and smelting	59,500
George F. Baker	First National Bank	55,000
William Randolph Hearst	Mining	50,000
3 Heinzes	Pickles	35,000
Harold F. Pitcairn and family	Pittsburgh Plate Glass Company	30,175
Frazier Jelke	Wall Street broker	25,000
Harold S. Vanderbilt	N. Y. Central Railroad	25,000
J. A. Hartford	Great Atlantic & Pacific Tea Co.	25,000
J. A. Roebling		25,000
2 Harknesses	Standard Oil Company	23,000
Ogden L. Mills	Mining	20,000
W. R. Coe	Turfman	17,000
A. Atwater Kent	Radio manufacturer	15,000
L. H. Young, Detroit		15,000
Dr. Victor C. Thorne		15,000
Mrs. Anna Dodge Dillman	Automobiles	14,000
Mrs. Mabel L. Kent		13,550
Mrs. W. Bayard Cutting		12,500*
Charles S. Dewey, Chicago		12,200
Mrs. Hugh D. Auchincloss		11,900
Chauncey McCormick	International Harvester Company	11,000
E. T. Stotesbury	Morgan, Drexel and Company	11,000

* Also gave $1,500 to Socialist Party, according to *The New York Times,* December 22, 1936.

Harvey S. Firestone		$10,000
Hariss Dunn		10,000
Julius Forstmann	Textiles	10,000
William M. Potte		10,000
Frederic A. Juilliard		10,000
Joseph E. Widener		10,000
Eugene G. Grace	Bethlehem Steel Corporation	10,000
Lester Armour	Armour and Company	7,000
Frank Jay Gould	Railroads	6,350
Eleanor M. Chalfant	Chalfant Iron and Steel Company	6,200
Mrs. Anne Archbold	Standard Oil Company	6,200
Albert Bradley, Greenwich, Conn.		6,150
Walter E. Edge	Standard Oil politician and former Senator	6,060
William B. Bell		6,025
J. W. Kieckhofer		6,000
Edward G. Seubert	President, Standard Oil Company of Indiana	6,000
Dwight F. Davis		6,000
Frederic M. Sackett	Public utilities	6,000
William Ewing	Partner, J. P. Morgan and Company	5,737
George Blumenthal	Lazard Freres	5,250
Mrs. C. W. Henry, Philadelphia		5,050
Keith Dunham, Chicago		5,000
A. B. Dick, Jr., Chicago		5,000
Duncan D. Sutphen		5,000
Alfred Busiel		5,000
James Norris		5,000
Mrs. G. B. Dryden		5,000
S. Sloan Colt	President, Bankers Trust Company	5,000
Harriet L. Greenway		5,000
Joseph Wilshire	President, Standard Brands, Inc.	5,000
William Woodward	President, Central Hanover Bank and Trust Company	5,000
George Whitney	Partner, J. P. Morgan and Company	5,000
H. H. Timken	Timken Roller Bearing Company	5,000
John M. Schiff	Kuhn, Loeb and Company	5,000
Frederick M. Warburg	Kuhn, Loeb and Company	5,000
Mrs. John T. Pratt	Standard Oil Company	5,000
Harry Payne Bingham		5,000
William H. Crocker	San Francisco banker	5,000
Philip K. Wrigley		5,000
Alden B. Swift	Swift and Company	5,000
Paul Moore	American Can Company	5,000
E. P. Crawford	President, McKeesport Tinplate Company	5,000
Sewell Avery	President, Montgomery Ward and Company	5,000

Henry P. Davison	Partner, J. P. Morgan and Company	$5,000
Edward F. Hutton	Broker	5,000
George A. Ball	Container manufacturer	4,500
F. T. Bedford	Standard Oil Company	4,400
Philip D. Armour	Armour and Company	7,000
H. E. Manville	Johns-Manville Company	3,800
Thomas Wilson		2,500
John Stuart	Quaker Oats Company	2,500
Stuart R. Douglas	Quaker Oats Company	2,500
John D. Archbold	Standard Oil Company	2,500
Edward L. Ryerson, Jr.	Ryerson Iron and Steel Company	2,500
Dexter Cummings, Chicago		2,000
Edward H. Clark	Hearst mining executive	2,250
Mrs. Lorraine Manville		1,000
Mrs. Pierre Lorillard	Tobacco	500
Elihu Root, Jr.		1,000
	Total	$3,001,992

The Independent Coalition of American Women collected $102,721, the Union League Club, $48,260, and the Liberty League more than $500,000 in addition to an approximately equal amount collected and spent in 1935 in preparation for the mutually slanderous campaign of 1936. Individual contributions to all these agencies, and to various others, ranged from $500 to $50,000.

The Harkness, Vanderbilt, Whitney, McCormick, and Hutton families gave to both parties, and the subsidiary political agencies made it possible for many individuals to contribute in virtual anonymity to both parties. Walter P. Chrysler, for example, contributed to the Crusaders and was also an ardent purchaser of Democratic convention literature.

The extraordinarily large outlay of the Du Pont family, perhaps the most spent by any clan in any election, was inspired by a personal grievance against President Roosevelt. Although one wing of the Du Pont bloc gave him support in 1932, his administration was to prove the most disastrous ever experienced by the munitions lords, for the President himself supported the Nye Munitions Investigating Committee which brought to view much Du Pont knavery. Apparently the Du Ponts felt that Roosevelt should have soft-pedalled this damaging inquiry early, as he subsequently did when it seemed likely to involve important British interests. The Du Ponts undoubt-

edly realized full well that no high principle actuated the "New Deal" leadership in permitting the Nye Committee to reveal them in as ugly a light as any rich family has ever been placed. They must have known, for example, how President Roosevelt terminated the Senate Banking and Currency Committee investigation of Wall Street as soon as it had successfully impugned "New Deal" foes and was logically ready to begin investigating the Wall Street machinations of high-ranking Democrats. This investigation, largely driven through at the behest of William Randolph Hearst, who obtained the appointment of Ferdinand Pecora as the committee investigator through the efforts of Bainbridge Colby, was supplied with inside Wall Street information by the financial staff of the New York *American*. It was, moreover, information damaging to Hearst's financial foes of the moment, and the Senate investigation succeeded notably in making hard-hit J. P. Morgan and Company rather friendly to Hearst.

Among the names of the Republican slush-fund contributors of 1936 will be found certain light-goods industrialists and merchants, but their presence does not affect the interpretation of the "New Deal" policies laid down in this chapter. These persons uniformly represented companies that had long ago been taken under the wing of finance capital, which dragooned them into opposing the "New Deal" even though it had been very profitable to them. Automobile interests were almost uniformly in opposition to the "New Deal." The automobile industry does not, however, contrary to popular conception, really belong to the retail market. It cannot, for example, sell its product over-the-counter for cash; it must finance its essentially uneconomic sales by means of an elaborate installment system that utilizes a great amount of bank credit. Furthermore, it is closely bound in with heavy industry in that it is one of the hungriest outlets for steel, copper, nickel and chemicals. The automobile industry, in short, belongs to heavy industry and finance capital.

Henry Ford's name does not appear in the foregoing list of Republican contributors, but Ford, in 1936 as in 1932, made his contribution to the Republican Party by conducting advertising for it in newspapers and over the radio. In 1932 he paid the Republican radio bill outright.

After his re-election Roosevelt more and more perceptibly began wooing the banks and heavy industries, for the "New Deal" had pushed corporation profits in general up to fantastic levels and there was danger to the "New Dealers" in a heavy industry that was falling out of line. As this is written, all signs point to the achievement of a coalition between many "New Dealers" and their recent foes. Frederick H. Prince, of Boston, wealthy capitalist, publicly gave expression to this notion in the early part of 1937 when questioned about the "danger" of Roosevelt seeking re-election again in 1940. Prince replied that by 1940 the entire business community might be united in trying to return Roosevelt to office to head off a coalition of disillusioned farmers and industrial workers under the leadership of John L. Lewis or someone else.

President Roosevelt in 1937 disclosed that he was cooling toward the CIO movement just as it was preparing to launch organizing campaigns in textiles, tobacco, and merchandising industries. His historic rebuff of Lewis during the strike in "Little Steel" was, it may be remarked, as fine an example of political dodging as recent American chronicles can present. For without the labor forces under Lewis supporting him as they did, Roosevelt might have been beaten in 1936; at any rate, he would not have won by so impressive a majority. Evidently feeling that he had made sufficient use of the lusty CIO in furthering the program designed to accommodate his supporters, and desiring to nip the Lewis presidential boom in the bud, Roosevelt spoke out sharply again when Lewis called him to account.

But although apparently forsaking the CIO, the "New Deal" in 1937 maintained its affection for the light industrialists. This was illustrated outstandingly when President Roosevelt in the closing sessions of Congress approved the Tydings-Miller price-maintenance bill which was attached as a "rider" to the appropriations bill for the District of Columbia. Four months earlier the President had warned Congress against passing such a measure, designed merely to insure a high retail price level, but his approval of the appropriations bill, which he could easily have vetoed in the full knowledge that Congress would soon see to it that the District of Columbia received necessary funds, contradicted his first reassuring warning and even nullified government suits against price-fixers. As *The New*

Republic remarked, "We should certainly not entrust the job of deciding what prices are to be fixed, and at what levels, to a few private manufacturers of trademarked products. In all history they have demonstrated that their interest is not in the welfare of the community but, oddly, in the welfare of the manufacturers of trademarked products."

Unfortunately, these were the persons that, with organized labor, had supported Roosevelt for re-election.

The limitations of the Rooseveltian liberalism were perhaps never opened to better view than in his plan for enlarging the membership of the Supreme Court. Without consulting anyone, Roosevelt announced his scheme, the success of which would have made possible merely the placing of Roosevelt measures on the statute books and would have wrought no constructive change in the court's status. To the extent that the "New Deal" measures forced through an acquiescent court might have been progressive, the enlargement plan would have been progressive. But had enlargement of the court meant a resuscitation of the National Industrial Recovery Act, which many "New Dealers" have recurrently demanded, the change in the court would have been reactionary. Had President Roosevelt, on the other hand, intended to bring about a genuine liberalization of the high bench, he would have seen to it that his court-reform plan provided for majority or unanimous decision in the nullification of legislation and for the over-riding of a court decision by repassage of rejected congressional legislation. It was, quite evidently, not the President's intention to curtail the power of the court to sabotage legislation. He merely wanted the court recomposed so that legislation sponsored by his own group might be approved.

At the beginning of this chapter it was pointed out that various political groups have discerned fascism, communism, and bolshevism interlarded in the "New Deal" with some liberalism, progressivism, and good old-fashioned American political greed. Observers whose gaze has met these apparitions have not been myopic; they have, it is all too true, seen accurately, even though they have told about only a fraction of what they saw. For the "New Deal" has been a mixture of many ingredients, and little more than a transitional jerry-built

contrivance marking the end of one period in American history, and the inception of a new, perhaps more chaotic, period.

It is certain, for one thing, that the rich family blocs will stop short of nothing to reduce the "New Deal" tax-rates and to smash all the projects in which the "New Deal" has gingerly anticipated a future collectivized economy under an industrial democracy. It is entirely possible, moreover, that President Roosevelt, as "recovery" gains impetus, will accede to the strident demands that a retreat be called in these very sectors.

The further "recovery" proceeds, the more will President Roosevelt probably come to resemble President Hoover in his public attitudes, for the "New Deal" recovery has yet to enter that phase of its logical development which means acute hardship to the masses. The heavy-industry and finance program which the "New Deal" succeeded required mass suffering in its primary stage before an upturn of the business cycle was possible. The light-industry program of the "New Deal" had as its initial requisite easy money and relative well-being of the masses, but with the squeeze to follow. This later phase of the "New Deal" is already beginning to manifest itself in sharply rising commodity prices, rising rents, and diminishing real wages. High finance fears this phase, for with a heavily increased national debt it will no longer be easy to fasten the tax burden on the masses; high finance may itself be called upon to shoulder a large portion of the tax burden. It may decide, in such an event, to govern by force.

Orderly democratic development for the future requires the forwarding, either by the "New Deal" or by some other political coalition, of the progressive legislative trends of 1933–37, the closing up of the wide tax loopholes in the upper-bracket income categories in the interests of reducing the national debt, and the extension of the legislative gains made by organized labor and the farmers. But to realize even such a minimum and far-from-visionary program, a widespread conscious participation in politics will be required of the people. And the danger of a dictatorship of the Right was never more real than at the present moment, with many of the wealthy already stung in their pocketbooks and worried about possible future stingings. The country must seriously address itself to the task of

dealing with the historically unprecedented huge fortunes growing like cancers on American society, without having any illusions about the difficulties of the problem. Merely to toy with the fortunes of the wealthy, in which their entire psychologies are bound up from birth to death, is very much like toying with a high-tension electric wire.