

# Old Deal, New Deal, Raw Deal: The Evolution of the Liberal State in the Modern United States

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## REVIEW ESSAYS / NOTES CRITIQUES

### Old Deal, New Deal, Raw Deal: The Evolution of the Liberal State in the Modern United States

Melvyn Dubofsky

Alan Dawley, *Struggles for Social Justice: Social Responsibility and the Liberal State* (Cambridge, MA: Harvard University Press, 1991).

Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton: Princeton University Press, 1989).

HAVING FAILED FOR MORE THAN TWENTY YEARS to synthesize United States social and labour history effectively or to make the often recondite findings and interpretations of the "new" history accessible to a larger reading audience, many scholars have resorted to "bringing the state back into" their narratives. Historians, especially, seem eager to write stories that have a plot and that develop sequentially and chronologically. Not for them a postmodernist sensibility that denies the validity of central truths, omnipotent authorial voices, and real historical times; not for them the cacophony of multiple voices contesting historical reality or telling competing narratives. At least that appears to be the case among younger historians whose consciousness was formed in the student protest movement and counterculture of the 1960s and who have written some of the best of the "new" social and

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labour history, if the recent books edited by Steve Fraser and Gary Gerstle and written by Alan Dawley portend trends in current scholarship.

Dawley, Fraser and Gerstle consider the New Deal to be the central event in 20th-century United States history. They also insist that any meaningful narrative must explore and explain the evolution and devolution of the New Deal state or order, terms that they use interchangeably to characterize the style and form of governance that Franklin D. Roosevelt and his advisers created. Dawley's narrative spans three-quarters of a century and moves relentlessly toward the New Deal years as the climax of modern American history. The collection of essays edited by Fraser and Gerstle begins with the New Deal and moves ahead to dissect its dissolution. Both books have an almost elegiac quality, simultaneously praising the New Deal for modernizing the American state, enabling working people to build new forms of power, and constructing an embryonic welfare state, yet mourning its inability to purge the temple of "money changers" permanently, liberate the nation from racism and sexism, and, in the case of Fraser and Gerstle, to survive as an effective political reform movement. Subtextually, the books lament the failure of workers, radicals, and intellectuals to free themselves from the shackles of a New Deal order that sold them a cornucopia of consumer goods instead of a more frugal, virtuous, egalitarian, cooperative, and perhaps even socialist order. The tale told, then, is of a capitalist system and a state that survived the crisis of the Great Depression of the 1930s through treatment in the healing waters of the New Deal.

Although Dawley, Fraser and Gerstle cut their academic teeth as practitioners of the new social and labour history, these books, despite an almost reflexive homage to the discursive styles of the new history, are state-centered and, in Dawley's case, old-fashioned narrative in form. Yet if they have returned to the subject matter so dear to more traditional historians — politics and the state — Dawley, Fraser, and Gerstle nevertheless write political history with an exceedingly modern, if not postmodern, touch. No heroic statesmen bestride the books' pages; here history is made by vast impersonal demographic, social, and economic structures rather than human actors, whether high-born or low-born, reactionary or radical. Few real people trod Dawley, Fraser, and Gerstle's historical stage, although in Dawley's case, that new holy trinity, class, race, and gender, serve as frequent and wondrous *deus ex machina*.

Because Dawley narrates how history produced the Roosevelt regime and reforms of the 1930s while Fraser and Gerstle explain the decline as well the rise of the New Deal, let me begin this discussion with the former. All his references to the new social and labour history as well as the "holy trinity" notwithstanding, Dawley constructs his narrative of the creation of an active, interventionist modern state in America conventionally. His principal story asserts that "the crux of American history from the 1890s to the 1930s was the imbalance between a bustling society and the existing liberal state." (4) "Along every front and fault line of American life," writes Dawley, "there arose a contradiction between the society's needs and the existing political system." (2)

Here then we are back on the once favourite terrain of an older generation of sociologists and cultural anthropologists who relished explicating social problems in terms of a cultural lag between material forces and people's ability to understand, assimilate, accommodate, and manipulate such forces. As the historical sociologist Sigmund Diamond wrote more than twenty years ago in his introduction to a collection of historical documents: "The attempt of persons to understand the forces remaking their world and, by organization, to control them, constitutes, indeed, the major motif of the social history of the late nineteenth century." Dawley reworks Diamond's theme in an opus that plays variations on the tune of cultural lag. He focuses particularly on the gap between a society increasingly dominated by the "visible hand" of concentrated, oligopolistic corporate enterprises and a state built on the archaic concept of *laissez-faire* plus a policeman's club. In Dawley's reading of history, the weak, underdeveloped, premodern American state guaranteed that powerful private parties dominated society to the disadvantage of workers, non-whites, and women. The absence of effective public authority and regulation created a *herrenvolk* state and society, an order that secured the rights and privileges of wealthy, white, Protestant men.

Dawley constructs a three-act drama (Part I: The Problem, 1890-1912; Part II: Confronting the Issues, 1913-1924; Part III: The Resolution 1925-1938) in which the New Deal resolves the final act by accepting "social responsibility" and providing citizens with "security." He describes pre-New Deal federal courts and spoils-based political parties that guaranteed limited government, male dominance through the doctrine of separate spheres, and white supremacy. His capitalists, having saturated the domestic market by the 1890s, turned to expansion overseas for profits, precipitating an era of US imperialism (here, as elsewhere in his synoptic treatment of US foreign policy, Dawley remains indebted to V.I. Lenin, John Hobson, and William Appleman Williams). As his dynamic society sundered the traditional ties that bound people and groups together, sparking rebellions by new workers, new immigrants, and new women, white Protestant elitists turned to voluntary reform societies and the liberal state to create a rational, more scientific basis for social order and harmony. Here Dawley offers a Laschian cum Foucaultian interpretation of how the reform state and its experts usurped the traditional functions of the family, the ethnic society, and the church.

Progressivism dominates Act II as a protean effort to refashion the liberal state in order to establish effective public regulation over destructive private activities. Dawley follows the tale told by Martin Sklar,<sup>1</sup> as the former describes a battle between the advocates of "managerial liberalism" (more familiarly known as the private regime of corporate liberalism or welfare capitalism) and "progressive liberalism" (public state regulation) which culminated during the Wilson and World War I years in "a corporate-regulatory complex within the liberal state that

<sup>1</sup>*The Corporate Reconstruction of American Capitalism, 1890-1916: The Market, the Law, and Politics* (New York 1988).

left society supreme over the state." (170) With society dominant over a weak state, in the 1920s retrogressive elements associated with the Ku Klux Klan, the American Legion, and nativism in general (the white Protestant *herrenvolk*) preferred a liberal, laissez-faire state, one that merged public and private action to compel racial, ethnoreligious, sexual, and cultural homogeneity in a futile effort to recreate a 19th-century society.

The reborn liberal state, its welfare capitalist masters, and culturally repressive lieutenants were swept away in the gale-force winds of the Great Depression. Enter Herbert Hoover, neo-Wilsonian, "managerial liberal," advocate of responsible liberalism and an active state, as previously portrayed by W.A. Williams and Ellis Hawley,<sup>2</sup> to set the foundation for the New Deal by experimenting with public regulation of agricultural and industrial markets. In Dawley's version of history, Franklin D. Roosevelt's 100 days sustained Hoover's "managerial liberalism"; indeed, even after the subsequent more radical reforms of the years 1935-1936, the New Deal left the great corporations' dominance of society unchanged. In summing up the impact of the New Deal state on society, Dawley concludes that "the new system was even more congruent with corporate dominance and the contending forces within American society than was the old." (415)

Dawley's interpretation of the New Deal and the creation of a modern activist state in the United States is built on a series of contradictions. On the one hand, he asserts that "the tension between the corporate elite and labouring mass was the main dynamic of social change in this period" (410) and that New Deal reforms "altered forever relations between state and society." (378) On the other hand, he portrays a reality in which the New Deal built a modern system based "on atomized consumer families operating in state-regulated markets under the aegis of the modern corporation" (408) and in which "Not liberty, not equality, but *security* was emerging as the pivotal concept of the New Deal." (370) Dawley, in fact, reduces the single most radical piece of New Deal legislation, the Wagner Act (National Labor Relations Act of 1935), into a law that benefitted workers only by inducing them to accept their continued subordination at work. In Dawley's telling of the tale, Senator Robert Wagner and his allies sought not to redistribute wealth or power but rather to rationalize the economy and promote recovery in the interest of corporate capital. Hence the Wagner Act sanctioned only responsible unions and confined collective bargaining by excluding union-management negotiations over investment, product, and labour-process decisions.

To say the least, Dawley reads the Wagner Act oddly. To be sure, Wagner and his associates were neither anti-capitalists nor did they seek to promote revolution, which prompted communists and a few other leftists to condemn the act as a

<sup>2</sup>See especially Ellis Hawley, *Herbert Hoover as Secretary of Commerce: Studies in New Era Thought and Practice* (Iowa City 1981), and *The Great War and the Search for a Modern Order: A History of the American People and their Institutions, 1917-1933* (New York 1979).

harbinger of fascism. In reality, however, the act sought to save capitalism precisely by redistributing income and power through the collective organization of workers into unions left free to bargain with employers over any issue they had the strength to force to the table.

That the New Deal promoted the reconciliation of capitalism and social reform through social security not social equality is an old story. That the New Deal lacked revolutionary intentions in an even older tale. To stress only the stabilizing and conservatizing tendencies of the New Deal, as Dawley does however, is to play the part of an omniscient Victorian narrator, who know how the story ends, indeed who creates the ending, not the historian sensitive to a contingent past. Put more simply, New Dealers and other Americans during the heady days of the 1930s battled on far more contested terrain than *Struggles for Justice* suggests.

Much of what passes for newness in Dawley's synthesis rings anachronistic. Looking at the American past from the vantage point of the last decade of the 20th century, he writes repeatedly about the persistence of racism and sexism, forces left untouched even by the New Deal, and of a "family wage" doctrine that condemned women to inferiority and exploitation. In doing so, Dawley denies the past its pastness and alters its use of language. The "family wage" is a late 20th-century invention in to explain the persistence of male-female wage and skill differentials to the post-industrial era. From the Progressive era to the New Deal, reformers commonly spoke of a "living wage," one that would be high enough to enable the primary breadwinner (ordinarily identified, to be sure, as an adult male head of household but which could also encompass female household heads) to support the remainder of the household at a minimum level of health and decency without compelling secondary wage-earners to enter the labour market. It also sought to enable single wage-earners, male or female, to maintain themselves securely about the poverty level. Moreover, was it such a bad thing for reformers and advocates of the "living wage" who spanned the spectrum from genteel reformers to left-wing socialists, to seek to relieve working-class wives from the necessity of entering a labour market that exploited working people? Many of the reformers who waged battles for the "living wage" were also in the forefront of the struggle for women's rights in all aspects of state and society. So, too, with the impact of the New Deal, which by altering forever relations between state and society (Dawley's words) held the promise of transforming racial and gender relations. If the state had the power to regulate relations between employers and employees across a broad spectrum of the economy; if the state could tax corporate and private incomes not just to cover the costs of government but also to pay for ambitious reforms; if the state could use the power to tax to create a system of social security for the elderly and the otherwise dependent; why could it not use the same power to alter racial relations in the south and gender relations nationally? The quite real potentiality of state power to transform race and gender relations caused Southern Democrats and northern conservatives (mostly Republicans) to unite in order to contain the radicalism inherent in the New Deal's version of an activist

modern state. This is a part of the tale of the emergence of the modern American state that Dawley fails to tell.

Perhaps Dawley loses sight of how much first the Progressive and then the New Deal state reshaped social relations in the United States partly because, throughout the book, he compares and contrasts Imperial, Weimar, and Nazi Germany with the United States, and partly because, at heart, he aches for a real 20th-century American revolution. One should not criticize Dawley too harshly for seeking to compare the histories of Germany and the United States. On the surface, they cry out for comparison. Both nations surpassed Great Britain as economic powers in the decade of the 1890s; both built their economies on giant enterprises in the newer metal shaping, electrical manufacturing, petrochemical, and automobile production sectors of the economy; both were aggressive latecomers to the battles for imperial hegemony; and both struggled ceaselessly to overcome the lag between inherited state structures and a dynamic society that revolutionized social and economic relations. But if Dawley simplifies the history of the United States, with which he is familiar, what can one say about his version of modern German history? No more than that he has read (most in translation) and summarized the best in recent German historical scholarship that bolsters his interpretation of the past. Thus we find the expected contrasts between the strong Prussian state and the weak US state, the Bismarckian state welfare system and the American preference for non-state voluntary welfare agencies, the homogenous, united, and social democratic German working class and the heterogeneous, fragmented, and two-party American working class, and, finally, the Hitlerian total state, and the New Deal limited reform state. In the end, then, we have learned that Germany was not the United States, nor was the United States Germany. In words borrowed from Aristide Zolberg, we find two common histories yet also two exceptionalisms.<sup>3</sup>

The essays in Fraser and Gerstle pick up the story where Dawley drops it, probing in the words of the two editors, how the New Deal "order" was born, mastered a fractious country, and then disintegrated. Here, too, readers encounter a structural history that subordinates personalities and events to economic and social trends. And here, too, the New Deal is treated as a historical drama, this time, however, in only two acts, I: "Emergence and Crystallization, 1929-1960"; and II: "Decline and Fall, 1960-1980."

Because the Fraser and Gerstle book consists of ten essays written by eleven different authors, no single theme or interpretation dominates. Not only do authors differ concerning the origins and significance of the New Deal order (less dispute exists concerning its decline and fall); several of the essays barely touch the volume's core thesis, and not all are of equally high quality. Michael Bernstein, an economic historian at the University of California, San Diego, explains, for example, why the Great Depression persisted despite all the New Deal's experi-

<sup>3</sup>Ira Katznelson and Aristide Zolberg, eds., *Working-Class Formation: Nineteenth-Century Patterns in Western Europe and the United States* (Princeton 1986).

ments in reform. Yet his essay which provides a Schumpeterian analysis, suggesting that the older heavy capital economic growth and investment sectors had stagnated while the emerging newer mass-consumer sectors were not yet ripe for massive investment, offers more an exegesis of investment-led cycles of economic contraction and growth than an analysis of the origins and consolidation of the New Deal order.

By contrast, Thomas Ferguson restates in abridged form the argument that he originally made at far greater length in an article published in 1984,<sup>4</sup> in which he asserted that a "historical bloc" composed of capital-intensive industries, investment banks, and internationally oriented commercial banks created the New Deal in order to save capitalism from the enemies in its own ranks, namely smaller, less capital intensive, less international, and more antilabour business enterprises. That Ferguson's farsighted, multinational liberal business interests had less to fear from labour turbulence than other types of enterprise would have been news to the big three in automobiles, "big Steel" and "little steel," General Electric and Westinghouse, Goodyear and Firestone, Wilson and Armour, the DuPonts, and the investment banking circles linked to J.P. Morgan, all of which fought the New Deal, damned the Wagner Act, and many of whom supported the ultra-conservative Liberty League. Members of the Special Conference Committee, a peak corporate group first put together during World War I largely to combat trade unions, would also be stunned to learn that they represented a reform-oriented, union tolerant, liberal capitalism. Ferguson, a political scientist by training, spins his theory out of whole cloth oblivious to the actual historical behaviour of his ideal types (and also oblivious to the sort of hard and careful economic analysis provided by Bernstein).

Steve Fraser is far closer to the historical reality of the New Deal in his essay on "The 'Labor Question'" in which he credits such astute labour leaders as John L. Lewis and especially Sidney Hillman with realizing that the labour movement could use politics to rise to power through an alliance with business interests dependent on mass consumption (department stores, chain stores, popular entertainment and the banks that financed them) and reformers and politicians eager to build a Democratic party based in the cities and the labour movement. (An interesting point not probed by Fraser is why Jewish Americans played such a prominent role in the new coalition as labour leaders, business people, and New Deal administrators.) Fraser's essay, in fact, is the only one in the entire collection that actually explains sensibly how and why the New Deal "political order" originated.

Three of the essays, all among the best in the volume, agree that the New Deal as an advanced, or radical, reform movement disintegrated during the World War II years. As Allan Brinkley, Nelson Lichtenstein, and Ira Katznelson suggest, at the

<sup>4</sup>"From Normalcy to the New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression," *International Organization*, 38 (Winter 1984), 41-94.



end of the 1930s the Democratic party and its primary constituencies were divided internally between those who preferred firmer public regulation and planning, more social democracy, and greater equality, and those who favoured less state intervention, less social welfare, and no redistribution of wealth and income. Only during the World War II years, when full employment and production prevailed, did the advocates of an accommodation with capitalism gain the upper hand. As Brinkley explains in "The New Deal and the Idea of the State," the economic growth and prosperity induced by the war enabled the "soft" Keynesians in the administration to sell their policy of fiscal-monetary regulation (later called economic fine-tuning) to promote economic growth in place of a regulatory planning state that would redistribute wealth and income. As Lichtenstein shows in "From Corporatism to Collective Bargaining," even the CIO bought soft Keynesianism when it purchased a private welfare state through contractually negotiated fringe benefits and industrial pluralism in place of a public welfare state financed through taxes and an independent labour party. And even Katznelson in his essay "Was the Great Society a Lost Opportunity?" asserts that the reform battles of the 1960s were lost during the World War II years when labour became an interest group, pluralism replaced class as the organizing principle of politics, and technical economics (soft Keynesianism) supplanted political economy.

When it comes to accounting for the decline and fall of the New Deal order, Brinkley, Lichtenstein, and Katznelson point the way. The former two explain how the war and immediate postwar years of prosperity drained the New Dealers inside and outside the state of residual radicalism; the latter explores how as race emerged as the central unresolved issue on the postwar agenda and the Democratic party became increasingly associated with African-Americans rather than the working class as a whole, the party lost strength among its former white working-class core constituency. Jonathan Rieder in "The Rise of the Silent Majority" and Thomas Byrne Edsall in "The Changing Shape of Power" offer further evidence of how the rising saliency of race over class, as first civil rights and then affirmative action dominated national politics, fractured the New Deal order. Barry Goldwater's catastrophic defeat in the election of 1964 presaged the Democratic party's future when the failed Republican presidential candidate split the white vote in the South. Four years later George Wallace took more Southern white voters away from Democrats and made substantial inroads into some northern working-class Democratic constituencies. Nixon Republicans learned their lessons well, using a Southern strategy based on racial politics to attract the votes of northern white (mostly ethnic) as well as southern white workers. Finally, Edsall illustrates how that process was completed in the 1980s, as economic changes increased unemployment, skewed income distribution inequitably, and reduced the number and proportion of potential Democratic voters (turnout being directly proportional to level of income). As money became more important than organization in politics, parties atrophied, race grew more salient, and Republicans benefitted.

Fraser and Gerstle conclude that the election of 1988 confirmed Edsall's political prognosis. For the New Deal order it was *Sic transit gloria mundi*! Now that 1992 has come and gone, might the same Latin inscription serve for the Republican racial order?

These two books serve, each its own way, to explain why the rise and decline of the New Deal was the central political conjuncture in 20th-century United States history. For the first three quarters of a century of modern US history, the "labour question" and the distribution of wealth and income acted as the most contentious and divisive issue in national politics. For a time, at least, the New Deal resolved the "labour question" by legitimating mass-production unions, promoting economic growth, and creating a high mass-consumption society in which most working people shared. As the "labour question" receded from the public arena and pluralism stripped politics of ideology, the New Deal order lost its *raison d'être*. All this is fully and fairly treated in the two books. Repeatedly, Dawley and the essays in Fraser and Gerstle imply how social and economic changes compelled a laggard state to adjust to new realities. Yet by writing such a structural history, by nearly eliminating personality and contingency from the past, they also, in effect, leave the state out rather than bring it back in. Rarely do we grasp how a modern state really performs; to what extent permanent civil servants, whose numbers rose steadily, serve their putative elective superiors, their administrative agencies, or the public interest; how public policy is formulated among the different branches of the state and then implemented by civil servants, or, as some prefer to label them, bureaucrats; indeed, most of all, how the state through its policies, practices, and officials creates new social and economic realities. Much as we may learn about politics and the state in the modern United States from reading Dawley, Fraser and Gerstle, much more remains to be done by historians in exploring the mechanics of public administration and bringing the state back into history.