Steffen Lehndorff

“New Deal” means being prepared for conflict

What we can learn from the New Deal of the 1930s
Steffen Lehndorff

“New Deal” means being prepared for conflict
What we can learn from the New Deal of the 1930s
Steffen Lehndorff is Research Fellow at the Institute for Work, Skills and Training (IAQ), University of Duisburg-Essen, Germany.
Steffen Lehndorff

“New Deal” means being prepared for conflict

What we can learn from the New Deal of the 1930s

Translated from the German by Andrew Wilson

VSA: Verlag Hamburg in Cooperation with transform! europe
How the world is to extricate itself from the global economic col-
lapse caused by the Corona crisis is a highly controversial issue. One question is taking centre stage in the debates: will the fight against climate change be pushed down the order of priorities in the search for as rapid an economic recovery as possible? Or will this gigantic task be used as the engine of an economic reconstruc-
tion that at the same time sets in motion a process of radical socio-environmental change? In Europe there is still a chance that the second option will come into play or at least gain in impor-
tance. Either way, one thing is certain: climate change cannot be reined in by taking a short-term approach. It repeatedly forces itself into the limelight by literally natural means. And for this reason, the demand for a “Green New Deal” will soon become the focus of attention again, even though it has been pushed into the background somewhat in 2020.

In the USA in particular, this slogan is explicitly and persuasively linked to the New Deal of the 1930s, which is still viewed positively by large swathes of the US population. But in Europe also, not least in view of the profound crisis in the EU, this historical exemplar is repeatedly evoked. Thus two leading politi-
cians of the Portuguese and Belgian socialist parties, Maria João Rodrigues and Paul Magnette (2020), have declared that “only a very bold and ambitious plan, combining urgent measures and a long-term vision, as did US President Franklin D. Roosevelt’s New Deal after the 1929 financial crisis, can rescue the Europe-
an project. This plan could be the beginning of a new era of co-
ordination and solidarity in the history of European integration.”

In my view, this reference to the New Deal of the 1930s is ab-
solutely justifiable, since it constituted a social transformation more progressive and more radical than anything the USA had hitherto seen. When the Roosevelt administration set to work
in March 1933 after more than three years of the Great Depression, mass poverty and a sense of profound resignation prevailed across the country. And yet within just a few weeks an enormous reconstruction programme was set in motion, in ways and with instruments that had never before been tried, at least not in peacetime and by democratic means. The banking sector was stabilised and regulated and the stock exchange was placed under state supervision. Within just a few months, a wide range of employment programmes was put in place that led to the deployment of more than six million of the hitherto unemployed to work on the construction of schools, playgrounds, nursery schools, roads and parks and on reforestation and landscape preservation programmes. Wide-ranging infrastructure projects were implemented, resulting in the construction of major barrage and dam systems for the cultivation, irrigation and electrification of entire regions. New social welfare systems were introduced which, over the course of the 1930s, delivered state assistance to one third of the population. In the years after 1933, taxes on high incomes, legacies and corporate profits were drastically increased. Mini-
mum social standards, such as the prohibition of child labour, the right to join a trade union, a minimum wage and a 40-hour working week, were enshrined in law. A social insurance system was introduced, the main pillars of which were unemployment insurance and old-age pension schemes. And last but not least, 3,000 creative artists in various disciplines were given state support to bring the arts to the people. All this happened within five years and by democratic means, which in the 1930s was anything but self-evident.

This experience is filling many of the people in the USA who are now active in and around the left wing of the Democratic Party with a remarkable degree of optimism: “To believe that, 80 years later, the USA could not in a similar way find an answer to the existential environmental crisis is evidence of a dangerous lack of imagination” (Bozuwa 2020: 30). The ambition to develop greater imaginativeness in devising possible ways of combatting the environmental and climate crisis is also spreading in Germany, not least due to the effect of the heartening Fridays for Future demonstrations. It is above all the Greens, as well as
sections of the Left and the SPD, that have taken up the “Green New Deal” slogan. And against all the odds, and even though it dispenses with the epithet “New”, the EU Commission is sticking to its promise to make a “Green Deal” the focus of its policy (which the above-mentioned social democratic politicians João Rodrigues/Magnette (2020) want to drive forward with an even more ambitious programme).

These initiatives and announcements conceal a number of ideas and plans, some of which differ very considerably in both content and rigour.1 However, one view is obviously widely shared: the New Deal of the 1930s makes for a very fitting banner ad. But might it possibly also have greater significance? Might ideas for today possibly be derived from the experiences of the past?

For this reason, we should at least take a look at what was actually done in the 1930s under the banner of the New Deal and, even more importantly, how it was done. For if a mammoth progressive project such as a “Green New Deal” is indeed to be launched and driven forward in the coming decade, then major social policy reform processes of the past can certainly teach us something today. Obviously not in the sense that lessons can be learnt concerning the content of any green new deal. Rather the purpose of such a look back at the past is to examine the approaches adopted by the various actors and the process of political change and its dynamic.

To some, looking back in this way might not seem terribly relevant. After all, the objective of the struggle against climate change is nothing less than to prevent parts of our planet from “becoming uninhabitable for a considerable portion of humanity and the competition for resources in the ›rest of the Earth‹ from assuming such dimensions that the current state of human civilisation is placed at risk” (Bell et al. 2020: 3). In contrast, the New Deal of the 1930s was “merely” an attempt to overcome by democratic means the catastrophic economic and social consequences

---

1 For surveys and discussions, cf., among others, on the USA Naomi Klein (2019) and on Europe EuroMemo Group (2020).
of the global economic crisis in the USA. There is no doubt that the differences between these two challenges are enormous. Nevertheless, the “merely” is not appropriate. This is evident from a brief look at the situation in the USA at the beginning of the 1930s. The social conditions there were even more dramatic than in parts of Europe, but what was even more significant - and this clearly set the USA apart from almost all countries in Europe - was that efforts were made to identify and implement a democratic way out of the all-encompassing crisis, one that took the country into unexplored economic and social policy terrain. It is precisely this venture into new territory and the fascinating political dynamic that developed in the process that make the New Deal so interesting for anyone seeking to put into effect a major social and environmental reform project that will lead into even more extensive and even less explored territory.
1 “The only light in the darkness”

From 1929 onwards, as in many other capitalist countries, the US economy plunged into disaster.\textsuperscript{2} Between 1929 and 1933, GDP halved and unemployment rose eightfold to 12.8 million. This equated to an unemployment rate of almost 25%. The situation was compounded by mass poverty among small-scale farmers, which was further intensified from 1934 onwards by a drought lasting several years, which created the so-called “Dust Bowl” in the Great Plains region.

There was no unemployment insurance or assistance, no state pension and no health insurance. Rather, the local authorities were responsible for a sort of rudimentary social assistance for which at best they obtained loans from other government agencies. The various forms of local poor relief had largely collapsed in the course of the crisis: in 1932, only around one quarter of the unemployed were in receipt of any kind of benefits, which were usually restricted to the distribution of emergency rations. And those who still had a job had no option but to accept considerable wage reductions. In short, there was no welfare state and the Hoover administration’s inaction on economic policy and its efforts to curb government expenditure, inspired by the dogma of “laissez faire” and a belief in the self-healing powers of the market, were driving large swathes of the population in both urban and rural areas into ever deeper penury.

\textsuperscript{2} On the following, cf. the survey by Rauchway (2008); I also draw on Leuchtenburg (1963), Lepore (2019), Schlesinger (2003a), Kuczynski (1948) and Dieter Klein (2016) inasmuch as no other sources are cited. An easily accessible and highly recommended source of information about the New Deal and the current discussions about it in the USA is the website The Living New Deal (https://livingnewdeal.org).
In contrast to many European countries, there were no organised fascist movements or parties in the USA that were even remotely comparable in scale with those in Europe. On the other hand, the labour movement, whether in the form of political parties or trade unions, was weak. In terms of member num-

One of the most famous photographs from the New Deal years: Dorothea Lange’s “Migrant Mother”, taken in 1936.
bers and votes, both the Socialist and Communist parties were of only marginal significance. Between 1920 and 1930, the number of union members in manufacturing industry had halved to leave a union density rate of less than 10% (in the economy as a whole it was less than 6%) – in some cases also due to the impact of the “bloody deployment of state power in order to protect the interests of property owners” (Krugman 2008: 23). All in all, a political vacuum obtained, which in 1933 was described in an internal report to the government in Washington in the following terms: “The problem is not one of fighting off a ›red menace‹ but of fighting off hopelessness; despair; a dangerous feeling of helplessness and dependence” (Schlesinger 2003b: 272).³

In this situation, many left-leaning people began to look admiringly to Moscow (and some also to Rome, incidentally – the differences were obviously difficult to discern from a distance), while more and more representatives of the economic and political establishment longed for an “economic Mussolini”. In its June 1932 issue, the widely-read magazine Vanity Fair editorialised “Appoint a dictator!” and a Republican senator declared: “If this country ever needed a Mussolini, it needs one now.” For Schlesinger (2003a: 268 f.), these were not representative voices but symptomatic of the situation at the time. Looking back, the somewhat conservative General Hugh S. Johnson, appointed by Roosevelt to an important government position in 1933, declared: “We could have got a dictator a lot easier than Germany got Hitler” (Schlesinger 2003b: 22).

This was the background against which, after bitter disputes with the party establishment, Franklin D. Roosevelt secured the Democratic Party’s nomination as its candidate for the presidency and promised a “new deal for the American people” – with the “forgotten man” as its first priority (Schlesinger 2003a: 314,

³ As part of the employment programmes introduced in 1933, employees of the newly created authorities were dispatched across the country to send back reports to Washington on the local implementation of the programmes. The quotation is taken from one of these reports.
In November 1932, he won the election with 57% of the votes; Hoover obtained 40% (and the candidates of the Socialist and Communist parties obtained 2% and less than 1% respectively). Compared with 1928, the number of votes cast for the Democrats had increased from around 16 million to 28 million – “nothing like the dramatic shift from Republicans to Democrats in 1932 ... occurred anywhere in Europe” (Hobsbawm 1995: 149).

The transition period until the new president took office on 4 March 1933 was an agonising time, in which the American banking system teetered on the edge of the abyss and the country appeared to be in a state of paralysis. But what followed in the first two years of the new administration was a veritable explosion of unconventional measures designed to stabilise the banking system, regulate the financial markets, fight poverty and promote employment and public works, as well as preliminary attempts to establish labour standards (see Overview below).

I will return to some of these measures in subsequent sections, insofar as they are of particular interest for the question of possible ideas for a Green New Deal that is our focus here. For the moment, let us just say that everything was new and almost everything was controversial – even within the administration. Nothing was perfect and some policies ended in half measures and failures. Nevertheless, the administration succeeded in effecting a change of direction in the economy and the labour market. As early as the first year of the new administration, the economy grew by 9% and in the next two years the growth rate increased even further to 10% and 14%. By 1937, Gross National Product was around 40% higher than in 1932 (see Figure 1). The

---

4 Even though the English language does not necessarily suggest this interpretation, there is much evidence to indicate that Roosevelt meant “the forgotten people” when he referred to the “forgotten man”.

5 The causes of this turnaround have been a matter for debate among US economists for decades. The monetarist Chicago school, which has long dominated the debate, regards the devaluation of the dollar and the associated expansion of the money supply as the decisive factors. Even though the massive devaluation of the dollar undoubtedly contributed
What was the New Deal?
An overview of the most important measures

<table>
<thead>
<tr>
<th>Date</th>
<th>Act or Institution</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.3. and 16.6.1933</td>
<td>Emergency Banking Relief Act Glass-Steagall Banking Act</td>
<td>Authorised state interventions in the banking sector in order to close down bankrupt and rescue remediable banks. Strengthened the central bank’s rights of supervision; introduction of the separate bank system (which was not abolished until 1999 under President Clinton, which opened the doors to the 2007-08 financial crisis). Later, the 1935 Banking Act created the Federal Reserve System with stronger legal powers over private banks.</td>
</tr>
<tr>
<td>31.3.1933</td>
<td>Civilian Conservation Corps (CCC)</td>
<td>Deployment of a total of 2.5 million young unemployed men on landscape maintenance and reforestation programmes.</td>
</tr>
<tr>
<td>12.5.1933</td>
<td>Agricultural Adjustment Administration (AAA)</td>
<td>Regulation of the market for agricultural products in order to guarantee a minimum price level. This and other measures to combat mass poverty in rural areas were the early focal points of the New Deal.</td>
</tr>
<tr>
<td>12.5.1933</td>
<td>Federal Emergency Relief Administration (FERA)</td>
<td>Provision of 500 million USD initially for local social assistance budgets. In 1932, the total amount available for local social assistance budgets was 200 million USD; by 1935 that amount had been increased by federal funds to more than three billion USD (see point 12 below). By the end of 1934, more than 20 million people were receiving state assistance – over the course of the 1930s this amounted to one third of the population. In 1939 social expenditure accounted for 27% of public expenditure at all levels. It was within FERA that the first major attempts were made to shift the balance from social assistance to job creation; they were followed by further, variously designed and organised projects (see points 7, 8 and 14 below)</td>
</tr>
<tr>
<td>Date</td>
<td>Act or Institution</td>
<td>Explanation</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5. 18.5.1933</td>
<td>Tennessee Valley Authority (TVA)</td>
<td>Construction of dam systems for the purposes of irrigation, cultivation and electrification:</td>
</tr>
<tr>
<td>6. 13.6.1933 and 27.6.1934</td>
<td>Home Owners’ Loan Act; National Housing Act</td>
<td>Refinancing of mortgage loans in order to avoid evictions; State underwriting of mortgage loans</td>
</tr>
<tr>
<td>7. 16.6.1933</td>
<td>National Industrial Recovery Act (NIRA)</td>
<td>The NIRA created the tripartite National Recovery Administration (NRA) whose remit was to agree price regulation measures and minimum labour standards; the Public Works Administration (PWA), set up to finance public works through grants and loans for local and federal projects (3.3 billion USD in total, which represented almost 6% of GDP for that year)</td>
</tr>
<tr>
<td>8. 9.11.1933</td>
<td>Civil Works Administration (CWA)</td>
<td>Public job creation company for the rapid combating of unemployment (initially 400 billion USD, subsequently 1 billion USD). Within three months, four million jobs were created, mainly in the construction of roads, schools, playgrounds, nursery schools, airfields, parks etc. The CWA measures and the other concomitant or subsequent spending programmes were effectively monitored by an anti-corruption organisation. One particular priority (from 1935 and then taken over by the Works Progress Administration/WPA; see point 14 below) was the support given to 3,000 artists and writers, which made a very significant contribution to the development of the USA's own art and theatre scene and to the documentary and literary chronicling of the crisis years and of the New Deal (Federal Arts Project, Federal Writers’ Project, Federal Theatre Project).</td>
</tr>
<tr>
<td>Date</td>
<td>Act or Institution</td>
<td>Explanation</td>
</tr>
<tr>
<td>------------</td>
<td>------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>9. 30.1.1934</td>
<td>Gold Reserve Act</td>
<td>Loosened the USA's strict adherence to the gold standard by authorising the President to establish the gold value of the dollar; the result was an increase in the price of gold by almost 75% and a de facto devaluation of the dollar by around 40%</td>
</tr>
<tr>
<td>11. 19.6.1934</td>
<td>National Labor Relations Board (NLRB)</td>
<td>Because the NRA (see point 7 above) in practice proved largely ineffective in agreeing binding minimum labour standards, the NLRB was to help in establishing the right to collective bargaining.</td>
</tr>
<tr>
<td>12. 8.4.1935</td>
<td>Emergency Relief Appropriation Act</td>
<td>Strengthening of support for local social assistance (see point 4 above) with an injection of 4.9 billion USD Money from this fund was used to create and finance:</td>
</tr>
<tr>
<td>13. 30.4.1935</td>
<td>The Resettlement Administration</td>
<td>The Resettlement Administration for the relocation of destitute farming families. As part of this large-scale programme, funding was made available for the photographic documentation of poverty in the country, which gave rise to some famous photographs, such as those by Dorothea Lange.</td>
</tr>
<tr>
<td>14. 6.5.1935</td>
<td>The Works Progress Administration (WPA)</td>
<td>The Works Progress Administration (WPA) for the support and evaluation of local projects in order to create jobs quickly for recipients of social assistance.</td>
</tr>
<tr>
<td>15. 11.5.1935</td>
<td>The Rural Electrification Administration</td>
<td>The Rural Electrification Administration, set up to supply power to the agriculture sector.</td>
</tr>
<tr>
<td>Date</td>
<td>Act or Institution</td>
<td>Explanation</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>16. 5.7.1935</td>
<td>National Labor Relations Act (Wagner Act)</td>
<td>Binding legal safeguarding of the right to union organisation and collective bargaining; prohibition of defined “unfair” employment practices. Strengthening of the previously established National Labor Relations Board (NLRB) for more effective implementation of these labour standards.</td>
</tr>
<tr>
<td>17. 14.8.1935</td>
<td>Social Securities Act</td>
<td>Establishment of a state social insurance system with funds for pensions, unemployment benefit, maternity protection and federal healthcare systems; financed partly by employers’ and employees’ social insurance contributions. For Krugman (2008: 11) this is the “crown jewel of the New Deal institutions”.</td>
</tr>
<tr>
<td>18. 26.8.1935</td>
<td>Public Utilities Holding Act</td>
<td>Strengthening and protection of public power and water companies, by, among other things, authorising the break-up of price-raising private utility holding companies.</td>
</tr>
<tr>
<td>19. 31.8.1935</td>
<td>Revenue Act</td>
<td>Introduction of a so-called “wealth tax” by increasing the tax rate on high earners to up to 75% for incomes of 1 million USD or more. Subsequent legislation enacted in 1936 and 1937 increased the income tax rate to up to 79% and also introduced an inheritance tax of up to 45% and a tax on undistributed corporate profits of up to 27%.</td>
</tr>
<tr>
<td>20. 25.6.1938</td>
<td>Fair Labor Standards Act</td>
<td>Introduction of a statutory minimum wage, a limit on working time of 8 hours per day and 40 hours per week and a compulsory overtime premium of 50% (initially for up to four hours per week); prohibition of child labour.</td>
</tr>
</tbody>
</table>

number of people in employment also increased sharply, from 38 million in 1933 to 46 million in 1937. The number of unemployed people did not fall quite so sharply, but declined nevertheless by an impressive five million. As a result, by 1937 the unemployment rate was around ten percentage points lower than in 1933 – even though it was still a long way from full employment (see Figure 2).

The decisive factor in this contradictory yet also successful process was that the emboldening spark of energetic action leapt from the government to large sections of the population. Thus from internal disputes and political defeats there sprang many initiatives leading to new, more far-reaching and more effective measures. It was this political dynamic that, in the years that followed up until 1938, made it possible to establish basic labour standards and trade union rights, progressive taxation as the basis for a federal state capable of acting and the cornerstones of a public welfare system.

Although some of these reforms were partially rolled back in the post-war period (as early as 1947 in the case of the renewed limitations on trade union rights introduced by the Taft-Hartley Act), in essence they remained inviolable until the 1970s, even for Republicans and right-wing Democrats. And even the neo-liberal dismantling of the reforms that has been going on since the 1980s has not been able to turn the clock back all the way: “Big Government was here to stay” (Leuchtenburg 1995: 158).

significantly to the ending of the deflationary spiral, in view of the scale of the public employment and anti-poverty programmes, which must be assumed to have had considerable effects on the labour market and domestic demand, the more nuanced argument put forward by Romer (1992: 783), who suggests that “the aggregate demand stimulus was the main source of the recovery from the Great Depression”, seems to be more persuasive. Without having undertaken any model calculations, Keynes had already reached this conclusion in 1938 in a “private and personal” letter to the President, in which he declared that public expenditure should have been increased even more (see section 2 below).
It is worth mentioning that Leuchtenburg reached this positive conclusion after listing a number of the New Deal’s mistakes and shortcomings. From today’s perspective, what is particularly striking – and there are very good reasons why supporters of the Green New Deal in the USA repeatedly highlight in particular the racist shortcomings of the New Deal of the 1930s – is the
exclusion of civil rights from its agenda: “The New Deal’s performance with regard to blacks added to the sorry record of racial discrimination in America” (ibid: 273). And John Kenneth Galbraith (1981: 41 f.), still a young economist at the time but already a staunch supporter of the New Deal, recalled that “the New Deal remembered the forgotten man but not the truly forgotten. Looking back, I am astonished at how little we were concerned.” However, he also explains the reasons for this apparent timidity when it came to questioning the racist arrangements of American society. At that time, the Southern states were the Democratic Party’s most important bastions; without the support of the leading politicians there, nobody could win the party’s nomination as presidential candidate, not even Roosevelt. Consequently, this political base was essential to the implementation of the New Deal – “any movement toward civil equality and this base would have gone” (ibid.). As Dieter Klein (2016: 68) describes on the basis of Roosevelt’s personal statements, the President was painfully aware of his very restricted room for political manoeuvre in this respect. The racism deeply rooted over three centuries was, as the website livingnewdeal.org (2020) notes, “the harsh reality the New Deal faced”, and it quotes African American historian Gerald Horne as saying that President Roosevelt “was faced with a rock-solid granite wall of white supremacy within the ranks of his own party and that is a force that is very difficult to overcome.”

6 By way of example, important topics in current debates within the US left on the New Deal are the exclusion of domestic and farm workers from the Social Security legislation (this remained the case until the early 1950s) and the widespread practice of racial segregation in housing policy (see the controversy between Richard Rothstein (2019) and Richard Walker (2019) on Jacobinmag.com). In Rothstein’s opinion, the state policies of these years even deepened segregation, while Walker emphasizes the deeply rooted racism among large sections of the “white folks” as well as in the entire real estate industry. In his commentary on this controversy, Colin Gordon (2019) therefore rightly asks the question, “How much autonomy do state actors have? And, if we assume
Of course, especially in the early days of the New Deal, racial elements in its implementation provoked, as historian William E. Leuchtenburg (1963: 185 f.) pointed out in the language of the time, “sharp criticism from Negro leaders” who in particular “rebuked Roosevelt for the failure of New Deal Congress to enact civil rights legislation.” But the everyday experiences of large parts of the African American population with the New Deal that economic interests occupy a privileged political position (...), what would it take for popular mobilization to erase that advantage?” I will come back to this fundamental problem repeatedly, but I would like to mention Walker’s answer to Rothstein in this context: “Major social change never comes without a fight, and massive popular struggles have brought about improvements in the conditions of working people and people of color over time. ... Good policies can help, of course, as they did during the New Deal or the 1960s, but a fundamental social revolution against white supremacy can only come through political upheaval and conflict, led from below.”
HARRY L. HOPKINS
ADMINISTRATOR

WORKS PROGRESS ADMINISTRATION
WASHINGTON, D. C.

June 17, 1935

Honorable Stephen Early
Secretary to the President
The White House
Washington, D. C.

Dear Steve:

The President is going to see the Works Progress Administrators at 5 o’clock today to say a brief word to them. I think he will want to cover these points.

1. There is to be the closest cooperation with Mayors of Cities, County Officials and Governors. While administratively the whole program is a Federal enterprise, it can never be conducted successfully without the joint efforts of everyone.

2. It is essential that there be no discrimination in this work because of race, religion or politics, with particular emphasis on the latter.

3. The real objective is to take three and a half million unemployed from the relief rolls and put them to work on useful projects.

There will be representatives from all of the states except two, and a half dozen people from our office at the meeting this afternoon.

Very sincerely yours,

Harry L. Hopkins
Administrator

Letter from WPA director Harry Hopkins laying out anti-discrimination goals for the agency.
Deal led to a dramatic change of mood over time. For example, one seventh of the Works Progress Administration (WPA) workforce were African Americans, who made up about one tenth of the population. Mostly their wages were higher than the ones offered by private employers, even though in some cases the actual employment conditions were worse than those offered to whites. Within the Public Works Administration (PWA) the Department of the Interior had for the first time introduced a quota system that required contractors to hire a fair share of African Americans. Many public projects for the construction of homes, schools and hospitals were deliberately located in disadvantaged black neighbourhoods. And it is also worth mentioning that it was in the 1930s that Afro-Americans were first appointed to senior positions in government and other public bodies (the so-called “Black Cabinet”). Leuchtenburg, who cites several other examples of this kind, argues that the achievements of the New Deal should be valued more highly given the conditions that prevailed at the time: “The New Deal experience … lasted hardly more than six years, and it is difficult to think of another six-year period of the history of the republic that was so fruitful or of a crisis met with more imagination” (ibid: 279). And this also affected the fight against racism, as it is summarized on livingnewdeal.org (2020): “Although the Civil Rights movement lay a generation in the future, the New Deal helped African Americans build a foundation to fight for more equal treatment and greater opportunity.”

For the purposes of the present article, I regard such a historical ranking as absolutely crucial. What is most important for us today is the progress, as measured by the standards of the time, that the New Deal made possible; this is all the more true if that progress is compared with events in Europe in the 1930s. The

---

7 This was also reflected in the results of the 1936 presidential election – see section 5 below. For what follows see Leuchtenburg 1963: 186 f. and 1995: 273; for details see also the page “African Americans” on livingnewdeal.org.
crucial factor for the New Deal and for the guidance these experiences may be able to offer us today was a virtually unparalleled political dynamic which – and this is something that must be particularly emphasised again today – was a democratic dynamic! The British social and political theorist and historian of ideas Isaiah Berlin arrestingly characterised this distinctive feature of the New Deal, which in the 1930s was sufficiently remarkable to set the USA apart from virtually all other countries in the world and especially those in Europe, in the following words: “In these dark and leaden thirties, the only light in the darkness was the administration of Mr. Roosevelt and the New Deal in the United States” (Leuchtenburg 1995: 298).

It is above all this democratic dynamic that makes the New Deal of the past so fascinating for advocates of a “Green New Deal” in the coming decade. No attempt to understand how it came about can of course ignore the key role played by Franklin D. Roosevelt as a charismatic leadership figure. Schlesinger (2003b: 22) summarises the fundamental importance of this democratic leadership for the turnaround that began in 1933 thus: “By bringing to Washington a government determined to govern, Roosevelt unlocked new energies in a people who had lost faith, not just in government’s ability to meet the economic crisis, but almost in the ability of anyone to do anything.”

---

8 In countries that lacked the leadership figures in whom a credible programme could be personified, this could at the time have devastating consequences. Taking the example of the demise of the once powerful social democratic movement in his country at the beginning of the 1930s, the long-time Austrian Chancellor Bruno Kreisky (1986: 218) wrote in his memoirs: “Whenever the party had no figures people could relate to, or only colourless ones, it suffered a crisis of identity.” By way of contrast, he proposes as a European exemplar the socialist politician Léon Blum, who was prime minister in the French Popular Front government of 1936-37. Roosevelt’s New Deal policy was an important source of inspiration for Blum (Leuchtenburg 1995: 297), but he was brought down by the left’s lack of unity.
I will return at various points to this connection between democratic leadership and social self-confidence and assertiveness. However, in what follows, readers should always bear in mind, before entering into further specifics, the importance of democratic leadership skills and their interaction with social movements.

I will begin by addressing the fundamental challenge that the New Deal had to face and which is of equally great importance for any future Green New Deal, namely the need to venture into new territory. The vigour with which this challenge was met moved even a conservative politician such as Winston Churchill to declare his approval: “Roosevelt is an explorer who has embarked on a voyage as uncertain as that of Columbus, and upon a quest which might conceivably be as important as the discovery of the New World” (Schlesinger 2003b: 23).

What was the political approach adopted by the New Dealers, as they were known at the time, as they embarked on this perilous voyage of economic and social policy discovery?
2 “Above all, try something”

From today’s perspective, one characteristic of the New Dealers’ political approach that was perhaps particularly surprising was what has been described on various occasions as its “experimentalism”. This may appear to us consistent with qualities such as pragmatism and readiness to assume risk that are popularly associated with the USA. However, this was not quite the case. Thinking on economic policy at that time, not least in the USA, was as much shaped by the neo-classical belief in the wondrous effects of laissez-faire capitalism as in our time it is – or at least was until very recently – by the dogmas of neoliberalism. This is why it was extremely provocative of Roosevelt to enter the Democratic primaries in the spring of 1932 with declarations such as this: “We need to correct, by drastic means if necessary, the faults in our economic system from which we now suffer. The country needs and the country demands, unless I mistake its temper, persistent experimentation. … Above all, try something” (Schlesinger 2003a: 290).

The trying actually began with the very slogan “New Deal”. As far as the background to this speech is concerned, it is rumoured that Roosevelt’s speech writer had taken the phrase from a newly published edition of the magazine New Republic9 – “without noting any special significance (any more than Roosevelt did when he came to deliver the words)” (Schlesinger 2003a: 403, 532 f.). And Rauchway (2008: 56) observes drily: “Roosevelt used the phrase ‘new deal’ when accepting the Democratic nomination for president, and the press liked it. The ›New Deal‹ said that

---

9 In the same year, incidentally, the American economist Stuart Chase published a book with the same title (see below, footnote 10). To some extent, therefore, the slogan was in the air at that time.
Roosevelt offered a fresh start, but it promised nothing specific: it worked, so it stuck.”

The anecdote reflects something that was characteristic of the New Dealers’ approach: the “New Deal” slogan was perfect PR, but the practice was less perfect – and deliberately so. It was underpinned not by any master plan but above all by a steely determination to try out new courses of action. It was a venture into hitherto unknown and also largely unexplored territory that required the courage both to experiment and to put right any mistakes that might be made. In view of the deepening of the Great Depression, Roosevelt and those around him had lost all faith in the economic and political mainstream of the time and were therefore open to the most diverse range of alternative options. Roosevelt himself summarised this approach in 1933 in the following words: “Let’s concentrate upon one thing – save the people and the nation and, if we have to change our minds twice every day to accomplish that end, we should do it” (Schlesinger 2003a: 455).
Thus in order to venture into new territory, Roosevelt regarded experimentation as more sensible than a worked-out plan. But he needed and of course wanted some proposals concerning the direction the experiments should take. To this end, he put together a group of experts in the spring of 1932. The composition of this “Brain Trust” was to change again and again in the course of the years to come but it was never homogeneous. In fact, Roosevelt attached great value to having a diverse range of academic and political opinions represented within his inner circle. His characteristic method of preparing for decisions was, firstly, to listen to the individuals arguing with each other and then to ask them to retire to a room and not to return until they had agreed on a plan – unless he himself announced his decision after listening to the heated debate. He also quite deliberately included individual Republicans in his cabinet if he was persuaded of their

10 There is an anecdote about this as well (Schlesinger 2003a: 398). One of his closest colleagues during his term of office as Governor of New York had warned him in March 1932 that rejection of the current policy on the depression would not be sufficient if he wanted to enter the race for the presidency. Roosevelt responded by asking him: “Who should we ask?”. Within a very short time, the Brain Trust was then assembled; it consisted principally of heterodox economists and law professors. Initially, the advisors were all men. It was only from 1933 onwards that female experts began to play a more prominent role, with the notable exception of the extremely important inspirational role played by Eleanor Roosevelt, who was particularly supportive of the women’s movement as described vividly by Jill Lepore (2019: 526). Leuchtenburg (1963: 192) regards Eleanor Roosevelt as “the conscience of the administration” and “an ardent exponent of Negro rights”. The most significant female politician was the Secretary of Labor, Frances Perkins, the very first woman appointed to the US cabinet. She was one of the major figures in the development and implementation of the New Deal’s welfare state and labour-related measures in particular and had despite occasional political differences – an amicable relationship with Roosevelt (see Perkins 1946). I will come back to her role in section 3.2. On the following cf. Schlesinger (2003a: 398 ff. and 2003b: 1 ff.) and Rauchway (2008: 56 ff.).
specialist knowledge – just as he was also energetically supported by a number of Republicans, including the Mayor of New York, Fiorello La Guardia.

The diversity of approaches and of the underlying beliefs was in fact considerable. One important strand (which included economists and individual managers as well as army officers) was based on the positive experiences during the First World War with centralised control of the economy and regarded the formation of large monopolies as an opportunity to establish technocratic control of companies and of the economy. This in turn would make it possible to introduce a new planning system based on tripartite agreements, that is on agreements between government, employers’ associations and labour unions (on the prior history of this school of thought in the USA, cf. Deppe 2003: 141 and Blomert 2012: 232). Another strand, equally rich in tradition, regarded the centralised control of the economy in the course of the development of monopolies and cartels as the main evil and, as the German ordoliberals did later, sought to maintain market competition. Some hoped that agreement on prices and labour standards could be reached through tripartite committees, while others regarded this as illusory and advocated legal regulation. Some wanted to pump as much money as possible within a short period into relieving poverty and creating jobs, while others bitterly opposed such a policy because they feared it would lead to the squandering of vast amounts of public money, corruption and a burgeoning national debt. Some considered a comprehensive social insurance system to be necessary, while others feared that it could make workers less eager to accept job offers.11

---

11 Thus in the first months of the New Deal, the fight against poverty was absolutely the top priority (see Overview, point 4), although from the very outset there were powerful voices arguing that job creation was much more important, some of whom even considered it as an alternative to unemployment assistance. This led to the founding in rapid succession of two new agencies (see Overview, points 7 and 8) that adopted very different approaches.
Much in this process may seem somewhat chaotic to us today and as such it was fiercely attacked from the outset by the right-wing opposition. However, it was able to function because there was a crucial objective, or set of objectives, that all those actively involved supported, namely the defeat of mass unemployment and poverty, the establishment of minimum social standards and the creation of a public infrastructure that would benefit all – and all this to be achieved through democratic means.

This shared motivation and the willingness to try out new approaches in order to achieve the common objectives triggered a wave of enthusiasm among young specialists, who streamed into Washington after completing their education and took up jobs in the government and the newly created institutions (the subsequently celebrated economist John Kenneth Galbraith was one of them and he described this experience in his memoirs). Another economist, already well known, was Gardiner C. Means, who in March 1933 took on a senior role in the new government and later described the atmosphere in the first 100 days: “Much of the excitement came from improvisation. Nothing was fully set in the minds of the people there. They were open to fresh ideas” (quoted in Terkel 1986: 249 f.).

Of course the New Deal’s experimentalism and the receptiveness of those involved to new ideas brought with them not only strengths but also weaknesses. John Maynard Keynes, for example, had far clearer ideas than the US administration about the direction economic policy should take and, with characteristic British politeness, made them known in an open letter to the President. He was, however, very understanding about the difficulties associated with exploring new territory and in a commentary published by the BBC (Keynes 1934: 305 f.) he noted that one of the particular strengths of the “economic experiments of President Roosevelt” was that, for the first time, conclusions had been drawn from the “utter and complete discredit of every variety of orthodox advice”. Above all, he praised the President’s receptiveness to differing, in some cases even mutually incompatible propositions and his undogmatic way of eval-
uating all measures not according to their adherence to a particular doctrine but on the basis of the results they produced. That said, however, he was in no doubt that: “It is not surprising that some confusion should result.”

What is interesting for us today is to identify the points at which this confusion triggered learning processes and those where it hampered progress. One striking example of both, which will also be of the greatest possible importance for a Green New Deal, is the New Deal’s fiscal policy. In the course of combatting the Depression, federal government expenditure rose from 1932 to 1936 in absolute figures from 4.6 to 8.2 billion USD, equivalent to an increase in share of GDP from 6.8% to 10.3%. Revenues did not increase at the same pace. By 1936 there were considerable deficits in the federal government’s budget (Figure 3).

---

12 It should not be forgotten in all this that Keynes’ opus magnum was not published until 1935 – nor that the conversion of his theories into practical policies would not have been unproblematic even if it had been published a few years earlier. It is true that, as early as 1932, the American economist Stuart Chase, in his book “A New Deal”, had taken up some of Keynes’ important ideas that had already appeared in print by that time (Blomert 2012), but much of his thinking remained highly controversial and was shared (at least indirectly) only by certain sections of the New Dealers. John Kenneth Galbraith (1981: 68 f.) describes in his memoirs how in 1936 and 1937 at Harvard, “everyone was reading Keynes, the older faculty members mostly with disdain, the younger with joy. ... What counted, however, was that Keynes’s ideas be influential in Washington.” However, he also adds that initially only a minority of the economists in government circles shared Keynes’ views.

13 On the budget deficit, just a small, semi-ironic passing comment: If the US government of the 1930s had been subject to the stipulations of the EU’s Stability and Growth Pact, the New Deal would have been severely reprimanded by the EU Commission every year until 1936 and might even have had sanctions imposed on it. It was not until 1937 that the current EU “rules” were adhered to – the consequence was a severe recession (see above, Figure 1).
Treasury Secretary Woodin was up in arms about the increase in the budget deficit and found a sympathetic listener in Roosevelt. Although the President was said to have once declared of himself, “I took economics courses in college for four years, and everything I was taught was wrong”, he had remained faithful to economic orthodoxy on one point at least: the state should not get into debt. Consequently, he allowed himself to be led into ending the Civil Works Administration’s programme at the beginning of 1934 (see Overview, point 8). This gave rise to some vehement protests, both within government and in particular among the unemployed. In response, substantial parts of the programme continued under the auspices of FERA and WPA (see Overview, points 4 and 14).

(1956), Roosevelt: The Lion and the Fox. Easton Press, quotation from Wikipedia. On the economic data, cf. the sources cited under the graphics.
What followed was a mix of pragmatic measures taken to deal with the high budget deficit, on the one hand, and, on the other, a search for new ways of raising revenues. Following Woodin’s death in May 1934, Henry Morgenthau Jr. was appointed Secretary of the Treasury. Although he too believed in a balanced budget, he supported the President’s pragmatism. This pragmatism can best be illustrated by a nice anecdote from the 1936 presidential election (cf. Schlesinger 2003c: 621): Before a rally in Pittsburgh, where in the previous election campaign he had emphatically promised to reduce the national debt, Roosevelt asked his speech writer what he should say about his 1932 speech. The answer was novel, even for the pre-digital age: “The only thing you can say about the 1932 speech is to deny categorically that you ever made it.” However, the two subsequently found a better solution, and Roosevelt said in his Pittsburgh address: “The only way to keep the Government out of the red is to keep the people out of the red. And so we had to balance the budget of the American people … and to spend money when no one else had money left to spend.” This line of argument subsequently found its way into flyers and posters in his re-election campaign (see next page).

Despite this clever insight, some of the spending programmes were cancelled after the election and government spending did decline, which immediately triggered a recession and a painful resurgence of unemployment (see Figure 1 and 2 above). The economy only recovered when these expenditure cuts were reversed in spring 1938 after intense disputes within the administration.14 Ultimately, the New Deal failed to live up to its potential because of its inconsistent expenditure policy. Keynes (1938: 437 f.) in particular was very critical of it in this respect. In a per-

---

14 The majority in Congress for a large-scale lend-spend programme was due not least to the upcoming mid-term elections. As Leuchtenburg (1963: 256) adds, one aspect which contributed to FDR’s change of direction was Germany’s invasion of Austria: “The rest of the world was wondering whether the slump did not demonstrate the incapacity of the democracies to solve their internal problems.”
I. SPENDING UNDER REPUBLICANS

Under Hoover the national debt rose $17 billion (net). In the last 2½ years the gross debt increased nearly $5 billion. Yearly Deficits Were 59 Per Cent of Expenditures in 1932; 46 Per Cent in 1933.

WHAT DID PRESIDENT HOOVER BUY?

A six-billion-dollar loss in farm income, bank government bonds at low levels, national panic failures, foreclosed homes, shut-down factories. The depression was bought and the people sold.

Our Yearly National Income Dropped 40 Billion
Our Federal Revenues Fell 2 Billion

THIS WAS REPUBLICAN PROSPERITY

II. SPENDING UNDER DEMOCRATS

Under President Roosevelt the gross national debt has increased about thirteen billion (including the $2 billion bonus). Against this, however, the Government has $2 billion in gold profit, a $2 billion increase in the General Treasury Fund, and another $2 billion investment in bank stocks, loans and other repayable assets so that the net increase is cut down to $7 billion. It costs less to carry this heavier debt because easier credit and able Treasury financing have saved approximately 1 per cent in interest rates.

Yearly Deficits Were 56 Per Cent of Expenditures in 1934; 48 Per Cent in 1935

WHAT HAS PRESIDENT ROOSEVELT BOUGHT?

A 1935 gross, farm income of over $8 billion—a 2.8 billion rise since 1932.

Reemployment of 5 million workers. A payroll gain of 59 per cent since 1933.

The highest volume of industrial production since 1930.

Our National Income, as Estimated for 1936, Will Have Grown Some $1 Billion in 4 Years
Federal Revenues Are Running More Than Double the Receipts in 1933

THIS IS DEMOCRATIC PROSPERITY

III. BALANCING THE BUDGET

When President Roosevelt took office he faced a grave national crisis. He could stand on his platform and cut expenditures. Or he could draw heavily on government funds to feed the starving and aid banks and businesses. He chose the latter course as the only road to recovery. If the Government could shoulder a war debt of $25 billion to save Europe, President Roosevelt felt that it must use its credit even more freely to save its suffering people in a national catastrophe. Had government help come sooner and on a more adequate scale, it would have taken less spending and lending to stop the depression.

ORDINARY EXPENSES MET

In no fiscal year have the ordinary expenses of government under President Roosevelt exceeded revenues. Increases have been caused by farm aid, new construction and additions to regular recurring items such as veterans’ benefits, pensions, national defense and the like.

EMERGENCIES BROUGHT RISE

RELIEF is the great human cost which has run up government expenses. As good times return, this item is being lowered.

DECREASING THE DEFICIT

President Roosevelt’s program calls for a steadily decreasing deficit each year. In 1935 the deficit was $400 million less than in 1934; had it not been for the soldiers’ bonus and the loss of AAA taxes, the deficit would have declined again in the fiscal year 1936. For 1937 there will be a drop below 1936, as estimated by the Treasury, of over $3 billion (to $2,075,000,000).

The gross national debt per capita was $250 after the war. Today it is $245 (including a bonus charge of over $15 apiece). We reduced the debt then. We can do it again.

The First Step to Reduce NATIONAL Debt is to Lighten PERSONAL Debt

Follow PRESIDENT ROOSEVELT Forward

Poster for the presidential election campaign, 1936.
sonal letter to Roosevelt in February 1938, he wrote, “a convincing policy ... for promoting large-scale investment ... is an urgent necessity. These things take time. Far too much precious time has passed.” He was especially critical of the government’s hesitant approach to public expenditure on housing construction, railways and regional energy supply; he also recommended a more resolute policy on extending public ownership in these sectors.

The actual learning process in matters of public indebtedness did not begin until the country started preparing for war from 1940 onwards, which forced the government to jettison its dogmatic fears. By 1944, unemployment had fallen to 1.2%. “It was war which freed the government from the taboos of a balanced budget” (Leuchtenburg 1963: 347).

Before this, however, a second, equally important learning process had already got under way. Between 1935 and 1937, the first steps were taken towards increasing tax receipts. In three successive pieces of legislation, the tax burden on high incomes was raised massively. The 1936 and 1937 acts also tightened up the tax collection system and introduced a tax on undistributed corporate profits and a high inheritance tax (see box on page 38). These very popular measures were part of the radicalisation of the New Deal during these period, which can also be observed in the processes described in subsequent sections. Incidentally, their popularity can be discerned in the slogan “Soak the Rich”, which summed up how they were perceived by the public – in 1936 there was even a feature film with that title.

Viewed objectively, the high tax rates applied to only a small number of people because of the extremely unequal income distribution, which of course restricted the increase in revenues for the state, notwithstanding the powerful symbolism of taxes on the wealthy. Nevertheless, receipts from income tax and corporate profits rose from 1935 to 1938 from 1.5% to 2.8% of GDP (Figure 4).

However, the lifting of the taboo or the paradigm shift that this tax legislation instigated was more significant than these direct effects. It marked the beginning of a redistribution policy
"Soak the Rich" – the tax legislation from 1935 to 1937

The 1935 Revenue Act introduced a so-called wealth tax that raised the tax rate for high incomes to up to 75% for annual incomes of 1 million USD or more. Further tax legislation in 1936 and 1937 increased the tax rate to up to 79%. The income tax bands and rate were then as follows:
- from 4,000 USD 8%
- from 10,000 USD 11%
- from 24,000 USD 21%
- from 50,000 USD 35%
- from 100,000 USD 62%
- from 1 million USD 77%
- from 5 million USD 79%.

The 1936 and 1937 acts also introduced:
- an inheritance tax of up to 45% (subsequently increased to 60% and during the war to 77%) and
- a tax on undistributed corporate profits of up to 27%.


Figure 3: Receipts from the taxation of the incomes of private individuals and companies, US Federal Government 1934-1938, as % of GDP
that was strengthened ever further during the Second World War and into the 1950s (Krugman 2008: 55 ff.). The top rate of income tax eventually reached 91%, the top rate of inheritance tax 77% and the average federal tax on corporate profits more than 45%. All this contributed to what Krugman (ibid.) describes ironically as the “relative impoverishment of the economic elite (...): In 1929, the richest 0.1 per cent of Americans owned more than 20 per cent of the country’s wealth; by the mid-1950s, their share had fallen to just over 10 per cent.” This trend did not begin to reverse until the neo-liberal turnabout that began in the 1980s and has continued ever since.

The New Deal fiscal policy reflects, in a particularly striking way, the bright and dark sides of an adventurous, experimental approach without a detailed master plan that was both a search and a learning process. The search process was mainly successful in those areas in which it abandoned the orthodoxy of the past. However, when old dogmas were not jettisoned, setbacks such as the 1937/38 recession ensued.

Shying away from maintaining a resolute change of course is a familiar phenomenon and an experience whose consequences should be of great significance for a future Green New Deal. But the learning processes set in motion by failures also contain important lessons for a Green New Deal. With regard to fiscal policy, this applies especially to the initial, game-changing steps towards the taxation of high incomes, inheritances and corporate profits that were ventured from 1935 onwards.

The contradictory search and learn process can also be observed in other key projects and milestones of the New Deal. In what follows, I highlight three of them that provide particularly striking illustrations of the interactions between government policy, social pressures and parliamentary action. This was a dynamic that John Kenneth Galbraith (1952) later described as the facilitation and activation of “countervailing power” within society that will probably be crucially important in determining whether and in what manner the process of reform leading to a Green New Deal will be initiated.
3 “Go out and make me do it”

“In one week, the nation, which had lost confidence in everything and everybody, has regained confidence in the government and in itself.” Walter Lippman (cited in Schlesinger 2003b: 13) was perhaps exaggerating in this observation on the first week of the Roosevelt administration in March 1933 about the speed but certainly not about the substance. Many accounts confirm that the first success of the New Deal was to reawaken the optimism and commitment that had been completely lost in the crisis.

Public relations played a significant part in this of course. Roosevelt held two press conferences each week, which were not generally introduced by official statements but were more conversational in nature. His weekly radio addresses, the so-called “fireside chats”, in which the President explained government policy in terms that were both factually detailed and widely understandable, became legendary. As Frances Perkins (1946: 175) recalls, “he took action that was needed, but, more than that, he explained over the radio what the action was, how it was going to be taken, what we hoped it would do, and what the people’s role would be.” Even from today’s perspective, this kind of regular, non-propagandist explanation of the government’s actions was a brilliant communications strategy that served to bridge the gap between government and people. The response was not slow in coming: Roosevelt received around 8,000 letters a day, and he is said to have regularly read a selection of them (Lepore (2019: 530 ff.) describes all this vividly).

15 At this point, Lippmann was still supporting Roosevelt. However, this was soon to change drastically. On the political turnabouts of this important intellectual and political commentator, who was to play an important part in the early stages of a neoliberal counter-current in the course of the 1930s, cf. Deppe (2003: 432 ff.).
As was soon to become apparent, the New Dealers also needed active support from the wider society. They were very much aware of this. One of the numerous anecdotes that have coiled themselves around the New Deal recounts a meeting between Roosevelt and activists who were trying to persuade him to adopt their legislative proposal. He listened to their arguments and is then supposed to have said: “You’ve convinced me. Now go out and make me do it” (Dreier 2011). Whether the story really came to pass in this way is uncertain. The important point is that it could be true, because it encapsulates a typical characteristic of the New Dealers’ approach. They regarded government action without the active participation of other forces in society as unlikely to be successful.

However, what many of them probably did not suspect at the beginning was that, at several important milestones, the spirit of optimism in the wider society was to push the New Deal significantly beyond what the President and some of his fellow travellers at least had originally intended. On the other hand, there were also projects that were hampered, at least in part, by the abandonment of classic top-down politics.
Both experiences are interesting for the approach to a Green New Deal. With regard to both the possible strengthening effect of the interaction between government and social actors and the contradictory nature of such interactions, two particularly striking processes offer a wealth of instructive illustrative material: the establishment of minimum social and labour standards, which peaked in two path-breaking Acts passed in 1935 and 1938 and was closely linked with the reinvigoration and advancement of the trade unions, and the realisation of major infrastructure projects such as the Tennessee Valley Authority. I begin with this last-named example.

“Grassroots democracy”

The Tennessee Valley Authority (TVA; see Overview, point 5), a federal agency founded as early as May 1933, was established to bring economic and social development to one of the poorest regions of the USA through the construction of dam systems for the purposes of electrification, irrigation and cultivation. Apart from in times of war, central planning of this kind was extremely unusual in the USA and for that reason alone it was vigorously contested in public debate. Many feared it would evolve into a central planning monster and would have preferred regional planning authorities. In the government, however, the debate was won by advocates of a flagship project through which, in a large region encompassing seven states in the South of the USA, a total of 21 dams were built, farms and villages were connected to the power supply system, forests were regenerated, agricultural areas were irrigated, the rural infrastructure was developed and rivers made navigable by means of dams and sluices (which at the same time protected farmland from flooding). All this de-

The Norris Dam was one of the first major TVA projects (1933-1936).

Development also created the conditions for the industrial development of the region.

Because of the struggles for power and control between Washington and the federal states, as well as between the various ministries, the TVA remained one of a kind. However, comparable large-scale projects were carried out in other regions as well and financed by the Public Works Administration (PWA, see Overview, point 7). However, the TVA was a trailblazer, above all because of the electrification of the South and West. It is true that, in the Second World War and the post-war period, its increasingly strong focus on electricity generation led the TVA to extend its activities to coal mining and nuclear power stations, as a result of which its original exemplary association with environmental protection and conservation was turned on its head. However, this does not alter the fact that in the New Deal era it was one of the great symbols of modernisation and a new beginning.

In this connection, it must be emphasised that an integral element of the TVA and of all the other infrastructure and job cre-
ation programmes (see points 4, 7, 8 and 14 of the Overview in section 1) was an anti-corruption investigation unit, which operated with considerable assistance from army officers. As a subsequent investigation by Congress showed, these units succeeded in their task and there were no major corruption scandals. Krugman (2008: 72) describes the New Deal politicians as “absolutely obsessed with fighting corruption” and, in view of the scale of the public programmes, finds it “astounding, how clean the New Deal’s slate remained.”

What also makes the TVA interesting for advocates of a Green New Deal is the combination of central planning and decentralised involvement. It was clear to the management of this authority, which had been set up from scratch, that they were dependent on cooperation with regional and local institutions and actors. The director of the energy division, David Lilienthal, described this approach as “an experiment in the grassroots administration of federal functions”. In particular, the role of the local authorities was considerably enhanced by this approach, which was also to become characteristic of other New Deal institutions. They had hitherto been totally dependent on their state authorities. Now even city mayors from the Southern states became “a familiar sight in Washington … The destinies of our cities are clearly tied in with national politics” (Leuchtenburg 1995: 277).

Clearly, this “grassroots democracy”, as it was often described, had its ups and downs, which could even turn the democratic impetus on its head. Thus Rauchway (2008: 92) points out that “TVA’s commitment to respecting local institutions limited its support for democracy: working through established southern structures meant leaving the racial hierarchy of the South intact” (see my remarks on this problem in section 1). For Leuchtenburg (1995: 160), therefore, grassroots democracy also meant that the government frequently bent its knee to the established interests of “powerful white landowners” in particular (cf. my remarks on the problem of racism in the first section). This ambivalence towards democracy, which tends to arise when local interests are taken into account in the course of large-scale development projects,
is absolutely familiar to us today in Germany, albeit in very different forms, in connection with the torpedoing by local communities of the expansion of wind farms.

Irrespective of such difficult balancing acts associated with grassroots democracy, from both an historical and contemporary perspective the main focus of attention must be on their potential. In the case of the TVA and the other dam projects, this potential became all the more evident the more the government succeeded in gradually establishing energy supply as a public function in many regions and cities. Until the New Deal, energy supply in the USA was exclusively a matter for private companies and utility cartels and initially there were even courts that regarded this as a prerogative that had been elevated to constitutional status. However, the privilege enjoyed by private holding companies led to underprovision in regions regarded as unprofitable (thus in 1934 only 10% of all farms were connected to an electricity supply network), while in cities and more densely populated areas energy prices were often very high. Henceforth this state of affairs, bemoaned by many, was to be countered by state energy supply companies competing with the private suppliers.

The idea behind this was the so-called “yardstick approach”, in which public utilities were to set the yardstick or benchmark for appropriate pricing; this also particularly benefited those regions that had not hitherto been supplied by private suppliers because they were insufficiently profitable. And in some urban areas in which the state was now actively competing with private suppliers, it was able to supply electricity at half the price charged by the private suppliers. It stands to reason that such provocation would be met with numerous lawsuits, political at-
tempts to block new entrants to the market and the usual protests against Communism, Stalinism and dictatorship. When the prevention strategy proved to be of only limited effectiveness, the private companies switched to demanding public subsidies to develop their networks so that they could supply rural areas. Some of this is remarkably similar to current disputes arising out of the energy transition.

If history were to repeat itself today in this regard, it would do so this time as tragedy and not as farce. Although all the trickery and attempts at obstruction in the years from 1934 onwards delayed and complicated the expansion of the public electricity supply, they could not stop it. The grassroots democracy played a central role in this. The federal authorities had city mayors and other local actors on their side who, particularly in the southern states, had previously distanced themselves from the New Deal. A number of local energy supply companies were set up that purchased electricity from state energy producers. In rural areas that could not be reached for geographic or legal reasons, many non-profit cooperatives were set up by farmers and connected to the state power grid.

This dynamic was further boosted from 1935 onwards as a new radicalism was injected into the New Deal by the establishment of the Rural Electrification Administration (see Overview, point 15). Its director described the electrification programme as “primarily an aid to self-help” (quoted in Schlesinger 2003c: 383). Further legislation enacted in the next two years guaranteed that non-profit agencies would have priority in the distribution of state-generated electricity and that public investment in power generation would benefit households by making electricity available to them at low prices instead of boosting the profits of private energy companies. During this period there was no longer a majority in the Supreme Court for blocking judgments against the New Deal (I will return later to the Supreme Court’s role) and some of the private power companies began to reduce their prices. Ultimately, therefore, the proportion of farms with an electricity supply was increased from 10% at the outset to
90% by 1950 and households and schools in countless villages received mains electricity for the first time.

The success of the major electrification project prompted Roosevelt later to remark that “big government need not be absentee government … that great national powers can be exercised as government at hand, at home, working with the people and their local governments where the people are” (quoted in Schlesinger 2003c: 375). However, in contrast to today’s customary declarations, heard regularly in Germany among other countries, about the need for “politics” to be close to “the people”, it was actually “big government” that initiated the process. The federal government laid down priorities and objectives that were then implemented by means of a decentralised, collaborative process. It was a very bumpy and conflict-ridden process, but it was able to function because such large-scale projects were symbols of a change that was approved by a majority of the population, as the 1936 election demonstrated. Thus when Schlesinger (2003c: 362) entitled the chapter on the implementation of a public power supply system “Power for the People”, he was not indulging in a mere play on words.

“The Act was absolutely unenforceable without a strong surge of public opinion behind it”

The New Deal was able to develop a similarly strong dynamic in establishing basic social and labour standards. The starting point for this was the National Industrial Recovery Act of 1933 (NIRA, see Overview, point 7). It triggered a highly conflictual and dynamic process of interaction between government, social forces and Congress which, following a series of failures and defeats, ended in a result that went far beyond the government’s original intention.17

The NIRA, which was passed within the first 100 days of the first Roosevelt administration, was the first major attempt to combine a public job creation programme with the establishment of minimum social standards. In the event, this experiment failed after one or two years, but the political dynamic that it triggered proved to be of greater significance. For the first time, employees were not only given the right to join a trade union but employers were at the same time forbidden from preventing them doing so or forcing them to join a (so-called “yellow”) company union. The principal idea behind the NIRA was that these basic principles would be underpinned by “codes” to be agreed at industry level. Employers’ organisations, trade unions and consumer associations were supposed to reach agreement on minimum prices, minimum wages, maximum working times and other labour standards such as the prohibition of child labour in order to end dumping competition and revive the economy.

The director of the agency set up for this purpose (National Recovery Administration/NRA) was Hugh Johnson, a general with WW1 experience who, after a few weeks in the job, concluded that this undertaking “was of such nature to be absolutely unenforceable without a strong surge of public opinion behind it” (quoted in Schlesinger 2003b: 108). What was not in dispute was that the NRA was to proceed not by issuing directives but through negotiation and agreement. In order to encourage such an approach, Johnson created a symbol of patriotism with which any company that supported the agreed guidelines could adorn itself. This was the famous Blue Eagle. It was intentionally reminiscent of the posters created to boost the war economy 15 years previously and became the “focus of moral and civic pressure” (ibid.: 115).

The Blue Eagle was one of the most important symbols or logos of this first phase of the New Deal. All across the USA, it stood resplendently above factory gates and in shop windows and retailers printed it on their packaging. Public events were held to publicise it. The high point was the Blue Eagle Demonstration with some 250,000 participants in New York in September
1933, whose route down Fifth Avenue was lined by one and half million spectators.

This imparted a powerful impetus to the negotiations on guidelines for each industry or sector, and General Johnson was in a position successfully to exert very heavy pressure on large companies in sectors such as steel, oil, timber processing and finally even the coal mining and automobile industries. Henry Ford was alone in refusing to sign (although employment and working conditions in his factories were no worse than in those companies that did sign up to the guidelines).

This was the formal and publicly visible side of the NRA’s activities, but the practical implementation was often completely different. Notwithstanding the agreements reluctantly given by the harried bosses of important large companies, the NRA remained highly controversial among employers. It also soon became clear that the labour unions, which in any case were very weak, had taken part in only one tenth of the negotiations and that consumers’ associations had been even less involved. Against this background, it is hardly surprising that in many cases the guidelines existed only on paper and were seldom observed in everyday life. There were no state enforcement mechanisms. Consequently, the government tried in 1934 to improve the monitoring of compliance with NRA standards by setting up the joint National Labor Relations Board (see Overview, point 11). Apart from a few exceptions, this second attempt also failed.

In accordance with the prevailing thinking in the first phase of the New Deal, which Schlesinger (2003c: 220) describes as a “philosophy of co-ordination and control”, the establishment of
the NRA could be seen as an attempt at trilateral corporatism or a sort of formal social partnership that had to be brought about under massive pressure exerted by the government. However, in view of the reluctance of the large companies and the weakness of the labour unions, this approach was doomed to failure. This tangled situation was further compounded by an increasing number of court judgments that considered the NRA to be unconstitutional. After a final judgment by the Supreme Court, the NRA had to be wound up just two years after it had been founded.

And yet despite these defeats, the NRA did unleash a new, far-reaching dynamic: “The more enduring achievements of NRA lay not in the economic but in the social field. … The Blue Eagle campaign changed the popular mood from despair to affirmation and activity” (Schlesinger 2003b: 174 f.). The 1933 Act protected the right to join a union from any reprisals an employer might take and this principle became the starting point for a deepening class confrontation. The determination to organise that was emerging among industrial and transport workers came up against the virulent hostility to trade unions displayed by many employers. A whole host of new “yellow” company unions were set up, in an attempt by employers to circumvent the obligation to recognise freedom of association. “Never had American business men hired so many private police, strike-breakers, thugs, spies, and agents provocateurs. Never had they laid up such stores of tear gas, machine guns, and firearms” (Schlesinger 2003b: 396).

This in turn triggered an even more extensive wave of strikes in 1933 and 1934. Along with a shift of focus from demands related to wages and working time to trade union organisation, the number of strikers rose from 324,000 in 1932 to almost 1.5 million in 1934 and almost 1.9 million in 1937 (Kuczynski 1948: 296 ff.). Some of these strikes degenerated into bloody battles with fatalities because city mayors and the governors of some states deployed police and the National Guard to put them down brutally. “The result in some communities approached civil war” (Schlesinger 2003b: 385). All the more remarkable was the in-
tervention of “Women’s Emergency Brigades”, which in some of these strikes protected strikers from violent police action. 18

Most of these strikes – particularly in heavy industry – ended in defeats for the workers. At the same time, however, this phase marked the beginning of a period of radical change that saw a revival of the labour unions and the biggest upsurge in their fortunes in the history of the USA (see the next section for further details).

Equally important – and paradoxically interacting with it to some extent – was the reversal of government policy sparked by these experiences. In 1933 Roosevelt had warned the unions against strikes because he believed such action would jeopardise his plan of finding a way out of the crisis that involved all the social actors working together. Labor Secretary Perkins tried pragmatically to damp down confrontations and strove doggedly to reach compromises between employers and trade unions. However, she recalled that, for General Johnson, the director of the NRA, “no stoppage of work could be tolerated under any circumstances. It was like a stoppage of work in war time” (quoted in Leuchtenburg 1995: 69).

Since Roosevelt was still hoping in the first one to two years of his administration that the employers would be willing to coop-

18 On the Women’s Emergency Brigades see Dieter Klein (2016: 68). Schlesinger (2003b: 390 ff.) describes some of these strikes, among them the so-called “Battle of Toledo” in 1934, in which 10,000 workers blockaded a plant to prevent strike breakers gaining access. Two of them were killed by police but the strike continued for two weeks until the strikers were granted both a pay rise and the right to join a trade union. There were similarly bloody confrontations around trade union recognition in Minneapolis and – most spectacularly – in San Francisco, where strikes and blockades by dock workers ended in violence on “Bloody Thursday”, which was followed by a mass strike in many other workplaces that lasted several days. This first general strike since 1919 ended when the most important demands were accepted and triggered an extensive wave of strikes all along the West Coast: “Minneapolis and San Francisco were more bloody and spectacular than the rest. They were not alone. … Employer immoderation in this period of grass-roots unionism made labor immoderation inevitable” (ibid.: 393).
erate in order to be able to make the NRA a success, he too originally rejected comprehensive and binding labour and social legislation. However, the NRA’s failure spurred a rethink that was pithily summarised by the economist Gardiner Means, a member of the New Dealers’ inner circle: “NRA's greatest contribution to our society is that it proved that self-regulation by industry doesn't work” (quoted in Terkel 1986: 249).

Labor Secretary Frances Perkins was one of the most important figures pushing for a change of direction. Roosevelt appointed her in 1933 as the first woman in the history of the USA to join the cabinet and entrusted her with this key role, which even more than any other was regarded as a purely male domain (on Frances Perkins’ politics cf. Schlesinger 2003b: 299 ff.).

A typical example of her both determined and flexible approach was the process of negotiating the NRA codes for the steel industry. As she describes in her memoirs (Perkins 1946: 219 ff.), the first of the rounds of negotiations saw her invite the chair of the labour union umbrella organisation AF of L. The directors of the steel companies refused to take their seats and, in Perkins’ words, stood together in a corner like “frightened boys”. The negotiations could only start after the union leader had left the room: “I could not resist to tell the great barons of steel that their behavior had surprised me and that I felt as though I had entertained eleven-year-old boys at their first party rather than men to whom the most important industry in the United States had been committed.” In the end Perkins had to push the agreement through single-handedly. Parallel to these negotiations during the summer of 1933 she visited several steel cities and talked to local managers and workers. In one town in Pennsylvania, after meeting the mayor, she wanted to talk to steel workers who were demonstrating outside the town hall. The mayor forbade her to meet them on city land, so she led the demonstrators to the building of the United States Postal Service, a federal agency over which the Stars and Stripes fluttered. Once inside, she climbed on to a chair and discussed the content of the codes she was negotiating. As she remembers, Roosevelt telephoned her, laughing and saying, “You
did just the right thing … The post office is a natural for co-operation between the people and the Federal Government.”

From the outset, Perkins, with much clearer concepts than Roosevelt, advocated the creation of a welfare state (along Western European lines, as she saw it) with unemployment insurance, health insurance, a minimum wage, restrictions on working time and a contributions-funded pension system. She was initially unable to push many of these proposals through and never managed to put in place a statutory health insurance scheme (as the Corona pandemic has made dramatically evident, this problem has remained unresolved in the USA to this very day). However, with the exception of health insurance, the tide turned in her favour as the NRA foundered and the industrial unrest intensified.

Her most important ally was the New York Senator Robert Wagner, a resolute advocate of binding legal labour standards, who since the beginning of the crisis had already developed a number of initiatives in this direction, although success had eluded him. After some toing and froing, the winds of change began to blow. Not only were parts of the labour movement now lending their support for the first time (!) to such a legal initiative, but Wagner and Perkins were also succeeding in enlisting the support of an initially sceptical president for more effective labour legislation that would enshrine union rights in the workplace (the basic principle being that only the majority union would be able to conclude agreements).

The employers were absolutely beside themselves. Walter Lippmann, already mentioned above, described Robert Wagner’s draft bill as “a legal monstrosity” and “one of the most reactionary measures of our time” (quoted in Schlesinger II: 405). This was one of the more restrained comments. However, the government stood firm. This was all the more remarkable since, as Frances Perkins (1946: 239) notes, “the President did not take part in developing the National Labor Relations Act and, in fact, was hardly consulted about it. It was not a part of the President’s program.” Rauchway (2008: 94 f.) put it in a nutshell: “As on other issues congressmen of Roosevelt’s party pushed the president.”
The Wagner Act, as it has been known ever since (see Overview point 16), was passed by Congress in the summer of 1935, shortly after the Supreme Court had declared the NRA unconstitutional, and in the years that followed proved to be legally valid. Rauchway (ibid.) characterises the beginning of this second wave of New Deal law making as follows: “The Wagner Act replaced NRA’s statist code-making authorities with the philosophy of countervailing power”. He highlights the logic underlying this new approach: “Countervailing forces ... needed independence”, and independence – over and above economic recovery – could be achieved only through social rights and social protection. Consequently, the Wagner Act was followed immediately by the Social Securities Act, which owed its existence largely to Frances Perkins’ own initiative, and in 1938 finally by the Fair Labor Standards Act (see Overview, points 17 and 20).
The Wagner Act was both a product of “countervailing power“ and gave it fresh impetus. It could be put into effect only because both the NRA’s initial successes and its failures triggered a mutually reinforcing dynamic within the area of conflict between government, society and Congress. However, it was only because an increasingly activist trade union movement launched another massive wave of strikes in retaliation against the employers’ refusal to acknowledge their newly acquired rights and increasingly learnt to make practical use of those rights that it could become an ever more firmly established standard.

We will now examine this equally conflict-ridden process.

“The President wants you to join a Union”

In the interplay between government policy and social movements in the New Deal years, violent upheavals in the labour movement played an important role. During the 1920s, the majority of the labour union federations in the USA had become ossified beneath the carapace of traditionalistic trade associations with their “dictatorial bureaucracies” (Kuczynski 1948: 273). It was not just the reverberations of the crisis and the open and also frequently violent hostility of many employers that caused union density to fall between 1920 and 1933 from 12% to less than 6%.19

In accordance with the tradition of “voluntarist“ trade associations prevalent in parts of the 19th century labour movement, the leadership of the American Federation of Labor (at the time abbreviated to “AF of L”) rejected both the idea of organising unskilled workers in the rapidly expanding mass production sector and any intervention by government in the problems of the workplace. So it stands to reason that neither the NRA nor the Wagner Act originated in labour union initiatives. Rather, the

---

“sleepy headquarters” of AF of L (Schlesinger 2003b: 385) greeted the launch of the NRA with suspicion and then played little part in the implementation of the industry guidelines, although given their organisational weakness they might well not have been in a position to play a more active role anyway. On numerous occasions, labour union leaders even tried to prevent the wave of strikes organised by local “grassroots unionism” in 1933/34. This had a particularly devastating effect in industries where the strike movement was strong. In the steel industry, for example, around 100,000 employees had applied to join the union in the optimistic atmosphere of 1933/34; by the end of 1935, only 5,300 of these applicants were still members.

Consequently, the labour unions had little political influence. Labor Secretary Perkins (1946: 244) gives her impression that “the thinkers of the AF of L were blind to future problems.” As Schlesinger (2003b: 403) summarises her view, “the unions never had any ideas of their own; most labor and welfare legislation in her time had been brought about by middle-class reformers in face of labor indifference.” This must also be one of the reasons why “neither politically nor intellectually was the New Deal much interested in the labor movement during Roosevelt’s first years.”

However, this was not to remain the case. Initially, it was mainly the unions in the clothing industry that started to change course. Since the 1920s, they had been pioneers of a “new unionism” based on industrial unions (i.e. on unions that all workers in the relevant industry could join and not just skilled workers as in the traditional occupational unions, which had led to the coexistence of different craft unions within each industry and in many companies). David Dubinsky and Sidney Hillman, the leaders of the women’s and the men’s clothing industry unions and (albeit oppositional) members of the Socialist Party, had already advocated legal minimum standards for employment conditions during the crisis – initially without success. Having gone down the route of renewal and modernisation, the clothing industry unions had always remained in the minority, even within the labour movement.
This changed abruptly in 1933, when the president of the mine workers’ union performed a volte-face and threw any reservations concerning the New Deal over board. The miners’ union now announced that – as its newspaper reported in June 1933 – the National Industrial Recovery Act had given labour “the greatest opportunity it has ever had to work out its own destiny”. But, the Journal warned, “the bill will only be helpful to those who help themselves” (quoted in Schlesinger 2003b: 139).

Making active use of the newly won opportunities offered by the NRA was a political course of action that met with resistance, and not just from the central labour union federation. The leaders of the clothing industry unions had to fight massive criticism from their own ranks in the Socialist Party as well as from the very grassroots-oriented Communist Party; both saw the NRA as a threat to labour union power (ibid: 405; I will return briefly later to the role of these left-wing parties). This is why the volte-face performed by the mine workers’ union was so crucially important; its president John L. Lewis, a dyed-in-the-wool Republican, had campaigned only the year before for Hoover’s re-election. Under his authoritarian leadership, the union’s membership had shrunk in the 1920s from 400,000 to fewer than 100,000 at the beginning of 1933. In the spring of 1933, however, he recognised the opportunities the New Deal offered the labour unions and adopted the course of action previously embraced by the textile unions. National organising campaigns were launched, with slogans that today sound very strange, such as “It is unpatriotic to refuse to unionize” or “The United States Government Has Said Labor Must Organize” (ibid: 139). The most famous one was John L. Lewis’s own dictum: “The President wants you to join a Union.”

Rauchway (2008: 94) observes ironically that Lewis was exaggerating somewhat: in the early years of the New Deal, Roosevelt regarded the unions with suspicion and “disliked promoting confrontation with businessmen who would lead the country’s recovery”. However, the political turnaround in parts of the labour movement triggered an unstoppable dynamic. By the end of 1933, the mine workers’ union had increased its membership
fourfold, which restored it to its 1920 strength. At the same time, this gave enormous impetus to the strike movements in the industries concerned and, far beyond, to grassroots unionism throughout the country.

Developments within the unions were also noteworthy. From 1933 to 1935, membership of the hitherto dominant craft unions, which continued to distance themselves from the New Deal, rose by only 13 per cent, while the oppositional industrial unions increased their member numbers by 132 per cent overall. After some fierce confrontations within the unions, the break finally came in the years between 1935 and 1937. In 1935, the industrial unions (spearheaded by the mining and clothing unions) set up their own committee within the AF of L and began to establish rival industrial unions. Finally, in 1937, they left the AF of L and founded the Congress of Industrial Organizations (CIO) as a new federation of industrial unions that actively supported the New Deal and organised an increasing number of sectors on the basis of the industrial principle.

Note that this split happened at a time when the Wagner Act had already been passed. Thus the social movements outlined above that contributed to the passing of the Act were actively supported by only some of the trade unions, while it was mainly the grassroots union initiatives that sought to put the new rights into effect and make use of them. It was this grassroots unionism, from which the CIO and with it new member organisations such as the United Automobile Workers (UAW) emerged, that from 1936 onwards organised further powerful strikes, large demonstrations and occupations with several million participants – in some cases such as at General Motors in the face of armed force – as it fought to put the newly acquired trade union rights granted by the Wagner Act into effect. In four of the six years between 1934 and 1939 the right to join a labour union was the most important reason for all strikes. When the first success was achieved in 1937 at GM, this emboldened workers in other sectors such as the steel industry and the newly founded industrial unions there to take similar action. More large companies were
now beginning to give in and comply with the standards laid down in the Wagner Act. By the end of the decade, the unions, whose membership had sunk to around two million by 1933, had more than ten million members in total; in manufacturing industry, union density rose in the 1930s from less than 10 per cent to more than one third. 20

This once again reveals the interaction between mutually reinforcing actors and mutually accelerating political processes that was crucial to the New Deal dynamic and whose outcomes were to shape the post-war decades. Nothing more clearly illustrates this than a remark made by the above-mentioned Sidney Hillman in 1936 at a meeting of the executive committee of his union (quoted in Leuchtenburg 1995: 132): “In my judgement, up to a few years ago we had no labor movement in this country. Even

20 After the Second World War, the two trade union federations merged to form the AFL/CIO, still in existence today. The UAW became the largest and most important industrial union in the USA and made a decisive contribution to the class compromise established at the beginning of the “Golden Age” of the immediate post-war decades.
in our so-called radical organizations we paid lip service to the need for organization, but what did we actually do toward making a real labor movement? That, I am sure, would have been impossible without the NRA.”

It is not difficult to imagine that this remark was interpreted by many of those who heard it as highly provocative. However, what is interesting for a Green New Deal today is this socialist’s understanding of the connection between social movements and state action. He did not regard either of these elements as absolutes and even drew attention to the fact that progressive state action can be used to strengthen social movements – a completely different point of view from the fixation on pure protest movements still prevalent (at least in Germany) among many left-wing activists today. And Hillman and other leading figures in the modernising trade unions had already proved in 1936, in the period preceding the enactment of the social legislation, that they could use their increasing strength to exert pressure on politicians and they were to continue to do so.

The examples presented in this section show that the increasing radical nature of the New Deal from 1935 onwards was the result of an interaction between mutually energising forces – social movements on one side, political actors on the other. This created a reform dynamic in which one particular factor was to play an increasingly crucial role, namely the government’s determination to face down the most powerful interest groups of financial capital and big business.
4 Roosevelt “declined the rich the compliment of fearing them”

Around two years after taking office, the US government executed a political about-turn that constitutes a particularly inspiring example of the aptitude for learning and the combative attitude that in all likelihood will also be required to put any future Green New Deal into effect.\(^{21}\)

When Roosevelt took office in March 1933, the economic situation in general and the situation of the banks in particular was so desperate that to many in the world of business and finance he appeared as “an angel of rescue”, as Galbraith (1981: 40) recalled. And yet that was to change very quickly. As he was putting his government together, Roosevelt had ruled that no member of the government should have business relations or friends in Wall Street. Schlesinger (2003a: 467) quotes from a statement by Roosevelt during the preparatory talks: “There will be no one in it who knows the way to 23 Wall Street. No one who is linked in any way with the power trust or with the international bankers.” At this point, there was already a Senate investigate committee examining the banks’ role in the Great Crash of 1929 and the banks were very quickly subjected to new regulations (see Overview, point 1), which they perceived as a degrading “disciplinary approach”. What then followed is described by Schlesinger (2003b: 444) as follows: “The bitter resentment flowing out of Wall Street after the financial legislation infected a large share of the business community.”

And yet many corporate executives were initially placated by the approach based on cooperation with Big Business that was adopted in the first one to two years of the Roosevelt adminis-

administration. As I have already shown using the example of the NRA’s history, not a few of them took part in the Blue Eagle campaign and did not react in a hostile fashion until their employees began to strike in support of their demands for compliance with the agreed social standards. In the spring of 1934, there was a clearly perceptible shift in sentiment. Now, for the first time since 1929, the economy was starting to show signs of growth and the conservative opposition started to rally. The tone was set by Edgar Hoover, who had been voted out of office just one and half years previously. For him, the New Deal was “the most stupendous invasion of the whole spirit of Liberty that the nation has witnessed since the days of Colonial America” (ibid.: 473).

On the political level, the resistance manifested itself first in the Republican Party, which remained undeterred by the mid-term congressional elections and a number of gubernatorial elections in 1934, from which the party emerged in a weakened state. A greater threat was posed by the opposition of important factions within the Democratic Party establishment that had already attempted in 1932 to block Roosevelt’s candidacy (the parallels with the Democratic primaries in 2016 and 2020 are astounding). Thus the former New York governor Al Smith, whom Roosevelt had defeated in the 1932 primaries, declared: “I am in favor of restoring conditions which make business leadership possible” (quoted in ibid.: 483). Then in the summer of 1934, Smith was one of the founders of the “American Liberty League”, a lobbying and campaigning organisation set up by powerful corporate executives and finance magnates (including members of the du Pont dynasty and the head of General Motors) and some leading politicians in the Democratic Party and, later, the Republican Party as well (on the Liberty League cf. also Lepore 2019: 544 f.). Thus in the course of 1934, the support from large swathes of the employers’ camp that Roosevelt had enjoyed just a year previously began to crumble away. From then on, Roosevelt was regarded in these circles as a “class traitor”.

It is true that, for large sections of the population, the moral authority of the leading figures in Wall Street and Big Business
had been seriously undermined by the Great Depression. However, the influence of the principal media of the time – newspapers and radio – was not to be underestimated. In 1934/35, the major publishers sided with the government’s opponents. One important factor in this was that they themselves were to be forced, under the pressure of the NRA, to accept basic labour standards such as minimum wages and the right to join a trade union and to engage in collective bargaining.

In particular, the media magnate William Randolph Hearst, whose newspapers were read by a quarter of the adult population (Lepore 2019: 547), moved in 1934 from his initial support for Roosevelt to bitter hostility. It is worth mentioning in this regard that in 1934 Hearst was granted an audience with Adolf Hitler, whom he described as an “extraordinary man” and credited, despite some “very serious mistakes”, with saving Germany from Communism – “this is the great policy, the great achievement”. He concluded, with regard to the USA, that “Fascism will only come into existence in the United States, when such a movement becomes really necessary for the prevention of communism” (Schlesinger 2003c: 84).

The opposition of the American Liberty League and other industrial and media bosses was focused initially on the new labour legislation that emerged out of the failure of the NRA; later they included the tax laws in their campaign. The kind of language that was increasingly being used is typified by William Randolph Hearst’s characterisation of the government as “more communist than the communists” and his call for the president to be renamed “Stalin Delano Roosevelt” (ibid.: 85, 329).

What the business elites regarded as particularly egregious was that Roosevelt was one of them. He had been born into the wealthy East Coast upper class and after studying economics at Harvard had for a short while practised law on Wall Street before switching to a political career.22 Given this background, he

---

22 He launched his political career in 1910 as a Senator in New York State, then worked in various government posts and finally – after in-
was not to be impressed or even influenced by the upper classes, whether financially or culturally, as Schlesinger (2003b: 496) very nicely describes: “He had known the rich too long and too well to take them very seriously. (...) He declined the rich the compliment of fearing them.”

The equanimity Roosevelt displayed in his dealings with the business elites was clearly different from the compulsion to prove themselves “on a par” with senior executives that we observe again and again in many politicians in Germany (particularly from the late 1990s onwards, when the Social Democrats pursued the “Third Way”). In contrast, Roosevelt’s unperturbed attitude was an important factor in his strong leadership, which made a decisive contribution to the tenacity of New Deal politics.

However, Roosevelt’s membership of the upper class also proved on occasions to be a disadvantage. Some on the left, above all the Communist Party, “focused on Roosevelt’s patrician background”, as Roesler (2010: 25 f.) puts it, and “‘unmasked’ Roosevelt as a representative of the interests of high finance and the New Deal as nothing but political chicanery.” Schlesinger (2003c: 190) quotes from a speech given by the general secretary of the US Communist Party in 1934: “Roosevelt’s program is the same as that of finance capital the world over. (...) In political essence and direction it is the same as Hitler's program.” Many prominent intellectuals who had still sympathised with the Communist Party in 1932 now turned away from it. However, after the Seventh World Congress of the Communist International in 1935, the party abandoned its propaganda against the “social fascism” of the New Deal and pursued the so-called “popular front” policy, which allowed the CIO headquarters to recruit many communist activists as union officials. The CP’s grassroots activism, particularly among the unemployed, the impoverished rural population and in parts of the new labour union grassroots movement was taken absolutely seriously by the New Dealers. Incidentally, interruptions due to his contracting polio – became Governor of New York in 1929.
despite its “popular front” policy, the CP could not bring itself to support Roosevelt in the 1936 election campaign (Schlesinger 2003c: 563 ff.).

The same applied to the leading fractions in the Socialist Party. They lurched between wildly differing variants of a somewhat milder sectarianism. One fairly temperate criticism maintained that the objective of the New Deal was simply to establish
“state capitalism”, while voices purporting to be more militant described it as “the apotheosis of opportunism” and “the greatest fraud among all the utopias” (ibid: 179).

And yet one of most prominent members of the Socialist Party, Sidney Hillman of the executive committee of the Amalgamated Clothing Workers union, excoriated these feeble attempts to rescue socialist identity from the unreasonable demands of progressive politics. In the speech to his union’s executive already referred to above, he declared in 1936: “Are we supposed to let the chance go by and wait until the Socialist Party comes into power? There is no labor party—let us not fool ourselves about that. (...) I say to you that the defeat of Roosevelt and the introduction of a real Fascist administration such as we will have is going to make the work of building a labor movement impossible” (Leuchtenburg 1995: 132).

Hillman was not alone in warning against the rise of US fascism. There was a fascist current in the American public, some of whose supporters had originally dallied with the Soviet Union and communism before becoming fanatical communist haters. The Hearst empire’s newspapers regularly printed inflammatory articles by one of the best-known Mussolini propagandists in the USA and various fascist initiatives were inspired by Italy and by this time by Germany as well. Schlesinger (2003c: 69 ff.) describes this “Dream of Fascism” and the anxieties it triggered in the liberal community. Sinclair Lewis, in his novel “It Can’t Happen Here” that was published at the end of 1935, gave much heed-ed expression to these fears. As part of the Federal Theatre
Project supported by the CWA (Overview, point 8), the novel was turned into a play that went on tour across the whole country.

The fascism of these years in the USA remained nebulous and disorganised; however, the mood in the country was such that there was considerable potential for the emergence of a much more important movement. In 1934/35, in contrast to other periods during the Great Depression, the USA was gripped by a wave of populism, in which the President was also attacked as a member of the elite. The populist tradition in the USA goes back to the late 19th century and is obviously still very much alive today. The fact that populism was massively supported by sections of the elite in the years from 1934 did nothing to stop the anti-elite propaganda.

The best-known proponents of populism at this time were Charles Coughlin, a Catholic priest whose political radio sermons using the slogan “Social Justice” attracted a weekly audience of some 30 million, and Huey Long, initially governor of and then, until his assassination in September 1935, senator for Louisiana. Schlesinger (2003c: viii) describes Long as “the great demagogue of the day”, as an authoritarian populist with a Führer habitus in the style of Latin American caudillos such as Juan Perón, with an emphasis on personal power. His Southern state racism was the implicit basis of his politics, even though it did not play a central role in his campaigning. Long’s rhetoric was based on a “us down here against them up there” mode of writing and speaking. The “Share our Wealth” movement that he led advocated a rad-

23 Lepore (2019: 406 ff.) deals in considerable detail with this tradition, which is important in US history: “Populism entered American politics towards the end of the 19th century and never went away. It positioned ‘the people’, by which was meant everybody except for the rich, against corporations, (...) and played ‘the people’, by which was meant the white population, off against non-white people (...). Populism also pitted the people against the state” (ibid.: 427).

24 Coughlin was forced in 1939 to end his radio sermons because of his pro-fascist and anti-Semitic leanings. In his novel “The Plot Against America”, Philip Roth created a literary memorial for Coughlin and Charles Lindbergh (see below) that is as impressive as it is terrifying.
ical redistribution of wealth – a policy reminiscent of European social fascism movements of the period –, while at the same time tolerating child labour and adopting a hostile stance towards the increasingly activist labour union movement. Long was severely critical of both the early stages of the New Deal and the social legislation of 1935, regarding the approach as too accommodating. The Communist Party was equally critical, and its rhetoric even harsher, but Long’s protest propaganda and his image as attorney for the “little man” had much greater resonance, particularly among the impoverished rural population in particularly backward regions, such as the Southern states. His style of government depended on a coterie of henchmen who were personally loyal to him and is described by Leuchtenburg (1995: 80) as a “personal dictatorship”: “Long’s Louisiana served as a model for the kind of despotism the New Dealers feared the country might experience if they did not succeed”.

Thus the New Deal government was under massive pressure from very different quarters and as early as 1934/35 the entire project entered a phase of increasing disorientation. The French historian André Maurois (1965: 144) describes these months of crisis thus: “All this agitation became threatening. It was all the more so in 1935, when Roosevelt … was hanging fire. He saw himself attacked not only from both sides, by the business people and by the demagogues, but even his own advisors were not agreed among themselves”. Roosevelt began to distance himself from the unrealistic idea of planning in agreement with the large corporations. This change of direction was hastened in particular by the Supreme Court’s obstructionist strategy. By 1936, the Court was declaring an increasing number of New Deal measures and institutions unconstitutional, by majority decisions of one or two votes. As already mentioned, the most prominent of these judgments forced the dissolution of the NRA, one of the best-known institutions of the first phase of the New Deal.25

---

25 The Supreme Court’s blocking strategy had led to a profound loss of confidence in the justice system among large swathes of the popula-
In this period of crisis and upheaval, however, the various oppositional and blocking manoeuvres did not produce the effect that would normally have been expected, namely attempts at conciliation by the government and a search for compromises. Rather, it found a way out of the political crisis by turning to a less illusionary and more resolute approach than in the first phase of the New Deal. Beginning with the Wagner Act, there now followed the series of path-breaking decisions described in sections 2 and 3 in the fields of tax and social legislation and the strengthening of public ownership in the water and electricity supply industries (Overview, points 16 to 20). It is true that the threat of presumptive unconstitutionality still hung over the New Deal like the sword of Damocles, but after Roosevelt’s landslide re-election at the end of 1936, there was no longer ever a majority in the Supreme Court for any further blocking measures.

The events leading up to this election victory are particularly interesting from today’s perspective. “The Franklin Roosevelt who campaigned in 1936 had come a long way in four years”, summarises Leuchtenburg (1963: 183): “He no longer had the same faith in an all-class alliance.” Since leading representatives of the Democratic Party had joined together with a number of senior executives in 1934 to form the anti-New Deal American

and ended finally in a constitutional crisis (cf. Schlesinger 2003c: 484 ff., Rauchway 2008: 108 ff. and Leuchtenburg 1995: 223 ff.). Roosevelt planned to overcome the resistance of the reactionary majority of judges by appointing more judges to the Court (“Pack the Court”). However, he could not get a majority in Congress for this risky manoeuvre (which incidentally is now being discussed once again in the USA), which was widely regarded as one of his biggest defeats. But his 1936 election victory, and possibly also the risk that some judges saw in the “court packing” plan, caused one or two judges to change their mind, leading to the end of the blocking policy. Hence Roosevelt’s declaration that “We lost the battle and won the war”. However, Leuchtenburg (ibid.), in contrast, points out that Roosevelt’s defeat led to such a loss of influence even among the elected representatives of the Democratic Party that it was a major factor in the emergence of a cross-party coalition that, from the autumn of 1938 onwards, was to bring the New Deal more or less to a standstill.
Liberty League, in the 1936 primaries Roosevelt once again had to overcome resistance from sections of his own party’s establishment. According to the usual standards of realpolitik, this would have been a disadvantage, but Roosevelt turned the tables on his opponents and made a virtue out of a necessity. He had come to the conclusion “that businessmen as a class were stupid, that newspapers were just as bad; nothing would win him more votes than to have the press and the business community aligned against him” (ibid.). Encouraged by a new circle of advisors he “declared war on Big Business” (Leuchtenburg 1995: 103).

This “declaration of war” on these “economic royalists”, as he now called them, was included in a speech Roosevelt gave before more than 100,000 people who had gathered in the run-up to the Democratic Party Convention held in Philadelphia: “The economic royalists complain that we seek to overthrow the institutions of America. What they really complain of is that we seek to take away their power. Our allegiance to American institutions requires the overthrow of this kind of power” (quoted in ibid.: 126).

His open confrontation with the business elites reached its peak in a now famous address that he gave in October 1936 at an election rally at Madison Square Garden in New York City. In this – incidentally very argumentative – speech, he characterised “industrial and financial monopolies, speculators and reckless banks” as powerful interest groups that were doing everything in their power to get back the kind of government they wanted to see, namely one that would be as indifferent as possible to the needs of the people: “They had begun to consider the Government of the United States as a mere appendage to their own affairs. We know now that Government by organized money is just as dangerous as Government by organized mob. Never before in all our history have these forces been so united against one candidate as they stand today. They are unanimous in their hate for me—and I welcome their hatred.”

26 “Organized mob”, the phrase used by Roosevelt, must have triggered an absolutely intended association in all those listening to him. In the USA
There had originally been no desire to engage in such a harsh dispute with the economic power centres and the right-wing groups allied against the New Deal, but it now seemed unavoidable. A declaration such as “I welcome their hatred” is evidence of a determination to take up the gauntlet that is difficult to imagine under similar circumstances today. Instead of affirming that they took “people’s worries seriously”, the New Dealers themselves were now going over to mobilising the grassroots. They were not content simply to accuse their opponents but instead were seeking to develop their own aggressive and rallying response to the political polarisation impelled by the right. This policy of democratic polarisation reached its first peak in the run-up to the 1936 presidential election.

at that time, “the Mob” was the term normally used to denote the Mafia. The speech can be read on the Internet (https://www.presidency.ucsb.edu/documents/address-madison-square-garden-new-york-city-1).
John Dos Passos, in his novel published in 1936 and tellingly entitled “The Big Money”, encapsulated in this sentence the extent of the social and political polarisation in the USA. The New Dealers took this development on board by building a new “Roosevelt coalition” for the presidential campaign that was extremely diverse and not only involved sections of the Democratic Party but also went beyond party lines.27

Since parts of the party apparatus took no part in the campaign or remained ineffective, there was within the Democratic Party a strong grassroots movement, the most active part of which was the women’s organisation. The Women’s Division of the Democratic National Committee had from the outset supported the New Deal by constantly mobilising the grassroots and now they really came into their own. A total of 15,000 women activists in all parts of the country got involved as “reporters” providing information on the achievements of the New Deal; 80% of all the Democrats’ campaign material came from the Women’s Division.

There were also innovative and very effective supporting initiatives from outside the Democratic Party. Leading figures in public and political life (including some prominent Republicans) formed a “Progressive National Committee”. Many city mayors with various party affiliations mobilised their populations to re-elect Roosevelt. One initiative that was regarded as risky as it was successful was the establishment of a broadly based Good Neighbor League, in which members of a wide range of religious and ethnic minorities – Catholics, various Protestant groups, Jewish communities, and many others – who traditionally kept apart from each other joined forces.

One particularly important element in this was the successful attempt to turn the Afro-American population away from its traditional support for the Republicans. In 25 cities in the northern USA, there were large events organised by and for Afro-Americans at which Roosevelt was given an enthusiastic reception. One factor in this (despite the fact that no legal action would have been taken against the traditional racial segregation and lynching - this did not begin until the 1960s) may have been that African Americans were now for the first time being appointed to senior government posts. However, the decisive factor was probably the fact that the Afro-American population participated disproportionately in the anti-poverty and job creation programmes (see above, section 1). Against this background, the Baltimore Afro-American newspaper shared a rather unusual reminder with its readers: “Abraham Lincoln is not a candidate in the present campaign” (Leuchtenburg 1995: 133).

Another significant element was the active participation of the revitalised parts of the trade unions in the Roosevelt Coalition, in both quantitative and organisational terms. Some AF of L leaders continued to support the Republicans, it is true, but the majority of labour union members and dependent employees could be prevailed upon to take part in the campaign and vote for Roosevelt. A number of leading representatives of the CIO founded the non-party Labor's Non-Partisan League, which – in the virtual absence of donations from business28 – made the largest contribution to Roosevelt's campaign funds and did a huge amount of publicity work, particularly in the industrial areas. In Pennsylvania alone, 35,000 union officials took an active part in the election campaign, in Chicago 109 rallies were held and the Labor's Non-Partisan League broadcast weekly radio messages across the entire country.

---

28 In 1932, the Democratic Party was the recipient of one quarter of all donations of 1,000 USD or more from bankers and stock market traders; by 1936, its share had fallen to less than 4% (Leuchtenburg 1995: 132).
Last not least, however, the role of artists and others in the cultural sector must be highlighted. Support for the visual arts, music and theatre had become a firmly embedded element of the New Deal programmes at a very early stage (cf. Overview, point 8). Abstract expressionist painters who later became famous, such as Jackson Pollock and Lee Krasner, launched their careers on these programmes. The wide-ranging depictions of the difficult living conditions experienced by people in both urban and rural areas that were produced by writers and photographers are still impressive today. All this not only offered artists and other creative workers a way of earning their living and launched many of them on their careers but was also part of a cultural and moral shift that also shaped the political climate.

All these initiatives, alliances and activities helped to transform the ethnic, religious, cultural, regional and social diversity of US society from a collection of co-existing but separate (frequently also antagonistic) communities into a source of strength.

The presidential election of November 1936 was an even greater landslide for Roosevelt than that of 1932. He won more than 60% of the votes, including the largest majorities in the working class, particularly among the Jewish and the Afro-American populations (insofar as they had the right and the actual opportuni-

\[29\] Descriptions and analyses of these programmes, which were very effective as publicity, can be found in Jill Lepore (2019: 537 f.) and especially in Naomi Klein (2019: 307 ff.), who devotes a whole chapter to the value of these experiences for a Green New Deal.
ty to vote). This gave the government the momentum it needed for the last major legislative projects of the New Deal, such as the tax legislation and the Fair Labor Standards Act (see box in section 2 and Overview, points 19 and 20).

However, the fifth and sixth years of the New Deal marked not only its high point but also its end point. “At the legislative level”, writes Rauchway (1995: 118) about these years, “the creative phase of the New Deal was ending.” There were specific reasons for this linked to both the country and the period, as well as more general causes that may be particularly instructive for a

---

30 By mid-1938 a Fortune magazine poll revealed that roughly 85% of African American respondents counted themselves pro-Roosevelt (Leuchtenburg 1963: 187).
Green New Deal, the most important of which is that the New Deal had to some extent used up all its energies.

Let us turn to the first of these aspects listed above, namely the historical context.

Directly after his re-election, Roosevelt had forfeited a considerable amount of sympathy by calling a halt to the large-scale job creation programmes. This decision, which stemmed from a belief in the need to return to a balanced government budget, led to an immediate recession and a sharp rise in unemployment (see above, section 2). Although this unfortunate decision was gradually reversed under the pressure of soaring unemployment and the protests of close colleagues, the 1938 mid-term elections saw the emergence of a “general disillusionment with the president” (Rauchway 1995: 117). Moreover, in a country in which racism was deeply rooted, a political price had now to be paid for the Good Neighbor League and other grassroots initiatives in the 1936 presidential campaign: Roosevelt lost significant elements of his support in Congress from the Southern states. His efforts to roll back the influence of racist Democrats in Congress in the run-up to the 1938 mid-terms were unsuccessful. From the end of 1938 onwards, he faced a cross-party right-wing opposition in Congress that had already flexed its muscles by opposing his “Pack the Court” manoeuvre (see footnote 24 above).

The opposition now took further steps to gather its forces. The first move was the formation in 1938 of an Un-American Activities Committee, which conducted hearings in Congress in order to investigate supposed communist influences on the New Deal. It was based on an alliance of racist Democrats from the Southern states with reactionary Republicans. The chair was a Democrat from Texas. The hearings were an attempt to build on the wave of anti-left hysteria which, particularly at the beginning of the 1920s, had led to mass incarcerations and the infamous death sentences passed on the anarchists Sacco and Vanzetti. The committee’s work was supported by the groundwork carried out over many years by FBI director Edgar Hoover (who later in the 1950s carried out the preliminary work for McCarthy’s no-
torious anti-communist activities) and concentrated initially – as usual – on trade unionists, then on employees in ministries and New Deal agencies and finally on the cultural projects. The theatre project in particular came under such massive pressure that its funding was cut off in 1939. From 1939 onwards, some job creation programmes were also rejected or terminated by the coalition of right-wing Democrats and Republicans in Congress. \(^{31}\)

At this time, the political polarisation had already begun to shift to a new issue: from 1939 onwards, the right mobilised against the USA’s entry into the Second World War. In 1940, the America First Committee (yes, that’s right, that really was its name) was set up. Its spokesman was the popular pilot Charles Lindbergh, the proud holder of a medal bestowed upon him a few years earlier by Joseph Goebbels on behalf of Adolf Hitler. Roosevelt was also paying increasing attention to events in Europe, and the New Deal was rather eclipsed. Rauchway (1995: 121) quotes one of Roosevelt’s advisers, who expressed the 1940 assessment of the President, which was that he had “probably gone as far as he can on domestic questions.”

The government’s room for political manoeuvre had now become very narrow indeed. The matter was taken very seriously by John Maynard Keynes (1938) in a “private and personal” let-

\(^{31}\) On the anti-communist persecution campaigns cf. Lepore (2019: 540 f.) and Rauchway (2008: 120). As already mentioned, there were indeed many CP members among the CIO officials who could now be prosecuted. However, one sad irony in the “unmasking” of communists was that, like many other committed professionals of their generation, a number of young CP members had surged into the ministries and New Deal agencies but, in doing so, had “betrayed” their party’s line. Another sad irony was that, in internal union disputes from 1939 to 1941, parallel to the public campaigns by the extreme anti-communist right, the Communist Party was one of the most resolute opponents of the USA’s intervention in the World War, which it regarded as imperialist. However, after Germany’s invasion of the Soviet Union, the party made another U-turn and, in its “patriotic zeal” (Guérin 1970: 86), condemned all calls for strikes for higher wages.
Letter to Roosevelt in February 1938, in which he charitably criticised the expenditure cuts decreed by the President the year before as an “error of optimism”. However, Keynes' critique went beyond day-to-day politics and issues specific to the USA and concentrated on what he regarded – despite individual successes such as the electrification of rural areas – as a lack of ambition in respect of the development of the public infrastructure, including house-building. In Keynes’ view, this lack of ambitious targets meant that certain opportunities that still existed were not being exploited vigorously enough. As far as a possible Green New Deal is concerned, his references to the strategic significance of state intervention and public ownership are particularly interesting. Thus he advocated massive investment in house-building, declared himself in favour of “the ownership of all the utilities by publicly owned boards” and advised with regard to the railways: “Nationalise them if the time is ripe.”

Keynes described himself in this letter as an “enthusiastic well-wisher” of Roosevelt and his policies and praised in particular the introduction of the minimum wage, the limitations on working time and the strengthening of collective bargaining. However, he also warned that all democratic countries would suffer if the New Deal were to fail. In doing so, he addressed the core problem of this end phase of the New Deal: the right-wing opposition was gaining momentum because the government had not maintained the determination and energy with which it had launched the programme and with which, out of necessity, it had further radicalised its original plans, as reflected in the legislation enacted between 1935 and 1938. To put it another way: the fear, rooted in neoclassical economics, of the consequences for the public finances and the consequent lack of resolution in approaching the key question of the public infrastructure had, for the first time since 1933, put the New Dealers on to the back foot. In order to mobilise support for more far-reaching reforms, they would have needed, as Roesler (2010: 36) observes, “influential left-wing parties willing and able to cooperate” – which were, however, lacking.
Full employment was achieved only as the country mobilised for war. Pearl Harbour and the declaration of war by Germany also forced the America First Committee to disband. In a way, the New Deal was subsequently revitalised: in the war economy and later during implementation of the Marshall Plan, important economic lessons were drawn from the experiences of the New Deal years, particularly with regard to the value of an expansionary fiscal stance. It was not until neoliberalism began its triumphant procession across the globe and the competition between rival systems finally ended that this economic rationality was increasingly abandoned.

Thus the New Deal dynamic came to a halt in 1938 also because of its leading actors’ self-restriction in regard to the objectives and measures regarded as necessary. In the case of a Green New Deal, this problem will arise in a different way. Climate change cannot be halted with such self-restrictions; the problems it causes will only increase not decrease in the years ahead.

This leads me to some concluding observations that follow on from the questions raised at the beginning of this review: what ideas for a Green New Deal can be gleaned from the experiences of the past?

32 Rauchway (1995: 131) summarises these lessons as follows: “By 1947, thirty years after it entered World War I, the U.S. government had come around to something approaching Keynes’s view after Versailles – that as the world’s richest country it had an obligation to restore the world’s economy to health.” The parallels with the abiding EU crisis – which most recently came to a head in the dispute over “Corona Bonds” – really thrust themselves to the fore. But even in the years from 1947 onwards, continues Rauchway, “the American leadership reached this conclusion hesitantly and only when prodded by crisis: they preferred much more modest experimentation than the brilliant Keynes prescribed.” The crisis alluded to here was also a political one, namely the (re)invigoration of the labour movement amidst the economic devastation of post-war Europe and above all – and this is what tipped the scales – the beginning of the cold war (Loth 1990: 156 ff.).
One thing requires no explanatory statement here: the challenge for any Green New Deal is even more fundamental than that facing the New Deal of the 1930s. To take examples from the debate in Germany, in view of the “historically unique dual economic and environmental crisis” (Dörre 2019: 107), Mahnkopf (2019: 76) poses the following question: “How might the conflicting goals that are emerging between economic objectives and environmental imperatives be channelled towards a sustainable solution?” In response, Hennicke (2020: 486) advances an “argument that sounds beyond dispute”: “Without a social tipping point, at which unequivocal scientific findings, maximal social pressure from new and long-established social movements, revolutionary technological breakthroughs (e.g. in efficiency and renewable energy) and a massive shift of allegiances by financial and real capital in favour of strengthened climate protection – without this quantity there will probably be no transformation into a new global quality of adequate climate protection.” And Dietzer Klein (2019: 122) makes it plain that: “Never before in history has such a far-reaching rupture in development had to be initiated in such a short time.”

From the last quotation, I would like to highlight the word “initiated”. The point being made here is that a powerful social dynamic has to be set in motion. This is precisely what the New Deal government succeeded in doing within a few months and the momentum of the first 100 days was successfully translated into a far-reaching reform process. What were the most important elements in this period of crisis and upheaval from which lessons can be drawn for the political turnaround to the Green New Deal that will have to be fought for in the 2020s?

The first typical characteristic of the New Dealers was their undogmatic search for solutions, with nothing excluded from con-
consideration: “They measured results in terms not of conformity to a priori models but of concrete impact on people's lives” (Schlesinger 2003c: 654). They were able to adopt this approach because they saw themselves as breaking new ground when the New Deal was launched in 1933. They did not know what they were expecting and were willing to experiment when particular measures proved to be ineffective. There is no doubt that this will also have to be part of the approach to any Green New Deal. Of course a master plan for the fight against poverty and crisis would have been useful and it is indispensable in climate policy today. Paths already trodden (as in the case of motive power technologies, for example) will probably be difficult to correct. Nevertheless, only through practical experience will much of what today is strenuously debated, such as the level and type of CO₂ pricing or the effectiveness of such pricing compared with fixed rules and prohibitions, prove to be either constructive or inadequate. The skill lies in striking a balance between planned procedures and openness, which is particularly difficult in a highly contested policy field.³³

Secondly, breaking new ground requires strong, resolute government, in other words democratic leadership. Franklin D. Roo-

³³ A similar challenge had to be met post-haste in the corona crisis, a task in which governments succeeded to varying degrees – not least because they lacked capacity for systematic planning due to a failure to prepare for such an eventuality.
sevelt’s role as a charismatic leader was obviously of fundamental importance for the New Deal. Of course charismatic, democratic leaders cannot simply be conjured up, however fervently we might wish this to be so today, when right-wing populist demagogues are in the ascendance. However, the experiences of recent years also show that democratic leaders, or at least progressive figures with whom people can identify, as in the Fridays for Future movement, can also emerge out of dynamics in which desires for social change are voiced. However, such figures, and the experts on whom they rely for advice, must actually be taken seriously by governments and not used simply as window dressing – Greta Thunberg and climate researchers send their regards.

The current leadership vacuum in climate policy, i.e. the policy of taking much too small steps (or even the refusal to take such steps at all) and the surrender to the short-term interests of international companies and their lobbying organisations raise the spectre of a sudden rise of the far right that might be triggered, for example, by the chaotic decline of whole industries or an increase in refugee movements driven by climate change. It may well be that only a reform dynamic as strong as that of the New Deal was in its time will be able to prevent this in the coming decade. The initiatives put in place by the New Dealers from 1933 onwards set in motion a powerful process of political and social reform that paved the way for a democratic solution to the profound economic and social crisis and at the same time overcame the political vacuum in the USA of the period and forestalled the advance of the far right.

A reform dynamic of this kind requires – thirdly – institutions that help to shape identity and reform projects with symbolic power. They are also of crucial importance because they are the lifeblood of social movements. This aspect has to date played a more important role in the US debate on a Green New Deal than it has in Europe. Naomi Klein (2019: 302) rightly emphasises that “People who do not have to fear that their families will suffer want and hardship are far less susceptible to racist demagogues who capitalise on the fears that inevitably arise in times
of great change.” At the same time, this observation also helps to explain the need for comprehensive reform projects linking together different social spheres (from the energy transition to education, housing and health policy). It is true that this diversity of projects has given rise in some quarters to criticism of draft programmes for a Green New Deal in the USA. However, it will probably be essential if the aim is to show, by means of concrete examples, that the “green jobs” of the future are a reliable, convincing, credible and therefore achievable prospect. A major social policy project must also provide attractive solutions to problems of everyday living. Only when it is underpinned by reforms designed to reassure and galvanise support can such a project push into the background many of the fears – whether justified or not – that are associated with climate policy.

A key role will be played here – fourthly – by the further development of the public infrastructure. Besides the strengthening of basic social rights, nothing broadened the popular appeal of the New Deal so much as its major infrastructure projects. However, it is not only the New Deal’s achievements but also its failures that provide interesting illustrative material. They show how resolutely the financing of such projects must be approached – by means of a bold fiscal policy. And at the same time they demonstrate that the question of ownership arises at a particularly early stage in infrastructure policy. The “yardstick approach”, which was applied especially to the development of the electricity distribution network and which led to the at least partial abandonment of the “private before state” dogma, as well as the opportunities created for a range of non-profit infrastructure companies, such as municipal networks and the energy cooperatives set up by farmers, offer some interesting ideas for the energy transition of the next two decades. As is well known, there are some particularly sacred taboos in budgetary policy and matters of ownership. All the greater, therefore, the courage and assertiveness that will have to be displayed by those who argue for a “reorientation of the market economy along social and environmentally friendly lines … with strong regulatory safeguards” (Bündnis
Without active social support, even governments willing to take up the cudgels on these issues will not be able to prevail against organised interest groups.

This is precisely – fifthly – what the New Deal demonstrated. The mutually reinforcing interplay of government policy and social pressure for change will be the decisive factor in determining not only how a Green New Deal might be implemented but also whether it will materialise at all. The fact that the emboldening spark of energetic action leapt from the government to large sections of the population was the starting point for the powerful reform dynamic. In sum: the New Deal was not, as many on the left maintain, enforced from “below” but initiated “from above”. A strong government, determined to break new ground, seized the initiative to launch a far-reaching process of reform. This encouraged a multiplicity of grassroots movements which on certain important issues forced the government to go beyond its original objectives, mainly through increasingly extensive strike actions.

Of course, the government’s dependence on the social base also had important downsides. Of particular note is racism, which was then much less questioned in everyday life than it is today, and which meant a serious restriction of the social progress programme. It is not surprising that it also played an unmistakable role in the labour movement. At that time it was still possible to put human rights, such as ethnic and gender equality, on the back burner in the struggle for social justice. Today the connection between the two sides has become much more natural – but the challenge remains.

The main lesson to be learned from these experiences, both positive and negative, is that government policy cannot replace progressive social movements. But it can – and must – encourage them. At that time, at the heart of this interplay were institutions with symbolic power. Supported always by an energetic, large-scale anti-corruption agency, they included infrastructure projects such as the Tennessee Valley Authority (TVA) with its combination of central planning and decentralised grassroots democracy as well as the anchoring of firmly established basic labour and social standards.
In this connection, the route to the Wagner Act and the Fair Labor Standards Act is particularly interesting. The fact that initial attempts to agree and implement labour standards based on social partnership failed when the management of the most important large corporations refused to cooperate voluntarily aroused new powers of resistance, especially among wage workers, and gave a huge impetus to the rebirth of the American labour union movement – even though its renewal was subsequently to be proved limited in many respects. These disputes helped the government to rid itself of a number of illusions – particularly those concerning the willingness to cooperate of powerful business associations – and set it on a confrontational course. Only in this way did it become possible to establish the labour standards, some of which are still in force today. In all likelihood, and in contrast to the years from 1933 onwards, a Green New Deal will not come into being except as a result of massive pressure exerted by social movements. However, without resolute governments, without strong political leadership, it will not be able to maintain this pressure and this dynamic – in this respect there is no difference between now and then.

This mutual reinforcement of government policy and social pressure for change will not function unless – sixthly – the governments introducing a Green New Deal are prepared for conflict. On occasions, they will be forced by social pressures into doing so and on others they will help to mobilise the wider society through their own initiatives. Either way – support from the wider society for the virtually inevitable confrontation with the short-term interests of powerful companies and their lobbying organisation will be urgently required – as the New Deal demonstrated. It is indeed the case that the New Dealers initially strived to put in place a “pact between employees, employers and the state” (Blomert 2009: 16). However, the government’s intentions proved impossible to realise because of resistance from the most powerful capital groups. A “pact” of this kind did not materialise until the 1940s, as a result of the New Deal (and not least of the war as well). Thus important as the search for com-
promises across classes will be for the Green New Deal as well, not least at the time of the transport transition as one of the neuralgic points, this simple observation by an official of the IG Metall union is equally apposite: “It won’t happen without conflict” (Burmeister 2020). The dispute instigated in the spring of 2020 by the German automotive lobby around the highly symbolic demand for an unconditional buyer’s premium for cars is a particularly striking example.

The fact that they did not succeed in getting the premium accepted, which surprised many people, was an encouraging indication of the social influence of the climate protection movement, which has increased not least because of Fridays for Future, and it gave the SPD leadership the political tailwind it needed to make use of the resources in a way that made more sense in both industrial and transport policy terms. “A transformative transport policy”, asserts the German “Memorandum” Group on Alternative Economic Policy (Arbeitsgruppe Alternative Wirtschaftspolitik 2020: 137), “requires the courage to actively state the case for what is necessary and to be resolute in implementing it.” Only when this courage, the willingness of governments to enter into disputes and the countervailing power in the wider society are sufficiently strong will we see differences or even divisions emerging within the business “power elites” (Dieter Klein 2016), as they did in the USA in the 1930s, that will then make it politically possible to stop climate change.

The New Deal also shows that it is irrelevant to this willingness whether or not the leading actors are fundamentally critical of capitalism or even completely anti-capitalist. The suspicion, expressed in many debates in left circles, that the real objective of the Green New Deal is to save capitalism via circuitous green routes, even though it is capitalism itself that is responsible for climate change, diverts attention away from the core of the problem. What is always decisive is whether the matter in question is being addressed. The fact that the New Deal was also an attempt “to rescue capitalism from the capitalists” (Schlesinger 2003a: ix) was no obstacle to the government’s willingness to en-
ter into conflicts and to manage them productively. “The New Dealers ... wanted to reform the system, not to destroy it. Their social faith was in private ownership tempered by government control” (ibid.: 191). They regarded their approach as a “third course” (ibid.: 648), as Roosevelt’s close adviser Tugwell called it at the time. Roosevelt himself described his strategic intention in an interview thus: “My desire to obviate revolution ... I work in a contrary sense to Rome and Moscow” (Schlesinger 2003b: viii). Thus for him, the aim was not to find a third way between capitalism and socialism but rather to overcome a crisis that was destroying his country and in this way also to save capitalism and democracy – and this at a time when millions of people in Europe were cheering Mussolini and Hitler or were literally awestruck by Stalin.

What can we learn from this today? The fact that private ownership was “tempered by government control” benefitted US capitalism, just as European capitalism was repeatedly constrained for its own good by the labour movement of the 20th century. How adaptable capitalism proves to be in the coming two to three decades as the Green New Deal is implemented, we and future generations will not know until everything that is required to save the natural basis of human civilisation has been done. However, even those who seek to preserve capitalism – and this will also be the objective of a not inconsiderable number of the advocates of a Green New Deal – should not bend to the powerful interest groups in the capitalist camp. All the less so, since Keynes’ 1938 warning – already quoted above – against shying away from conflict over matters of public investment and public ownership – subjects that have since become key issues for any attempt to tackle the climate crisis – is to be taken to heart more urgently than ever before: “These things take time. Far too much precious time has passed.”

34 Roosevelt articulated this slightly ironically at the end of 1934 in a personal letter: “One of my principal tasks is to prevent bankers and businessmen from committing suicide” (Schlesinger 2003b: 503).
The website https://livingnewdeal.org offers an easily accessible variety of information about the New Deal of the 1930s and interesting insights into the current discussions about a Green New Deal in the USA.


EuroMemo Group (2020): A Green New Deal for Europe – Opportuni-


Despite careful research, it was not always possible to identify the authors or rights holders of the photos; please contact the publisher for justified claims.

Page 8: National Archives and Records Administration: www.archives.org. For more pictures of this kind see https://livingnewdeal.org/working-together-gallery/

Page 9: picture alliance/Alex Edelman – CNP/MediaPunch | Alex Edelman

Page 13: public domain

Page 23: Library of Congress (digital ID: cph.3c23278), public domain

Page 24: https://livingnewdeal.org/working-together/

Page 29: Cartoon of Clifford Berryman, source: FDR Cartoon Archive (www.nisk.k12.ny.us/fdr/newmain.html)

Page 36: Democratic National Campaign Committee, Centpacrr (Digital Image), public domain

Page 41: National Archives/Franklin D. Roosevelt Presidential Library and Museum, public domain.

Page 43: Lewis Hine/U.S. National Archives and Records Administration, public domain

Page 49: Library of Congress (digital ID: cph.3b5042), public domain

Page 54: Kheel Center/flickr.com, Creative Commons (CC BY 2.0)


Page 65: FDR Cartoon Archive (www.nisk.k12.ny.us/fdr/newmain.html)

Page 66: Work Projects Administration Poster Collection (Library of Congress), public domain

Page 75: picture alliance/akg

Page 81: https://boingboing.net/2019/01/04/president-ocasio-cortez.html (Creative Commons Lizenz)
Bernd Riexinger
SystemChange
Plea for a Left Green New Deal
– How we can win the fight for a socially and climate-friendly future
In German
144 pages | € 12.00
ISBN 978-3-96488-067-3
Bernd Riexinger designs a „concrete utopia“ for a socio-ecological System change and DIE LINKE of the future: a modern socialist member party and unifying class politics.

Request a catalogue!

VSA: Verlag
St. Georgs Kirchhof 6
20099 Hamburg
Tel. 040/28 09 52 77-10
Fax 040/28 09 52 77-50
Mail: info@vsaverlag.de

Ulrich Brand
Post-Growth and Counter-Hegemony
Climate strikes and alternatives to the imperial way of life
With a chapter on the Corona Crisis
In German
256 pages | € 16.80
ISBN 978-3-96488-027-7
A perspective based on post-growth against the imperial way of life must create (framework) conditions for a good life for all. Post-growth means a different model of prosperity and requires a social and global perspective of social-ecological transformation.
Stefan Stache/ Wolf von Matzenau (Hrsg.)

**What does renewal of the left mean?**
Social-ecological change and a welfare state for the 21st century
In German
192 pages | € 16.80
ISBN 978-3-96488-026-0
With a sustainable concept that combines the socio-ecological transformation with the expansion and modernization of the welfare state, the renewal of the social left as a whole could succeed.

Request a catalogue!

VSA: Verlag
St. Georgs Kirchhof 6
20099 Hamburg
Tel. 040/28 09 52 77-10
Fax 040/28 09 52 77-50
Mail: info@vsaverlag.de

Dieter Klein

**Future or end of Capitalism?**
A critical discourse analysis in turbulent times
A publication of the Rosa-Luxemburg-Foundation
In German
320 pages | € 19.80
ISBN 978-3-89965-888-0
Discourses have power over people. Focussing on the question of the future or the end of capitalism, Dieter Klein traces the panorama of the current world of in a critical analysis of texts by prominent authors – culminating in the contours of a social alternative based on solidarity.

www.vsa-verlag.de
Coping with the consequences of the Corona crisis makes a socio-ecological transformation even more urgent. A look back at the New Deal of the 1930s is useful as inspiration for this. Not just at what was done, but primarily at how it was set in motion.

The New Deal policy of the Roosevelt administration was an unprecedented socio-political reform project. The "New Deal" is therefore often used as a slogan, an advertising banner, but it is good for more. Looking at the interplay between government and social actors, their willingness to tread new ground, their ability to learn and their courage to challenge powerful interest groups in business, politics and the media is stimulating for all those who are thinking about how a radical turn towards climate protection can be implemented today.

“The media debates that paint the Green New Deal as either impossibly impractical or a recipe for tyranny just reinforce the sense of futility. But here’s the good news: The old New Deal faced almost precisely the same kinds of opposition — and it didn’t stop it for a minute.” (Naomi Klein)