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Source: *The American Journal of Sociology*, Vol. 39, No. 6 (May, 1934), pp. 842-848

Published by: The University of Chicago Press

Stable URL: <http://www.jstor.org/stable/2767430>

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THE FUTURE OF THE NEW DEAL

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ABSTRACT

The energy back of the New Deal is due to a synchronizing of the business cycle and the political cycle, and will spend itself. The pattern taken by the New Deal is the framework of the relationship of government to business. Most of the New Deal activities follow trends which have been in existence for many years and which are likely to continue, though some of them may be combated successfully. A much closer union between business and government is predicted.

Is the New Deal a revolution signaling the passing of the old order and the birth of a new one? Or is it merely a transitory phase of economic recovery? These questions have been discussed in the preceding contributions, but not with particular reference to the future. Any prediction as to the future of the New Deal must rest upon the explanation given of its origin. Two phenomena need to be explained. These are the unusual burst of energy that created it and the particular forms this energy took.

This unusual drive of energy is due basically to the synchronizing of the business cycle and the political cycle. Changes in the political life of the nation come every four or eight years, on dates fixed without reference to the fluctuations of business. Usually a business panic or industrial revival comes somewhere in the course of an administration, so that a president will have part of his administration during good times and part during bad times. But the preceding Republican administration was identified wholly with the severest depression of recorded history. On its very last day in office the banks all over the nation were closed. The change in the political cycle occurred when the economic cycle was in its trough. The Democrats came in with recovery, whether it was due to their efforts or to economic laws, and brought with them the energy of springtime after the long dark winter.

The only other time in recent American history when such a synchronization has occurred was the election in the autumn of 1896. There had been four years of very severe depression, and the protest

lined up with vigor behind William Jennings Bryan. But at that time the result was different, for the rural radicals and inflationists lost and the conservative sound money group of the industrial East won. The protest party never got control of the governmental machinery in 1896 as they did in 1932. If they had won there might have been a 'ninety-six model of a New Deal, or an attempt at one.

Naturally, there are differences. The tempo is faster now. There are the radio, the telephone, the motion picture, and many other agencies of propaganda. The country is much more industrialized and urbanized. Since unemployment is an urban phenomenon, there was probably much more distress in the early 1930's than in the 1890's. The depression of the 1930's was more severe also. Then, there are differences in leadership. President Roosevelt is not only a very courageous and skilful leader but has shown himself unusually sensitive to the appeals arising in a period of recovery. So the social effort which has characterized 1933 might well be greater than would have been displayed had Bryan won in 1896.

One other explanatory factor needs to be mentioned. It is the tendency of postponed social changes to pile up as in a dam, and to be released with a rush when the dam breaks. Government in particular shows such inertia, perhaps more so than economic organizations, against changes precipitated by inventions and technology. Thus the governmental unit, the county and its boundary lines, laid out in the days of the horse and buggy and an agricultural civilization, resists changes precipitated by the automobile and an industrial civilization. Many changes in governmental structure necessary to meet the problems of business crises, industrial expansion, and economic planning, seem to have been long postponed. Now they come one after another in various alphabetical arrangements.

The exceptional display of energy can thus be explained. The particular forms this energy takes are of course not accounted for by the harmony in the timing of the political and the business cycle. The form of the political and economic pattern is determined by the secular trend rather than the cyclical forces. Their explanation lies in historical antecedents. Any New Deal that Bryan might have brought would certainly have been very different from that ushered in by Roosevelt. The broad outline of the new pattern is undoubted-

ly the framework of governmental and business relationships. The forces of our social life have thus been converging for some time.

These trends in government and industry not only furnish the pattern of the New Deal but are the guides to its future. The two parts of the pattern are public control, on the one hand, and governmental aid, on the other, which are based respectively on the vigor of economic trends and on the weaknesses of the system. There remains the question of the changes in government that will accompany these economic changes.

One trend that is heading us toward a union of government and business is the push toward monopolistic prices, well exemplified in Germany by the cartel. The Sherman Anti-Trust Law antedates the election of 1896 and the trust prosecutions of Theodore Roosevelt followed shortly after. But the movement away from competitive prices was much farther along in 1933. The decade following the World War showed an unprecedented creation of business combinations. The spurt under the N.R.A. is different. It has not furthered the business merger so much as it has the cartel arrangement toward monopolistic prices. The N.R.A. influence in this direction has not been great in all industries, but has rather been effective in a few industries most of which are basic. The vigorous blows against unfair competition are part of the passing of *laissez faire* as it was known in the nineteenth century. The cause of the small businessman was championed by the last Democratic president in office; but the difficulties of the man who would be a small entrepreneur are even greater under the present Democratic resident at the White House. All these trends mean a multiplication of closer contacts between government and business, the nature of which will be the chief issue in coming presidential elections. Some voters will want to diminish them, some will want war against monopoly in favor of a regulated competition, while others will want planning and control of monopoly.

The trend is distinctly toward price-fixing, but there are many industries and many articles to be priced. It is the basic ones whose products are widely used that are most important, particularly where the products are standardized and where the price-fixers are few in number. Policies in regard to the basic industries are not so

difficult to achieve as for industry as a whole. A movement toward some kind of control can be forecast on the basis of our public utility experience if the trend toward cartels continues and is not successfully combated. The planning issue is precipitated by two considerations. One is the danger under a cartel system of price rises not being checked before they far outrun purchasing power, thus precipitating severe depressions, toward which cartels are slow to make adjustments. The second is the danger of restricted production which tends to keep the standard of living down. Fortunately the movement is slow. Any comprehensive planning and control of the manifold forces of our economic life is almost inconceivably difficult.

Monopoly, important as it is, by no means comprises all the trends in the relations of government and business. For illustration, in agriculture, the movement has been toward a closer union. But the cartel issue is not involved though the lifting of agricultural prices is for the present an objective. Agriculture needs the help of government, however, in many different ways. Growing markets for agricultural products are fewer; mechanization of agriculture means greater production per unit of labor and need for fewer farmers; adjustment to the business cycle is different for farmers; population adjustment in the outlying marginal areas is slow. These trends will not be reshaped soon, and the co-operation with government may be expected for some time. Past experience suggests the formula that when industries are sick the rôle of the government is one of aid but that when they get well the rôle is one of control for those that encroach on the general welfare.

There is still another rôle of governmental aid not mentioned in the two preceding paragraphs. It is that of providing an orderly social atmosphere favorable to the functioning of economic institutions, whether sick or well. Police and the regulation of public utility rates are of this type. The further extension of government into the field of money and credit may be another example. That a satisfactory medium of exchange is a *sine qua non* of a prosperous business will be admitted. It may be argued that recent money and credit difficulties were largely due to the disruption caused by the war, and as the war recedes, these disturbances will settle. Quite apart from influences of war finance, however, the trend is for

credit, unlike money in earlier economies, to become more complexly integrated with business. Much of the interdependence of modern economic life is based on the nature of the credit structure. Credit disintegration and business depressions go hand in hand, as has been abundantly clear since 1929. The future of government and business relationships must be predicated on the fact that the economic structure, with no particular close connection with government, came near to a complete collapse. A repetition is possible in the 1940's. It is reasonable to expect that there will be an attempt at greater co-operation to prevent a recurrence. Hence efforts toward a greater orderliness throughout the credit institutions may be expected.

Another illustration of a sector of our economic life that needs to be helped by constructive action on the part of government is foreign trade. The New Deal concerned itself little with this field in 1933. But the situation will force it to be incorporated in programs for the future. The world-movement away from the freedom of pre-war trade seems likely to continue. This does not mean necessarily less trade and higher tariffs, but rather more governmental direction in the interests of economic balance and revival.

With this economic evolution there is to be noted governmental changes also. The year 1933 has witnessed also a great expansion of governmental boards and administrations. These are merely the structures needed in making the effort of recovery. Will they pass when recovery is accomplished? Undoubtedly some will disappear, but it should be noted that the form of the governmental pattern shaping in 1933 is in line with trends extending many years back. That is to say, governmental functions have been expanding more or less continuously for a long time. Such a growth is also true of the centralizing of governmental activities. The shift from local and state governments to federal has been especially noticeable in relief both personal and corporate. These shifts in general are due to the network of communication and transportation agencies that have had such a brilliant development in the first third of this century, unifying the country to an extent undreamed of and nationalizing our economic life. All signs point to an expanding governmental organization, with possible allowances for occasional "returns to

normalcy." This governmental expansion is not expected to take the form of fascism, however. The long democratic tradition and governmental inertia are powerful resistances against its importation and development here.

Men are moved by ideals and it is natural that efforts toward recovery should be accompanied by attempts to build a better and a more just economic structure. But fervor is by its nature not long sustained. The present is peculiarly favorable for action in changing social structure, and represents an opportunity that comes only rarely. By the same logic it follows that this fervor will cool as time passes. Will its gains have been consolidated, or will its "idealisms" be transitory? Will the New Deal of Roosevelt pass as did the "New Freedom" of Wilson? Little is heard now of "making the world safe for democracy," of the "fourteen points," and of other ideologies of that time. As the burst of energy spends itself, some recession in ideology may be expected. But the coming struggle over what the government should do in regard to business and the social welfare should keep ideals to the fore. For instance, government has assumed much of the responsibility usually carried by private social work and philanthropy during the present emergency. As the emergency passes the volume of these responsibilities will be liquidated. But for many years the trend has been toward a transfer of functions from private agencies of social work to governmental. The next step will be the development of social insurance; at least this issue will have to be met, regarding unemployment, which is likely to be large, regarding old age, which will exist in considerably larger proportions, and regarding sickness, whose costliness is being more appreciated. This is only one illustration of how the growing functions of government are driven on by ideals. How it will be with labor is difficult to foresee. But with a closer union of government and industry, the functioning of labor unions must surely change, and certainly away from their individualism. There is, of course, no question about the great importance of ideals and social philosophies in determining the direction we take toward economic fascism, communism, or a goal somewhere between.

Projecting trends forward is not, of course, a sure basis of prediction in human affairs, though it does very well in astronomy. A

valuable check is to view trends over a very long time. In this case a long-time perspective will be seen to support the conclusions drawn from a shorter view. Looking back to the period before our present power age began, it is seen that there were five great social institutions that regulated our behavior. These were the family, the church, the local community, industry, and the state. The first three have been weakening more or less in the range and degree of their control over our conduct. The family is yielding ground to other institutions and to the individual personality. The sphere of the church's control is diminishing. The social pressure of the local "main street" is giving way to the impersonality of the metropolis. The result has been, of course, a great extension of freedom of behavior. But while these three institutions have been declining and giving us more liberty, the other two, industry and the state, have been expanding tremendously and imposing restrictions. As these areas of activity widen, they impinge and overlap still more. Their adjustment, one to the other, is the great problem of the future. The issue was forced dramatically in 1933; and the end is not in sight.