

# CULTURE



## Lessons from the New Deal

by **Cecily Sailer**

**S**TEVEN FENBERG'S *UNPRECEDENTED Power: Jesse Jones, Capitalism, and the Common Good* arrived on bookshelves late last year. It's timing was apt, if accidental. National economic figures showed little change or promise, occupiers had colonized city parks decrying income inequality, and millions of Americans were stuck in a prolonged and disheartening search for employment. At the time, and even now, an economic turnaround story like Fenberg's reads almost like a fairy tale. Only it isn't.

*Unprecedented Power*—one of three finalists for the Texas Institute of Letters' Carr P. Collins Award for nonfiction—is the story of a Tennessee kid turned Texas businessman who, with some help, shapes

the largest city in the South, helps the United States survive the Great Depression and, while he's at it, mobilizes the nation to win World War II. Inlaid in Jones' biography is the suggestion that government can—if it chooses—ignite the economy without falling headlong into socialism.

Policy-makers at the U.S. Department of Treasury have recently turned to Jones' story for affirmation and reassurance. In January, Timothy Massad, steward of the nation's Troubled Asset Relief Program (TARP), invited Fenberg to speak to his staff about the relevance of Jones' work in today's economic climate.

TARP, established in 2008, was designed in part to recreate Jones' accomplishments as head of the Reconstruction Finance Corporation (RFC), a pivotal government agency during the Great Depression.

Jesse Jones (left), pictured with President Franklin Delano Roosevelt, helped implement the New Deal.  
PHOTO COURTESY OF TEXAS A&M UNIVERSITY PRESS

Massad calls TARP “one of the least popular government programs in recent decades,” but also one of the most “effective and important.” The program rescued U.S. banks and continues its work repairing the nation’s collapsed mortgage market. Still, many people feel that TARP either did too little, or went too far. So it stands to reason that Massad would find Jones’ story inspiring.

“So many people have said [of TARP], ‘This is just unprecedented,’” Massad says. “Well, it’s not. We did many of the very same things in the 1930s, and [Fenberg’s] book is just a great documentation of that.”

In Fenberg’s remarks to Treasury staffers early this year, the writer detailed the vast reach of the RFC, established by President Herbert Hoover and continued by President Franklin Delano Roosevelt. The RFC, under Jones’ leadership, became an effective and efficient machine for rehabilitating the economy at nearly every level, from banks to railroads to housing loans to farming. As Fenberg notes, the RFC supplied funds to each of the nation’s congressional districts, and Jones’ keen attention to the bottom line quickly won favor with political leaders on both sides of the aisle. By the end of his tenure, the bottom line was this: Jones’ RFC returned revenues, not deficits, to government coffers.

Jones’ efforts in Houston are also compelling and instructive. In 1931, he engineered a bank bailout in Houston, not with taxpayer money—he never held elective office—but with bankers’ capital alone. Jones had delivered to Houston the 1928 Democratic National Convention and helped install the city’s largest industrial landmark to date, the Houston Ship Channel.

In October 1931, as owner of the National Bank of Commerce, Jones watched as depositors lined up to withdraw their money from two of the city’s largest financial houses. When he learned the banks could last only through the weekend, he called every banker in town to the top floor of the city’s tallest building—which he’d built—and suggested they pull together \$1.25 million to rescue their floundering friends. The bankers argued until five in the morning, then did it again the next day. By the time the dust settled, more than a dozen local banks and companies had gathered enough money to pay depositors and transition the faltering banks to new ownership. The rescue also prevented the collapse of smaller, rural banks, which often kept their reserves in city bank repositories. When customers arrived at Jones’ bank the next morning, he was there, sleepless, waiting to greet them.

It was this rescue, and his reputation as a can-do, community-centric money whiz, that landed Jones in Washington, D.C., for a second time (he had earlier headed the Department of Military Relief during World War I). Hoover had just established the RFC to stabilize the banking and railroad industries and generally guide the nation toward economic recovery, and he selected Jones as one of seven members of the bipartisan board. Fenberg notes that Jones later recalled, “I was convinced that conditions were rapidly approaching such a precarious state that only the federal government through unusual methods could deal with them effectively.”

Roosevelt named Jones chairman of the RFC in 1933.

Once Jones had the reins, he was dauntless in his leadership of what came to be known as “The Corporation.” Jones had seen the RFC under Hoover as too slow and too poorly funded to fulfill its goals, but with aid from Roosevelt and Congress, Jones began a steady expansion of the RFC’s authority and impact.

Within a year of Roosevelt’s inauguration, the RFC was not only lending, but investing. It could purchase preferred stock in banks to unfreeze assets and loosen credit (like TARP), but it was up to the banks to participate (unlike TARP). When executives bridled at an RFC offer, fearing a government takeover, it was up to Jones to convince them otherwise. At an annual convention of the American Bankers Association, Jones entreated the assembled bankers to “be smart, for once” and “take the government in partnership.”

Jones naturally drew his share of detractors as head of the RFC, with many claiming The Corporation had ventured into socialism or nationalization. But in nearly every case, Jones deployed the RFC as a rescuer of last resort, allowing private industry first shot at jumpstarting the economy. As Jones would say later, “I am not one who favors government in business, but when business runs amok, and private credit is no longer available, the government must step in.”

When the private sector did fail, whether out of defiance or weakness, the RFC moved quickly, often through subsidiaries. But the RFC rarely initiated stimulus programs in isolation, instead engineering partnerships among government, business and municipalities.

“There are so many ways we can apply what Jones did in the ’30s and ’40s to help solve our problems today and, at the same time, make money for the government, particularly when we’re so concerned about our deficit,” Fenberg says. “It all goes back to ideology. It’s stopping us.”

Jones enjoyed freedoms few politicians can claim today. Political parties of his day were partisan, but less divided and more easily moved by objective results. Given his results at the RFC, Jones maintained almost unprecedented support in political circles, and he won allies with uncanny charm and athletic glad-handing. Fenberg writes that Jones “would sometimes corner a reluctant politician and wrap his long arm around him so he could get closer ... His looming presence and the billions of government funds at his disposal made Jones impossible to ignore and extremely difficult to turn down.”

More often it was sheer efficacy that earned Jones his political appeal. The RFC operated at 1.5 percent overhead, compared to 10 or 15 percent in other government departments, and RFC employees were known to work fast, taking the stairs to avoid the wait for elevators. Jones ran a tight ship, and despite having only an eighth-grade education, he could process large amounts of information with little effort. Fenberg cites economist John Kenneth Galbraith, who said Jones “gave the impression of somebody who was accustomed to handling ... tens of millions of dollars.” A reporter recalled that Jones would hold simultaneous meetings in adjacent conference rooms. Carrying a bag of popcorn, he would step into each meeting and quickly “find out with two or three pointed questions what shape a business [was] in.”

**Inlaid in  
Jesse Jones’  
biography is the  
suggestion that  
government  
can—if it  
chooses—ignite  
the economy  
without falling  
headlong into  
socialism.**

So when Jones wanted to renew the life of the RFC, extend repayment deadlines for borrowers, or increase loan limits, Congress quickly said yes. By 1940, the RFC had disbursed \$158 billion in today's dollars. When the time came, the RFC could repay the U.S. Treasury its \$7.5 billion in start-up capital and still have \$2 billion in the coffers.

As the RFC's reach expanded, so did Jones' role in the administration. Though it was technically illegal to hold two government jobs simultaneously, Congress made an exception for Jones and unanimously issued a joint resolution naming him Secretary of Commerce in 1940. At the same time, the U.S. was realizing the war in Europe wasn't likely to sort itself out. As President Roosevelt waited for Congress to nearly double the nation's military budget, Jones set to work—18 months before the U.S. entered the conflict—arranging loans for aircraft and tank manufacturers to expand production.

As it had during the New Deal, the RFC became a central engine in President Roosevelt's war efforts.

Historian, writer, and University of Texas professor H.W. Brands won't concede that the RFC was a keystone of Roosevelt's New Deal (it originated before the New Deal arose), but when it comes to World War II, Brands says, in an interview about Fenberg's book, that Jones and the RFC were pivotal in shaping the outcome.

"Historians often look at the New Deal as beginning in 1933 and ending in 1938, then the next chapter is World War II," Brands says. "But there's another way of looking at it, and I think Jones did—that World War II was the New Deal going international, the New Deal going to war. The same kind of government planning and reorganization of the domestic economy was used to convert the peacetime economy to a wartime economy, and the RFC and Jesse Jones provided a bridge between the two."

Certainly, one of several lessons in Jones's story is his ability to manage an operation so unwieldy and prodigious as the world's largest lending institution (the RFC), and to do so with constant attention to taxpayer dollars—and the well being of the working class. So much so that Bleedinghearts may find certain pages worthy of applause, as when Jones interrupts a vacation to arrange a loan subsidizing four years of back pay for Chicago schoolteachers.

But anyone even slightly worn by the drag of this latest downturn should be enlivened by a capital-C Capitalist who viewed business as an agent for public good, who believed government could be a catalyst for economic repair and who worked doggedly to rebuild the nation's financial structure and prepare the country for unprecedented militarism overseas. Fenberg's attentive prose and keen research don't hurt either. Neither does Jones' folksy comportment.

Fenberg has created a comprehensive record of Jones' unique accomplishments, which have largely gone underrecognized. Probably few Houstonians, if they know who Jones was, could name his work beyond the city limits, where he established the philanthropic Houston Endowment. Fenberg blames our general neglect of history, while historian Don Carleton likes to joke: "Everybody is overlooked in Texas history except for the Alamo defenders."

Carleton, director of the Dolph Briscoe Center for American History at the University of Texas at Austin, home to a portion of the Jones archive, is also quick to attest that "Jones embodies the positive role the federal government can play in a very rational, directed, responsible partnership with business."

This is the same message Fenberg shared with staff at the Department of Treasury earlier this year. For whatever reason, Jones' story has gone largely unnoticed since his death in 1956.

Fenberg's book may change that.

"Each time I signed a book [at the Treasury Department], the recipient told me in one way or another how important it was to get the information in *Unprecedented Power* to the public, to other policymakers and to politicians," Fenberg says. "I felt like I had, in some way, brought Jones' voice back to Washington, where he once played a pivotal role in saving the economy and preparing the nation for war." ■

*Cecily Sailer is a freelance writer and education programs manager for the Austin nonprofit Badgerdog Literary Publishing.*

# EAST SIDE PIES



For our menu and daily specials, text PIES to 72727 from any smartphone!

Come by East Side Pies for **a slice of our Farm to Table pizzas**, made daily with local produce from East Austin urban farms.

Now serving **gluten-free options** at both locations!









1401 B Rosewood Ave  
Austin, TX 78702  
512.524.0933

5312 Airport Blvd. #G  
Austin, TX 78751  
512.454.PIES



## AMARILLO

A novel of revenge and redemption  
in the Texas Panhandle

— by Bill Durham

"... a slow-burning, burgeoning romance, a taut, pacy courtroom drama, and a psychological thriller almost Gothic in its intensity..." — Kim Anderson

Available on Kindle and Nook for 99 cents, and in paperback at Amazon and Book People in Austin