

How Roosevelt Balanced Between Labor and Business; Lessons on Effective Economic Models

By Auscar Odhiambo Wambiya

The current battle that appears looming on how small businesses can continue to thrive while Government meets the macro-economic needs that are required amidst the COVID-19 crisis is not a new battle. Whether to continue investing in The Big Four Agenda while addressing the immediate needs of the majority who have been ravaged by the adverse effects of COVID-19 is a debate that will be front and center as we move towards the 2022 electoral cycle. The candidate who will carry the day can take a few lessons from Franklin Delano Roosevelt and how he managed to shepherd the New Deal while also rallying government to address the large scale war chest required to ward off Germany in the wake of a frontal attack on Europe between 1940 and 1945.

In the period leading to World War II, a fierce battle raged between the businessmen, who argued that production was best served by industries working fiercely under the profit system, and the liberals, who believed that a democracy at war should forge wholly new connections between government, business, and labor, moving more in the direction of socialism.

“If you are going to war in a capitalist country, you have to let business make money out of the process or business won’t work,” Henry Stimson, an economist at the time wrote. To the contrary, historian Bruce Catton argued, suppose that liberal bureaucrats instead of industrialists were running the program; perhaps then an entirely different kind of war would emerge, one that vested power and responsibility more directly in the workers themselves.

Amidst this debate, through his fireside chats that came to the nation as radio dialogues periodically, The United States President Franklin Delano Roosevelt refused to give in to the ‘hustlers’ narrative, nor did he rely on the then ‘capitalists.’ “We shall build our defenses to whatever heights the future may require. We shall build them swiftly, as the methods of warfare swiftly change,” he said. “It is whispered by some that only by abandoning our freedom, our ideals, and our way of life, can we build our defenses adequately, and can we match the strength of the aggressors. I do not share these fears.”

Reaching first to business community, Roosevelt extended an extraordinary promise of governmental cooperation and support. “I know that private business cannot be expected to make all of the capital investments required for expansion of plants and factories and personnel which this program calls for at once. It would be unfair to expect industrial corporations or their investors to do this, when there is a chance that a change in international affairs may stop or curtail orders a year or two hence. Therefore, the Government of the United States stands ready to advance the necessary money to help provide for the enlargement of factories, of necessary workers, the development of new sources of supply for the hundreds of raw materials required, the development of quick mass transportation of supplies. And the details of this are now being worked out in Washington, day and night,” President Roosevelt suggested.

Indeed, even as Roosevelt spoke these words at such a difficult time as 1940 when Germany had overwhelmed the allied forces and invaded France, officials in the War Department were drafting legislation that would sanction a new “cost plus fixed fee” contract which would allow the government to defray all costs essential to the execution of defense contracts and guarantee the contractor a profit through a fixed fee determined in advance. In other words, the government would assume primary financial responsibility for the weapons and artillery mobilization process. At the same time, legislation was being drafted to permit the government to make advance payments of up to 30 percent of the contract price, and to allow defense contracts to be let without the cumbersome procedure of lowest bids. Where private capital was unable to finance expansion because the facilities involved had no demand in peacetime – powder plants, high explosives, bombs – the government would be authorized to construct and operate the plants on its own.

After reaching out to business, Roosevelt turned his attention to his basic constituency – the people at large. “We must make sure in all that we do that there be no breakdown or cancellation of any of the great social gains which we have made in these past years. We have carried on an offensive on a broad front against social and economic inequalities, against abuses which had made our society weak. That offensive should not now be broken down by the pincers movement of those who would use the present needs of physical military defense to destroy it.

There was nothing in the present emergency, he went on, to justify lowering the standards of employment, reducing the minimum wage, making workers toil longer hours without due compensation, or breaking down the old-age pensions. Though businessmen were already arguing for a suspension of New Deal regulations that bore on labor, working conditions and minimum wages on the grounds that such legislation restricted speedy mobilization, Roosevelt took the opposite tack. “While our navy and our airplanes and our guns may be our first lines of defense, it is still clear that way down at the bottom, underlying them all, giving them their strength, sustenance and power, are the spirit and morale of a free people.

The underlying tone of Roosevelt’s admonition reflected a subtle shift in the president’s attitude toward business – a new willingness on the part of government to meet business on its own terms. Beyond the agreement to permit companies to expand their plants at the government’s expense, Roosevelt was also considering a variety of alternative measures urged upon him by the business community, including legislation to remove the profit limitations on defense contracts, and new rulings to ease the rigid requirements of antitrust laws.

It is therefore sufficient to say that in the raging debate between empowerment of small business and an economy that addresses the macro-economic fundamentals of the Kenyan society, one need not be sacrificed for the other. An approach that empowers the small business traders towards increased wealth creation while protecting the big business owners is possible. One should never be sacrificed for the other as some rhetoric seems to advocate thereby advancing the risk of drawing a rift between the rich and the poor. Let us form a government that empowers the poor but also protects the rich, particularly those who have made genuine wealth. Roosevelt did it. We can do it. **INAWEZEKANA**

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