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## Depressed by Government

Amity Shlaes's *New History of the Great Depression*.

An NRO Q&A

In her new book, *The Forgotten Man: A New History of the Great Depression*, Amity Shlaes, serves up the Great Depression as you've never known it — challenging conventional wisdom, telling a gripping story of the triumph of the American spirit and the folly of big government.

**Kathryn Jean Lopez:** Who is the forgotten man?

**Amity Shlaes:** Some readers will know the film, *My Man Godfrey*, with Carole Lombard and William Powell. The forgotten man in that movie was a man who lived in a tramping town — someone at the very bottom during the hard years of the Depression. That is the man FDR also originally described when he gave his famous “Forgotten Man” speech on the Lucky Strike Hour.

But the phrase also had a special political meaning in the period. In a campaign speech in 1932, Roosevelt spoke of the forgotten man “at the bottom of the economic pyramid.” His speechwriter, Ray Moley, wrote to his sister that he couldn't remember where he got the phrase. But it did have a provenance.

In the 1880s a Yale philosopher named William Graham Sumner had spoken of another forgotten man. Sumner described his forgotten man algebraically. A, he said, wanted to help X. Nothing wrong with that. B also wanted to help X. The problem occurs when A and B get together and pass a dubious law that coerces C into cofunding their project for X.

C is the forgotten man in this instance. As Sumner wrote: “He works, he votes, generally he prays — but he always pays, yes above all he pays...He keeps the production going on.” C is the man, he also wrote, who is “never thought of.”

During the Depression many people still recalled Sumner's forgotten man. Throughout the decade politicians debated which forgotten man, C or X, was the true forgotten man. Many believed that Hoover's and FDR's efforts on behalf of one forgotten man was creating a second. Certainly the New Deal created modern interest-group politics — what Sumner, even before the income tax, the Great Society and Medicare Part D had the foresight to call “jobbery.”

There are other forgotten men in my book — one is Wendell Willkie.

**Lopez:** Who were the Schechters and why were they important?

**Shlaes:** The centerpiece of the New Deal was the National Recovery Act — or NRA — and it was a crazy piece of legislation. Consumer choice was illegal under some of the NRA codes. So was charging prices that were deemed too low.

Federal authorities prosecuted the Schechters, a Brooklyn family of chicken dealers, for violating NRA codes. One of the things the Schechters were prosecuted for was allowing customers to pick which chicken they bought. Another was for charging low prices.

This brave set of brothers fought back all the way to the Supreme Court. In writing the book, I relied on the court documents — their testimony was incredibly moving. At the end, I spoke with their descendant, the historian Glen Asner, to get a general feel for the family.

We've all heard of Clarence Gideon, the man who petitioned the court for the right to counsel — Tony Lewis wrote a famous book about him, *Gideon's Trumpet*. The Schechters are the Clarence Gideon of the shopkeeper. The Supreme Court sided with them, and for the little man. The NRA was overturned. If it had not been, American business would be more like American agriculture.

**Lopez:** Was the Depression Herbert Hoover's fault?

**Shlaes:** To some extent. He's the first troublemaker in my book. He was a sort of golden boy, the Bill Gates of his day. He was a mining engineer at a time when wealth was created by finding gold in the ground. And he was one of the world's most talented. Luck makes talent look like genius and he thought he was a genius.

**Lopez:** Was the New Deal wholly unnecessary?

**Shlaes:** When I sat down to write this book I didn't know. I used to work at the *Wall Street Journal* where we'd kick our toes against these great edifices...the Wagner Act, the Securities and Exchange Commission, federal-deposit insurance. Bob Bartley of the *Journal* didn't like deposit insurance because of the moral hazard it created; he agreed with Andrew Mellon. Then there were the Civilian Conservation Corps and other New Deal programs that seemed questionable.

I came out however believing these entities were good or neutral — or, at the very worst, bad precedents. Having an institution like the SEC helps sustain America's relative competitiveness in international markets, though that surely is under threat now. Even deposit insurance, the holy of holy targets, was not so bad. The worst part of the Hoover-FDR legacy was the concept that life is just a series of Katrinas with lulls in between and government needs to be present to

manage these Katrinas. In fact the lull is the important part, it is where the American growth inheres.

The second worst part is the idea that the job of Washington is to create defined constituent groups and ignore the individual — that forgotten man.

**Lopez:** Could your book be subtitled *The Case for Classical Liberalism*?

**Shlaes:** Yes. Where is it in our lives? I'm a liberal. It was a big error to use the word "liberal" to smear other people with. We're the liberals! We stand for individualism – U.K.-Whig style. The liberal in this book is Wendell Willkie; as part of his political education, his girlfriend, Irita van Doren, made him write book reviews about Whigs.

**Lopez:** Why did you choose to do this book?

**Shlaes:** For one thing, the younger generation — those who will pay higher taxes due to federal programs inspired by the New Deal.

Writing *The Greedy Hand*, my tax book, I realized that the New Deal inspired tax redistribution. So I wanted to look into the New Deal. It became an obsession. There are some pretty good Depression books, Jim Powell started his outstanding book — *FDR's Folly* — around when I started mine and finished it a lot earlier. But I wanted to learn not only that people did foolish things but also what motivated them.

This book traces people on the Left and Right as they evolve — it's really about policy agony. You have an idea, you get in government, you try to do the right thing, but have to compromise, and get blamed for failure. Then you marry someone new. That was the pattern.

Especially moving to me was Rex Tugwell, a fellow pretty far to the left. He taught at Columbia; he met with Marriner Eccles, the future Fed chairman, in a drugstore to talk over monetary nostrums! He was very human. He loved FDR and FDR loved him back — sometimes. When he became too controversial and a liability to FDR he wanted to go back to Columbia, but by then they didn't want him.

Arthur Schlesinger, the great historian, always encouraged debate. Right before he died he wrote that history was an endless argument, and that that was why we loved it so. He wouldn't have agreed with much that I write, but he was always friendly. This book is an effort to add a line to the great argument.

**Lopez:** Do you have a favorite character?

**Shlaes:** That is like choosing between parents! Or among children. The one who speaks most to

us today is Ray Moley. He was the first neocon. Or maybe we should call him “the preocon.”

Every *NRO* reader will like his book, *27 Masters of Politics*. He’s the one who should be on Larry Kudlow’s show. He said his surprise over FDR’s economic policy “arose chiefly from the wonder that one man could have been so flexible as to permit himself to believe so many things in so short a time. But to look upon these policies as the result of a unified plan was to believe that the accumulation of stuffed snakes, baseball pictures, school flags, old tennis shoes, carpenter’s tools, geometry books and chemistry sets in a boy’s bedroom could have been put there by an interior decorator.”

Wendell Willkie was my surprise hero. He fought so hard to save his company — every one who’s every been in a regulatory battle with an obnoxious agency will understand him. I kept calling up his grandson, Wendell Willkie II, and saying “Wendell, why didn’t you tell me about your grandfather?” All that foreign -policy stuff he did in the 1940s gets in the way of his 1930s role as hero of the private sector.

**Lopez:** You have some moving stories in *The Forgotten Man* — how did you go about finding so many of them?

**Shlaes:** Just reading the papers. The fun thing nowadays is that you can do that online through databases. That changed the texture of the book. Because I could always look up what happened the next day, and the next. No more microfiche!

Another way that I learned was ordering books. I developed quite an [ABEBOOKS.com](http://ABEBOOKS.com) habit. For a while, I was a fellow at the American Academy in Berlin. What a great place! They have double the libraries, a set for east and west Berlin, and plenty of material on the Depression, since that was the best evidence, to communists, of the failure of markets.

**Lopez:** What books did you rely on?

**Shlaes:** Robert Higgs — outstanding on the costs of uncertainty.

Jim Powell, *FDR’s Folly*.

Edward C. Banfield, *Government Project*. Banfield was one of the first neocons, too. He worked with Tugwell.

Richard Vedder and Lowell Gallaway, *Out of Work*.

Ray Moley.

James Warburg... And many others!

**Lopez:** If you were going to give a Cliffs Notes version of your book to members of Congress and presidential candidates, what might be your most important points?

**Shlaes:** Interest groups are not the same as individuals. Through false nostalgia for the New Deal, you are taking the younger generation hostage. They are the ones who are going to have to pay far greater taxes. They are the future's forgotten men.

**Lopez:** Are there pitfalls conservatives should in a special way bear in mind as they relearn the Great Depression reading your book?

**Shlaes:** The shrillness of the anti-Roosevelt Liberty Leaguers hurt their cause. They hated Roosevelt. Hatred makes for good radio but it doesn't change policy. Also, the GOP was wrong on World War II. By being wrong on that big one, they hurt themselves. They also obscured the fact that they were right on the economy all those years.

**Lopez:** What surprised you most writing the book?

**Shlaes:** The extent to which Fabians in Britain, German cartels and social democrats, Mussolini and Stalin influenced the New Dealers. One whole chapter of the book, very early, treats a junket made to the Soviet Union in 1927. Rex Tugwell, Paul Douglas (later a Senator), Roger Baldwin — all were together in Russia around the same time. I try to capture their excitement. One of the travelers, Stuart Chase, came back and wrote a book, called *A New Deal*. At the end he asks: Why should Russians have all the fun? The European Left's influence upon the New Deal was central, not parenthetical.

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