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978-1-107-02860-9 — American Labor and Economic Citizenship: New Capitalism from World War I to the Great Depression

Mark Hendrickson

Excerpt

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Introduction

Our society today is as fluid as molten iron; it can be run into any mold.

George Soule, New Republic Editor¹

The war has “cleared the way for a science of ideas in action” that look to “intellectual competency, to competency of inquiry, discussion, reflection and invention organized to take effect in action directing affairs.”

John Dewey²

On June 10, 1929, President Herbert Hoover laid the cornerstone to the new Commerce Building in Washington, DC. Hoover placed a time capsule in the cornerstone that included early U.S. patents, Mark Twain’s pilot’s license, correspondence by George Washington and Thomas Jefferson, and a copy of the recently released survey of the economy, *Recent Economic Changes*. Referring to the study, Hoover collaborator Assistant Secretary of Commerce E. E. Hunt wondered, “What will be thought by those who open the cornerstone as they read of our enthusiasm over ‘consumer demand,’ bathtubs, radios, automobiles, a plentiful food supply, steam laundries, high wages, scientific management in industry, and growing leisure? Shall we seem wise or only foolish to those who study us with the detachment of years ago?”³ Hunt’s implied

¹ Quoted in Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge: Belknap Press of Harvard University, 1998), 299.

² Quoted in Robert B. Westbrook, *John Dewey and American Democracy* (Ithaca: Cornell University Press, 1991), 276.

³ E. E. Hunt, “Apologia Pro Vita Nostra,” File January 1930, 2, Chronological Files of E. E. Hunt, Box 1, Record Group (hereafter RG) 73, National Archives at College Park, MD (hereafter NA).

optimism would pale in a few short months, as would the ability of most Americans to purchase the consumer marvels mentioned. Even so, the period between World War I and the Great Depression needs to be understood as a unique period, incubating innovative and lasting policy paradigms whose relevance to twentieth-century political-economic history has too often been underestimated.

Initially in response to World War I-era unrest, a diverse group of policy makers addressed a range of long-standing and seemingly intractable problems, confident that the 1920s provided a unique moment full of opportunities. A new, fair, and prosperous version of capitalism, a group led by Herbert Hoover came to understand, could be achieved by focusing on steady economic growth and business cycle stability. *American Labor and Economic Citizenship* depicts this vision as something more than the sum of warmed-over paternalism, welfare capitalism, employee representation schemes, and experiments in scientific management. Adherents to this new economic vision redirected their attention from old sources of conflict and social unrest such as the distribution of income and control of the workplace to new possibilities based on a belief in the shared and common interests of capital and labor in increasing productivity, worker purchasing power, and profits. A confluence of economic changes and circumstances gave this new vision relevance and legitimacy, but demographic changes and new forms of advocacy argued for an expanded understanding of which groups should benefit from these changes. The increasing presence of women in the work force during the war and the migration of African American, Mexican, and Mexican American workers to the industrial North provided an opportunity for a group of emerging experts and reformers to challenge assumptions about race, gender, ethnicity, and work, and to lay claim to the benefits of this new economic system for all workers. Along the way, all of these groups – those surrounding Hoover and those interrogating demographic changes – worked to redefine which issues were best settled between private individuals or local interests and which issues were so entwined with the public and national interest as to merit intervention on behalf of the general public.

George Soule and John Dewey nicely capture the sense of a moment when the truly ferocious changes brought on by World War I left society both inchoate and open to change. Ezra Pound's characterization of Western civilization as "botched" was not shared by economic leaders in the United States, who emerged from the war strangely confident in their ability, as Dewey suggests, to use "inquiry, discussion, reflection and invention" to solve even the most pressing, long-standing, and troublesome of

public questions. And we should make no mistake about it; the molten state of postwar America emerged from the heat generated in the cauldron of wartime industrial and international conflict. With wild price and wage volatility reminiscent of the Civil War, workers' significant wartime gains in nominal wages were outpaced by rampant inflation that pushed up the cost of living by some 65 percent over the course of the war.⁴ At the same time that World War I stimulated demand for U.S. manufactured goods, immigration plummeted from more than 1.2 million in 1914 to an average of just over 230,000 between 1915 and 1919. In industry, draconian employer treatment of labor and falling real wages led to an unprecedented level of unrest, with four thousand four hundred fifty strikes in 1917 alone.⁵ Desperate for workers, industry turned to African American, women, and, increasingly, Mexican workers from the Southwest and Mexico. White workers in cities like East St. Louis responded to the reality of a racially integrated workplace with deadly attacks on black workers and neighborhoods. If American leaders had any real questions about the volatility of the situation, they needed only look to the unfolding Russian Revolution for confirmation.

The armistice, if anything, exacerbated violent conflict at home that pitted not only labor against capital but, increasingly, white workers against black. With the end of fighting, the federal government cancelled most of its wartime contracts and withdrew price controls. Initially, workers and employers benefited from high demand for consumer goods at home and an increase in demand for U.S. goods in war-ravaged Europe, but the prosperity was short-lived and followed by a ferocious mix of inflation and then deflation, unemployment, and labor and racial unrest. Just as veterans returned from the front, with some demanding greater democracy in industry, the cancellation of government contracts shrank demand and the job supply.⁶ The loss of price controls and pent up consumer

⁴ Meg Jacobs, *Pocketbook Politics: Economic Citizenship in Twentieth-Century America* (Princeton: Princeton University Press, 2005), 54.

⁵ U.S. BOC, *Historical Statistics, Colonial Times to 1970, bicentennial edition* (Washington, DC: GPO, 1974), Series C89. Also cited in Gary M. Walton and Hugh Rockoff, *History of the American Economy* (Mason: South-Western Cengage Learning, 2010), 387, 403.

⁶ On World War I-era unrest and its consequences for labor-management relations, see, for example, Sanford Jacoby, *Employing Bureaucracy: Managers, Unions, and the Transformation of Work in American Industry, 1900–1945* (New York: Columbia University Press, 1985), 133–65; Lizabeth Cohen, *Making a New Deal: Industrial Workers in Chicago, 1919–1939* (Cambridge: Cambridge University Press, 1990), 12–52; Nelson Lichtenstein and Howell John Harris, *Industrial Democracy in America: The Ambiguous Promise* (Cambridge: Cambridge University Press, 1993); and Joseph McCartin, *Labor's*

demand, combined with a sluggish conversion to a consumer economy, led prices to rise some 30 percent between November 1918 and June 1920.⁷ As employers mercilessly exercised their postwar leverage to cut wages and drive out unions, American workers walked off the job. In 1919 alone, more than 4 million workers participated in thirty-six hundred strikes.⁸

As it had in 1917, searing racial violence broke out in dozens of American cities during the summer of 1919. Amidst the unprecedented movement of black Americans from the South to the urban North and following violent urban race riots, the *New York Times* described a nation in which the “Negro problem” had “entered upon a new and dangerous phase” that is “in some respects the most grave now facing the country.”⁹ W. E. B. Dubois reflected a reality, not an aspiration, of American life when he wrote in the *Crisis* in the spring of 1919: “We return. We return from fighting. We return fighting.”¹⁰ Resistance to white racism was hardly a new development in African American history, but World War I and the Great Migration provided new tools for that resistance. In New York, the African American population grew by 66 percent in the first years of the Great Migration: in Chicago, it grew by 114 percent, in Detroit by 611 percent, and in Cleveland by 308 percent.¹¹ When white gangs, such as the Irish Colts in Chicago, attacked black neighborhoods, they met fierce resistance, sometimes by highly trained and battle-tested black soldiers recently mustered out of the military.¹² Harlem Renaissance poet Claude McKay spoke for many when he wrote in 1919, “Like men we’ll face the murderous, cowardly pack. Pressed to the wall, dying, but fighting back!”¹³

Great War: The Struggle for Industrial Democracy and the Origins of Modern Labor Relations, 1912–1921 (Chapel Hill: University of North Carolina Press, 1997). On how the war altered ideas about citizenship, see Christopher Capozzola, *Uncle Sam Wants You: World War I and the Making of the Modern Citizen* (Oxford: Oxford University Press, 2008).

⁷ Jacobs, *Pocketbook Politics*, 66.

⁸ Robert H. Zieger, *American Workers, American Unions*, second edition (Baltimore: Johns Hopkins University Press, 1994), 6.

⁹ “For Action on Race Riot Peril,” *NYT*, October 5, 1919, sec. 10, p. 1.

¹⁰ W. E. B. Du Bois, “Returning Soldiers,” *The Crisis* (May 19, 1919): 13–14.

¹¹ Nell Irvin Painter, *Creating Black Americans: African-American History and Its Meanings, 1619 to the Present* (New York: Oxford University Press, 2007), 191–2.

¹² William M. Tuttle, Jr., *Race Riot: Chicago in the Red Summer of 1919* (Urbana: University of Illinois Press, 1996).

¹³ Claude McKay, “If We Must Die,” in *Harlem Shadows: The Poems of Claude McKay* (New York: Harcourt, Brace and Co., 1922), 53. Originally published in *Liberator* in 1919.

Such conflicts as these cried out for action grounded in understanding. In what even now seems like a jarring juxtaposition, the unrest that surrounded World War I coincided with the maturing of an American social science increasingly capable of and confident in its ability to address pressing public concerns. By World War I, a tradition of social inquiry that had its roots in the nineteenth-century work of investigators like Carroll Wright had grown up and was moving outside of the state. Coming now from a range of academic, nonprofit, business, and government agencies, a new class of experts on race relations, labor, and economic issues convened in search of solutions to vexing public problems brought to a head by the war. In the process, they worked toward a greater degree of intellectual authority for their visions of society and their role in bringing them about. Classic works by Gianfranco Poggi, Thomas Kuhn, Clifford Geertz, Max Weber, and other scholars of the state, social investigation, and social and political thought have described how, historically, as states grow and mature they increasingly come to rely on reason and ideas to legitimate the use of power and to defend or argue for particular visions of society.¹⁴ Dating back to the Enlightenment, a recognition

¹⁴ My understanding of the importance of knowledge, ideas, expertise, social learning, institutional capacity, and deliberation in the policy-making process is informed by the work of a range of scholars, most important, Jürgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*, translated by Thomas Burger with the assistance of Frederick Lawrence (Cambridge: MIT Press, 1998); Phillip Ethington, "Hypotheses from Habermas: Notes on Reconstructing American Political and Social History, 1890–1920," *Intellectual History Newsletter* 14 (1992): 21–40; Craig Calhoun, ed., *Habermas and the Public Sphere* (Cambridge: MIT Press, 1997); Hugh Heclo, *Modern Social Politics in Britain and Sweden: From Relief to Income Maintenance* (New Haven: Yale University Press, 1974), particularly chapter six, "Social Policy and Political Learning," 284–322; Michael J. Lacey and Mary O. Furner, "Social Investigation, Social Knowledge, and the State: An Introduction," in *The State and Social Investigation in Britain and the United States*, eds. Michael J. Lacey and Mary O. Furner (Cambridge: Cambridge University Press, 1993); Terrance Ball, James Farr, and Russell L. Hanson, eds., *Political Innovation and Conceptual Change* (Cambridge: Cambridge University Press, 1989), particularly Farr's essay, "Understanding Conceptual Change Politically," 24–49; Quentin Skinner, "Some Problems in the Analysis of Political Thought and Action," *Political Theory* 2 (1974): 277–303; Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962); Mary O. Furner and Barry Supple, *The State and Economic Knowledge: The American and British Experiences*, eds. Mary O. Furner and Barry Supple; Gabriel Poggi, "The Modern State and the Idea of Progress," in *Progress and Its Discontents*, ed. Gabriel Almond (Berkeley: University of California Press, 1982); Michael J. Lacey and Mary O. Furner eds., *The State and Social Investigation in Britain and the United States* (Cambridge: Cambridge University Press, 1993); Oz Frankel, *States of Inquiry: Social Investigations and Print Culture in Nineteenth-Century Britain and the United States* (Baltimore: Johns Hopkins University Press, 2006); Sara E. Igo, *The Averaged Americans: Surveys*,

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of the need for intellectual authority may have weakened in the more partisan decades of the nineteenth century, but, among policy activists, intellectuals, and reformers across racial and class lines, this awareness came surging back along with the wartime and postwar intensification of objective social problems presented by industrialization and the growing capacity of social science expertise to respond to them. Times of upheaval and crisis such as wars and recessions create a demand for solutions, opening opportunities for critical social theorists and policy entrepreneurs who can mobilize knowledge and articulate strategies for recovery and renewal. In addition to fomenting new expertise and strategies, as historian Daniel Rodgers has suggested, such highly fraught times often create political and policy space for solutions already in existence, awaiting a time when they can be fruitfully applied.¹⁵ The World War I-era was just such a time.

Some, of course, thought the right way forward was retreat. Presidential candidate Warren G. Harding's famous but vacuous call for a "return to normalcy" belied the reality of a deeply troubled nation increasingly led by new leaders in industrial and economic thought who had little in the way of a mawkish longing for what had come before. They aimed instead for what they called a new economy or new capitalism. As the following chapters reveal, the need to better understand modern capitalism and to craft a new vision for industrial relations led to the proliferation of new institutions devoted to examining the New Era economy.¹⁶ These efforts extended well beyond academia and more traditional institutions

Citizens, and the Making of a Mass Public (Cambridge, MA: Harvard University Press, 2007); Leon Fink, Stephen T. Leonard, and Donald M. Reid, *Intellectuals and Public Life: Between Radicalism and Reform* (Ithaca: Cornell University Press, 1996); and Alice O'Connor, *Social Science for What? Philanthropy and the Social Question in a World Turned Rightside Up* (New York: Russell Sage Foundation, 2007). For a review of the more recent literature, see Mary O. Furner, "Inquiring Minds Want to Know: Social Investigation in History and Theory," *Modern Intellectual History* 6 (2009): 147–70. On state capacity, see the exemplars of the American Political Development School, Theda Skocpol, Peter B. Evans, and Dietrich Rueschmeyer, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985) and Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877–1920* (Cambridge: Cambridge University Press, 1982). For an analysis of political learning going on within reform movements that emphasizes the development of interest group politics, see Elisabeth S. Clemens, *The People's Lobby: Organizational Innovation and the Rise of Interest Group Politics in the United States, 1890–1925* (Chicago: University of Chicago Press, 1997).

¹⁵ Rodgers, *Atlantic Crossings*.

¹⁶ Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s* (Princeton: Princeton University Press, 1985).

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of inquiry. In the nonprofit sphere, philanthropic organizations such as the Russell Sage Foundation and Twentieth Century Fund considered new efforts to bring democracy into industry, while the National Urban League (NUL) turned its attention to understanding, publicizing, and improving race relations. Leaders in the Laura Spellman Rockefeller Memorial (LSRM) linked the Great Migration to the influx of Mexican workers and probed the meaning of these changes by way of important investigations by Paul Taylor, Mario Gamio, Charles Johnson, and others. In the federal government, bureaus and departments such as the U.S. Public Health Service, Department of Commerce, Bureau of Labor Statistics (BLS), Women's Bureau (WB), and Division of Negro Economics (DNE) examined the economy and workers' place in it from an array of vantage points. Labor unions, too, recognized the importance of research and expertise to advancing the cause of all workers, building up union research bureaus in individual unions, the larger AFL, and outside research organizations supporting organized labor such as the Labor Bureau Incorporated (LBI).

The New Era emphasis on an expanding economy as a "cure for all ills" – to borrow a phrase from historian Robert M. Collins's examination of the politics of growth in the post-World War II era – suggests that we can locate the roots of what Collins has nicely described as the "protean" idea of "economic growthmanship" in the New Era.¹⁷ Hoover and his allies constructed and advocated this New Era vision of a new economy in a manner that was ideologically as well as empirically driven. Proponents stressed that employers and employees shared an interest in increasing production and promoting consumer spending in order to smooth the business cycle. Experts in labor and managerial economics redefined their own understanding of waste in industry to include not merely the costs involved in efforts to maintain "worker control" of the pace and volume of production, but also grievously low wages, employee overwork, inefficient union work rules, and needless labor conflict.

Further, economic growth propelled New Era economic thinkers to replace older struggles that turned on the distribution of income with a new conceptualization of an ever-expanding economy that stressed the potential of employer-employee cooperation to achieve economic stability and both to increase wealth for investors and to raise living standards for workers. Whereas the Populists and Progressives had earlier argued

¹⁷ Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (Oxford: Oxford University Press, 2000), 23 and 234.

for redistribution by way of the income tax and higher wages mandated by labor standards, the Hooverites promoted economic growth, stability, and cooperation as the most effective means of addressing deeply rooted industrial and labor problems. This new thinking amounted to an almost utopian conceptualization of an economy in which fair distribution of income would arise out of persistent economic growth. Such an argument should sound familiar. In his 1958 book, *The Affluent Society*, John Kenneth Galbraith argued, “Production has eliminated the more acute tensions associated with inequality. And it has become evident to conservatives and liberals alike that increasing aggregate output is an alternative to redistribution or even to the reduction of inequality.”¹⁸ Hoover and his allies would have concurred with this sentiment. They also shared with their post–World War II counterparts a belief that prosperity required a balance between production and consumption. The debate concerning the best means of generating and maintaining this balance was rooted in the New Era and persisted well into the post–World War II period.

Such an approach to the formation of a new, social science-based political economy for the 1920s can help us to better understand the New Deal and post-New Deal eras. Between the late 1930s and the end of World War II, according to historian Alan Brinkley, various competing visions of policy making gave way to a version of commercial Keynesianism that limited statist efforts to control the business cycle through fiscal and monetary interventions that did not involve extensive federal responsibility for maintaining full employment through planning.¹⁹ An examination of the New Era suggests that policy makers in the 1920s were well on their way to establishing a coherent and consumerist vision of economic policy, one in which the state would play an important role in facilitating economic growth and efficiency. Building on Brinkley’s work, historian Kathleen Donohue suggests that not until the 1940s did economic experts square the interests of consuming citizens with those of business.²⁰ Donohue suggests that labor activists in the 1920s would have been puzzled by calls for “workers of the world to throw off their chains

¹⁸ John Kenneth Galbraith, *The Affluent Society: 40th Anniversary Edition* (New York: Houghton Mifflin Company, 1998), 80.

¹⁹ Brinkley identifies four traditions specifically: antimonopoly, planning, associationalism, and radical alternatives. Associationalism does not adequately incorporate the visions under investigation here.

²⁰ Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Vintage Books, 1995); Kathleen Donohue, *Freedom From Want: American Liberalism and the Idea of the Consumer* (Baltimore: Johns Hopkins University Press, 2003).

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and usher in a consumer-oriented economy of abundance.” Yet the work of the AFL regarding the relationship between consumption and economic stability suggests that the concept of a “consumer-oriented economy of abundance” would not have been much of a mystery to 1920s labor activists in the AFL, or to the many nonaffiliated unions and union activists that embraced the AFL’s efforts to work with employers to increase productivity and to ensure that workers received their fair share of these gains.²¹

American Labor and Economic Citizenship argues that New Era wage and business cycle analysis played a key role in the recognition that a fair and stable set of economic relations could be fostered by economic growth and facilitated by what I will describe later as – yes, largely agreeing with historian Ellis Hawley – a voluntary corporatist vision of the state and society, but with a twist. More than encouraging cooperation among like producers to achieve cooperation in reaching greater efficiency, Hoover and his allies actually moved beyond their initial focus on the production side of the “production-consumption” model that took consumers for granted. Indeed, by the latter part of the decade, Hoover and his associates in organizations such as the National Bureau of Economic Research embraced the importance of consumption in what they termed a “production-consumption” conceptualization of a smoothly running economy and society. Further, Brinkley argues for the continuation of a producerist idea that, I argue, had long disappeared. By the New Era, producerism had been entirely replaced by a model that both recognized citizens’ identity as consumers far more than as producers and understood the vital importance of consumers in addressing a business cycle that Wesley Mitchell and others were now reinventing as a structural element of unregulated capitalism. Equally important, by moving beyond the group that surrounded Hoover to include the many other sources of labor and economic expertise – among them Labor Bureau Inc., AFL, and economists such as Paul Douglas and Alvin Hansen – contributing to deliberations concerning the labor and economic problems of the decade, historians can now see that the policy discourses in this pivotal decade were more dynamic and included a much broader range of issues than previously suggested.

A number of factors – many ephemeral – persuaded the New Era economic leaders surrounding Hoover that a new consensus, turning on economic growth, had settled what only recently seemed like intractable economic and social problems. Policy makers’ apparent success in

²¹ Cf. Donahue, *Freedom from Want*, 190.

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ushering the economy out of the post–World War I recession and strike wave, with only the lightest touch – at least as they saw it – from the state, bolstered their confidence that they were well on the way to solving the problem of the business cycle. Additionally, between 1914 and 1925, economists had deliberated on what to do about the recent discovery that real wages, rather than steadily climbing, had fallen between the 1890s and 1907 and then again during the war. But by the mid-1920s, newly improved wage and price statistics and measuring techniques confirmed that, since 1922, real wages had reversed their decline, allowing a broad swath of American workers to benefit, if perhaps only modestly, from economic prosperity and historically low levels of unemployment.²² Mid-decade immigration reforms that tightened the labor market further supported the belief that this uptick in real wages could be sustained. An expansion in consumer credit fortified this apparent prosperity by generating demand and allowing many Americans to take home cars, refrigerators, radios, and other durable goods with only a down payment. As Martha Olney has demonstrated, this durable goods revolution was reflected in consumer debt as a percentage of personal income, which jumped from 4.5 percent to 9 percent between 1918–20 and 1929.²³

Skyrocketing corporate profits, the emergence of the United States as a creditor nation, and the gradual conversion of production toward consumer goods further confirmed a new consensus that extended well beyond business leaders and Republican politicians. The dramatic decline in labor unrest, falling prices for agricultural goods, and increasing access to secondary education provided still more evidence.²⁴ Looking back,

²² See Chapter 2 in this volume on real wages. On unemployment in the 1920s, see Stanley Legerbott, *Manpower in Economic Growth: The American Record since 1800* (New York: McGraw Hill, 1964), who concluded that unemployment had been historically low between 1923 and 1929, at 3.3 percent; Robert M. Coen, “Labor Force and Unemployment in the 1920s and 1930s: A Re-examination Based on Postwar Experience,” *The Review Of Economics and Statistics* 55 (1973): 46–55 revised Lebergott’s estimate upward to 5.1 percent for the same years. See also Christina D. Romer, “New Estimates of Prewar Gross National Product and Unemployment,” *Journal of Economic History* 46 (June 1986): 341–52; Christina D. Romer, “The Great Crash and the Onset of the Great Depression,” *QJE* 105 (August 1990): 597–694; Christina D. Romer, “Spurious Volatility in Historical Unemployment Data,” *JPE* 94 (February 1986): 1–37; and Sanford Jacoby, *Employing Bureaucracy*, 167–205.

²³ Martha Olney, *Buy Now Pay Later: Advertising, Credit, and Consumer Durables in the 1920s* (Chapel Hill: University of North Carolina Press, 1991). On the experiences of working-class Americans in this period, see Cohen, *Making a New Deal*.

²⁴ On access to education, see Claudia Goldin and Lawrence F. Katz, *The Race between Education and Technology* (Cambridge: Belknap Press of Harvard University, 2008). On strikes, see Department of Labor, *Fifteenth Annual Report of the Secretary of Labor*