THE USES OF GOVERNMENT, 1900-1935

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Late in the nineteenth century the federal government discharged routine duties of tax collection, mail delivery, and minor technical services on the periphery of American society. Responding to immediate pressures, it occasionally intruded into the workings of the nation without at the same time establishing policies of intervention. Citizens had little reason to concern themselves about an invisible government.

Since 1935 a federal government of independent power has held continuous, institutionalized responsibilities in the functioning of American society. In an effort to maintain a balanced, prosperous capitalism, it has encouraged the growth of weaker groups, and it has attempted to establish an economic minimum for individual citizens and for the nation as a whole. A complex government bureaucracy now plays a primary role in formulating national policy, and no sane American ignores the power of that government in shaping his destiny.

The transition from invisible to independent government occurred in a piece during approximately the first thirty-five years of this century. In two smoothly connected phases, the federal government sketched the areas for its first continuous involvements in the operation of American society and then prepared itself as an agency through which private groups could order their own affairs. Nothing nearly as disruptive as the early railroad acts at one end or the National Labor Relations Act at the other interrupted this easy evolution.

The critical battle of the progressive era did not pit reformer against anti-reformer; it set the advocate of invisible government against the advocate of government with continuing responsibilities. Thus the significant debates involved instruments of policy rather than policy itself. During the late nineteenth century, reform was conceived as a simple remedy of strong dosage which would cure all or almost all of society's ills. Ranging from civil service and free trade to a single tax and a single inflationary device, these panaceas assumed that society operated under a body of natural law and accepted a government of occasional intervention on its own terms. If inequities existed, a Jehovah-like act would bring society back into balance and re-establish justice. The Sherman Antitrust Act, which would sweep away all monopolies and restraints of trade, embodied this philosophy in legislation; and populism, which asked an invisible government to take control of the means of transportation and communication from "the interests" and by sublimation pass that control to "the people," translated the philosophy into a reform movement.

A large number of discontented Americans kept the faith early in the twentieth century. But others--generally young, urban-oriented men and women--were by this time groping toward a new conception of reform, one concerned with process rather than the isolated act. Without fully leaving the simpler world of natural law, they sensed the evolving, indeterminate nature of the problems they wished to solve, and they sought new means of reform to express their sense of society. Almost alone, the Interstate Commerce Act, by its implications, offered them a vague guide in technique. Gradually out of their experiments emerged the administrator of broad powers and the commission of general responsibilities, which comprised a revolutionary alternative to the definition of government.

Political leaders did little to clarify the vital issues of government at stake in the progressive debate. Where Robert LaFollette tried to subordinate the new science of government to old principles of swift, clean justice, Theodore Roosevelt tried to hitch moral absolutes to an elaborate set of indeterminate means. Woodrow Wilson, who leaned back toward invisible government, became too committed to compromise to afford any definite orientation toward reform. Only in the various subdivisions of the progressive movement did the contest emerge clearly.

Should the government conserve natural resources simply by sealing tracts of public land, or should it direct private interests in the rational, efficient use of those resources? Should the government control corporations through inflexible rules forbidding evil practices, or should it invest an agency with a broad mandate to check, encourage, and adjust changing industrial practices? Should the government smash Wall Street's so-called money trust and divide financial tasks between scattered smaller bankers and a self-operating government savings system, or should it harness the advantages of a money trust to the public interest through a carefully regulated central banking system? Should the government destroy the tariff wall protecting industrial products, or should it create a commission to alter duties in response to an evolving economy? Would prohibition and the exclusion of immigrants bring social justice to the cities, or should the government assume long-term responsibilities for amelioration and subsidization? These were the basic questions of progressive reform.

No group learned more quickly or more thoroughly than successful businessmen the necessity of treating problems as processes. Inside the factories they were coming to see production as an endless stream and efficient employees as a function of flexible personnel policies. Outside they participated in an infinite variety of evolving schemes to minimize competition. Survival itself required continual adjustment. And they extended that cast of mind into reform. First among private groups to conceive economic reform nationally, successful businessmen led the movements early in the twentieth century for an Interstate Commerce Commission of broader and more flexible power, an assets currency and then a central bank to fit the seasonal and cyclical needs of the economy, an interstate trade commission of wide discretionary powers, and a strong commission to keep the tariff abreast of changing economic conditions. Demanding flexibility whenever reforms touched their own business, they increasingly honored that same demand from others. However narrow their conception of reform (they were men of particularly limited social vision) and however cautious their response to actual legislation (they were exceptionally faint-hearted reformers), successful businessmen placed their preponderant influence in public affairs on the side of gradualism, continuity, and process.

That influence was a primary reason why progressive reform recognized process to the degree that it did. If the final record contained many anomalies and compromises, the very presence of a permanently strengthened executive, a powerful Interstate Commerce Commission, a Federal Trade Commission, a Federal Reserve System, and a tariff commission decisively tipped the balance in favor of continuous government involvement. But this was an orientation, not a policy. As the enemies of indeterminate intervention were quick to point out, its advocates asked Americans to accept a technique of government in faith that a wise policy would naturally follow.

Spokesmen for the new government would acknowledge no problem because they were going to fill the critical offices with "public men," a special breed of disinterested public servants with exceptional intelligence and national vision. Progressives inherited their belief in rational elite leadership from the respectable reformers of the previous century; during the Nineties, Frederic Howe had absorbed the doctrine at Johns Hopkins from Professor Woodrow Wilson. The public careers of Roosevelt, Gifford Pinchot, and Jane Addams, the writings of Herbert Croly, Lincoln Steffens, and Walter Lippmann, so reinforced the belief that progressives constructed offices to the specifications of the "public man." Nothing better demonstrated their grand optimism or their lack of definite policy.

Since progressive reform provided only a skeleton of government, the work of supplying it with substance began at once. Successful businessmen were particularly well situated to act as engineers. They enjoyed the strongest organization, the greatest wealth, and generally the best political connections in American society. From years of experience in association and cooperation and from a decade of reform battles, prosperous businessmen had learned much about the desirability of accommodating one another and about the ways in which government might serve them. If regulation had to be, in almost all cases they preferred national regulation. More than that they increasingly recognized the government as a defense against economic anarchy. Aware that the initiative in public policy had shifted from Congress to the executive, most successful businessmen appreciated at once the importance of those replicas of the new executive, the federal commissioners. And thoughtful businessmen entertained their own visions of a government by "public men." Paul Warburg foresaw a day when businessmen would look upon appointment to the major commissions as lawyers considered appointment to the Supreme Court. "These [non-partisan and expert] bodies," Warburg said early in 1917, "must combine the judicial point of view with that of active and constructive business minds. They must be able to act as expert advisers alike to Congress and the industries concerned. They must break down suspicion and prejudice of government against business and of business against government."

The national prestige, the political power, and the public awareness of prosperous businessmen all improved rapidly as the nation readied itself for war. The administration responsible for overnight industrial mobilization understandably decided to work with business as it was. The government would recommend just practices; it would certainly encourage greater efficiency; but immersed as it was in the exhilarating challenges of a war and an international crusade, it would not interfere substantially with the domestic balance of power. What appeared to be a powerful, directing government was in fact an emergency structure thrown upon the progressive framework, expressing the government's heavy dependence upon business. The central role in the economy, once envisioned for the FTC, fell to the War Industries Board, and as its official historian has written, "American industry virtually imposed on itself, through the clearing-house of the War Industries Board, its own rules and then policed itself with a view to their enforcement." To coordinate this and other complex operations of wartime government, the administration sought men of vision who understood the workings of business, who communicated easily and effectively with its leaders, and who could free themselves from private ambition. During the duration, in other words, the nation was directed by business-minded "public men."

For successful businessmen the brief, intense experience of war underlined the lessons of the progressive era: the interdependence of their community; the necessity for a national orientation; the indispensability of government to an orderly economy; and the significance to that government of its commissions and its executive department. The trade associations, which multiplied during the war, and the host of resident lobbyists in Washington, representing every segment of the business community, provided the symbols and substance for the new era. Nothing could have been more alien or more frightful than the thought of returning to the barbaric age of the late nineteenth century.

Of course no one wished to continue the straining, unnatural war system. It took approximately five more years to dismantle that and to construct a satisfactory peacetime government. In the interim the nation weathered a sharp depression and resolved what were regarded as leftover problems involving international responsibility, the tariff, and immigration. The Harding administration contained too much graft and too little competence. The Departments of Justice and Agriculture, the FTC, and the tariff commission held personnel with values of an earlier era, men who had to be replaced or re-educated. At the same time, business-minded organizations such as the American Farm Bureau Federation took the initiative in agriculture, and assertive labor unions all but collapsed. Elsewhere combinations of suppression and inducement either isolated dissenters or drew them into the stream of America's new prosperity. By 1925, with the outstanding difficulties overcome, a finished system of government rested upon the progressive foundations.

Government policy in the later Twenties derived from three principles: frugality, service, and business self-regulation. Although Andrew Mellon's tax program, the protective tariff, and various public figures all gave fiber to the first of these principles, it was the Bureau of the Budget, representing the new government of continuous involvement, which provided the leadership. Here technicians in parsimony kept constant watch over expenditures (and thus over federal activities as well), practically determining Congressional appropriations. More than a businessman's dream, the Bureau was a businessman's agency; as Director Charles Dawes explained, the United States Chamber of Commerce "served as a focus for budget plans, and came to be a radiant center of information about them."

The principle of service presumed a pool of technical talent to manage the tasks requested by worthy citizens. Reflecting the apportionment of public power, business received the lion's share of its benefits, agriculture the wolf's, and labor the mouse's. Continuous responsibility was again an essential ingredient throughout the system. In theory the government provided services only in response to private initiative; and the Departments of State and Agriculture generally bore this out in practice. But Herbert Hoover's Department of Commerce could not wait. Despite the Secretary's persistent disclaimers, his subordinates regularly pressed ideas for rationalization, open-price arrangements, and foreign trade upon their business constituents. Hoover never lost hope of translating the integrated efficiency of the War Industries Board into the peacetime economy.

Most complex of the three principles, business self-regulation lay at the heart of the new government. Basically it required a government which would receive groups of businessmen and stand by at the birth of their voluntary arrangements. But the theme had sufficient variations to produce a medley of government policies. Where self-interest was clear and organization tight, businessmen needed an extremely permissive, reflective federal agency. Regulation of the stockyards under the Secretary of Agriculture came to approximate this goal; much of the work of the Tariff and Federal Trade Commissions struck even closer to the mark; and the Justice Department, which waited for private pressure before applying the antitrust laws and granted semi-official approval to business practices, hit it exactly. On the other hand, where traditions of self-interest and organization did not exist, businessmen required an agency which enabled them to lay ground rules, readjust policy, and still sustain general stability in their spheres. Relatively new and rapidly developing industries found these accommodations in the Federal Power and Radio Commissions. Broadcasting companies had demanded the latter in 1927 when the court banned informal regulation through the Department of Commerce, threatening the industry with free enterprise.

Between these extremes fell a variety of blurred or conflicting interests and imperfect organization. Here businessmen needed administrative devices to facilitate compromises and assist in their maintenance. Thus the Interstate Commerce Commission used its considerable power to regularize private negotiations between organized shippers and organized carriers, intruding rarely and then discreetly. With an eye toward more enduring agreements, the Department of Commerce and the Federal Trade Commission specialized in strengthening the trade associations. In this middle range of self-regulatory agencies, the Federal Reserve System proved the least satisfactory. Harding's appointments had gutted the Reserve Board, and by default the task of coordinating national policy fell to the District

Banks. As it was, only one serious problem arose: whether or not to adjust American interest rates as relief for British financial distress. And when the Chicago bankers lost in 1927 to their internationally-minded opponents in New York, they swallowed their resentment rather than risk public interference with the system of private adjustment.

This intimate interdependence brought a dramatic change in the place of government within the ideology of successful businessmen. Early in the century when tradition and practice gave each a separate realm, businessmen had conceived government as another unit of power, similar to a corporation and usually of inferior strength. The blend of interests and activities in the Twenties rendered that concept obsolete, and leaders both in business and in government replaced it with the theory of government as a vessel of generally fixed contours into which private groups across the nation could flow to arrange their affairs. The doctrine of the two spheres did not emerge again until the mid-Thirties and never regained its former significance.

Business-government relations constituted the most important element in an inclusive national system. By encouraging Congress to grant agricultural cooperatives a series of special privileges, spokesmen for the executive and for industry welcomed the business of farming into a subordinate position within the larger business community. Through elaborate programs of company paternalism, major industries invited workers to identify vertically through the factory rather than laterally with a skill or a wage-earning class. And that, according to several astute observers, was exactly what occurred among the regularly employed. Most unions, convinced that they could not beat management, hoped instead to join it as a junior partner in industry. The powerful brotherhoods assisted in establishing shop committees controlled by the railroads; the building trades incorporated themselves within the construction industry; and weaker unions asked for a chance to prove their cash value to employers. Organizers were more apt to appeal, as they did in the automobile industry, to the interests of management than to the needs of the workers.

The network of relationships among leaders in government, business, agriculture, and labor expressed the most effective social synthesis the United States had yet achieved. Never had the parts of American society meshed so well in common movement toward a national goal. A business ethic, derived largely from the values of salesmanship and productivity, announced the rationale and the purpose of an optimistic society from every corner of the nation, the union hall and the White House, the pulpit and the press, the grange and the university. And when significant groups such as the Amalgamated Clothing Workers and the McNary-Haugenites criticized the existing dispensation, they did so on the narrowest basis without either attacking the social structure or qualifying its values.

The remarkable synthesis of the later Twenties marked the death of progressivism without violating the progressive blueprint. Although the leaders of the Twenties destroyed the informing spirit of progressivism, they had built so naturally upon the progressive foundations that veterans of reform like Lippmann and Steffens could employ the same half-mystical terms in 1928 to describe the leadership of industrialists and engineers they had once used to exalt Theodore Roosevelt and Woodrow Wilson. The theme of American society in the later Twenties was the voluntary cooperation of private groups, as the school of Herbert Croly had prescribed; a government dominated by the executive and the commissions was intimately involved in social processes, as the victorious progressives had demanded; and "public men," widely hailed as national leaders of exceptional intelligence and vision, stood atop the structure. Only now--and this told much of the tale--the "public men" were either businessmen or exemplars of business talents, leaders usually without public office who spoke a frankly material message.

Prosperity, the greatest strength of the American cooperative commonwealth, proved its fatal weakness. Unlike the progressives, who relied upon a shared faith in such intangibles as a people's government and social justice, the heirs of progressivism proudly rested their case upon the hard grounds of productivity and distribution. Who could precisely refute the progressive who claimed a hand on the rainbow? But the leaders of the later Twenties lacked that leeway: they either produced the goods or they did not. Regardless of the rhetoric devoted to free enterprise and individualism, everyone knew that the proof of the pudding lay in the portion received.

The wonder is not that the cooperative commonwealth collapsed under the assault of the Great Depression but that it endured so long. Its durability paid tribute to the natural evolution of the structure, to the social controls underpinning it, and to the confidence its earlier success had engendered. And the man who was president when the depression struck defended the system as he would his life: in one sense they were identical.

A Roosevelt progressive in 1912, Herbert Hoover had conducted important experiments in voluntary national cooperation as Food Administrator during the war. His Department of Commerce acted as advance agent for the cooperative commonwealth, defining and epitomizing the principles of frugality, service, and self-regulation. And Hoover's influence permeated Washington. By 1925 he was unofficial leader of an administrative system, comprising the executive departments and the commissions, which was dedicated to his conception of the national interest; and in 1929 he crowned a decade of success by officially becoming Chief Executive.

Where the crash paralyzed many "public men" of the Twenties, Hoover moved confidently along the path marked by his understanding of the cooperative commonwealth. That limited the government in two important respects: it could not coerce or compete with the cooperating groups which composed the nation; nor could the government disrupt the cooperative mechanism by dealing directly with individual citizens. Otherwise, within the bounds of solvency, the government could exhort, coordinate, improvise, and spend without fear or restriction. Employing a combination of propaganda, pledges, and voluntarism he had used with success in an earlier crisis, Hoover called for a private, cooperative campaign against the personal misery of the depression. To sustain and synchronize industry, which included labor as well, the President held a series of meetings (inaptly termed "no-business conferences") where he reminded industrial leaders of their responsibilities for production and distribution. The Federal Farm Board, the capstone to private cooperative marketing which Congress had enacted just prior to the crash, Hoover considered sufficient for the emergency needs of agriculture.

The President tightened as the economy continued downward. Hating to admit that his system would not respond to a simple autotherapy, he cluttered his mind with an increasing number of foreign and domestic devils. Still he did accept extensions to the government's permissive services: additional scope for the Farm Board; public works to complement private industry; and a program to supplement the operations of finance. That last particularly grieved Hoover, for he had long since located the cause of America's distress in the destructive arrogance of finance. According to the tenets of the cooperative commonwealth, finance should have been, as Hoover put it, "merely the lubricant of production and distribution"; instead it had run rampant to become "the controlling force." Once astray it could neither correct itself nor cease disrupting the rest of the economy. After the failure of the bankers' pool, the President finally agreed to the Reconstruction Finance Corporation and prepared plans for a nationwide mortgage rediscounting system. To the end the government hewed to its principles: encourage cooperative action, preserve voluntarism, and avoid decision-making within the economy.

If disappointment narrowed Hoover, it had the opposite effect upon a number of worried businessmen. Led by Gerard Swope and Henry I. Harriman, they begged the President to save the system by investing industry, its primary sector, with federal prestige. Hoover harshly dismissed the idea as fascism. Rigid and suspicious by the end of his administration, he could not recognize that this was the next logical step in defense of his cooperative commonwealth. No more than Hoover did Swope and Harriman want the government to make industrial decisions or to interfere with the voluntary actions of any except a small, obstreperous minority. Rather, the government would lend its seal and a modicum of its coercive powers to a system of cooperative activity privately arranged and privately operated.

The administration of Franklin Roosevelt understood and early in the New Deal placed the government at the disposal of the cooperative commonwealth. At a time of exceptional fluidity, the leaders of the New Deal chose to reflect rather than reconstitute the social structure. In fact the National Recovery Administration, by shying from the enforcement of its codes, contained more voluntarism than Swope and Harriman had envisioned. And until Congress put teeth into the cotton and tobacco agreements, the same permissiveness characterized the first Agricultural Adjustment Administration. A fumbling effort to give organized labor higher status did not appreciably alter the structure of the Twenties.

Elsewhere the early New Deal showed greater imagination than its predecessor without doing violence to the principles of the established system. Tightening the rules of finance and extending federal services through the Federal Deposit Insurance Corporation, the RFC, and mortgage relief followed Hoover's diagnosis in a way the Republican President had become incapable of doing. The Tennessee Valley Authority worked through local voluntary groups and abided by their decisions wherever possible. Only in the area of relief did the New Deal threaten a sacred precept by dealing directly with individual Americans. But the government treated this as an emergency measure and intermixed it with relief through intermediary bodies.

Then, for reasons still somewhat obscure, the cooperative commonwealth collapsed abruptly in 1935. It had not brought back prosperity, and the controls which had supported it were in decay. Even the slight recovery which came during its final months contributed to its doom. Many Americans who held dependent, defenseless positions in the social system would no longer accept their assigned roles where a chance for greater security existed, and they were able through improved organization to force at least a partial accommodation to their demands. Thus the administration which was defending the cooperative commonwealth so imaginatively also fueled a revolution in expectations which finally destroyed the system.

From the ruins emerged a new system which sharply redefined the role of government in American society. Beginning with Social

Security, the Works Progress Administration, and the National Labor Relations Act, the government laid a rudimentary floor for incomes beneath the nation and assisted weaker groups toward a greater measure of independence and respectability. The bureaucracy which administered these and later responsibilities took its place as an independent power in the vessel of the Twenties; now private groups would work with, rather than through government to accomplish their goals. Although many elements of the cooperative commonwealth remained, the new system rested upon a renovated social structure, and the new government, dealing directly with its citizens, participated in the making of vital social decisions. The strains of depression had broken more than three decades of continuity in the evolution of government and had charted a path leading to our time.

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