
THE IMAGE OF THE ENTREPRENEUR AND THE
LANGUAGE OF THE MARKET: ROBERT A. TAFT,
MARKET RHETORIC, AND POLITICAL ARGUMENT, 1933-
1944

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AFTER BEING ELECTED TO THE U.S. SENATE IN 1938, Robert Alphonso Taft quickly became one of the upper house's most trenchant critics of the Roosevelt administration's economic policies. Taft, Ohio's "favorite son" candidate at the 1936 Republican Party Convention which nominated Alf Landon, had been a rising star among Grand Old Party (GOP) conservatives and an outspoken opponent of New Deal economic recovery and reform programs since the spring of 1935. His opposition to New Deal liberalism is not surprising given his background, education, and professional development.

The eldest son of William Howard and Helen Herron Taft, Robert graduated at the top of his class at the Taft School at Watertown, Conn., Yale College, and Harvard Law School. After a brief and uneventful period of private law practice, Taft worked first as an assistant counsel with Herbert

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Hoover at the U.S. Food Administration in 1917-1918. Then, at Hoover's invitation, he was employed as legal counsel for the newly created American Relief Administration, a far-flung bureaucracy devoted to the provisioning of the starving peoples of war-torn Europe. When he returned to Ohio in the autumn of 1919, Taft threw himself into Republican Party politics. He served as manager in southwestern Ohio for Hoover's abortive campaign for the presidency in early 1920, and then ran successfully for the state house of representatives in November. After three terms in the state house, Taft returned to full-time practice at the Cincinnati law firm he co-founded, Taft, Stettinius, and Hollister. The firm specialized in corporate law, provided legal counsel to several prominent regional business concerns. It also became involved in the underwriting of numerous state bond issues, and played a major role in the reorganization of Cincinnati's complex railroad terminals. Taft returned to state government for one eventful term as state senator, drafting Ohio's pioneering intangible tax act, a measure which furnished the state with much-needed revenues from personal property held in the form of stocks, bonds, and investment trusts. Back full-time in private practice in 1933, following a sweeping Democratic victory, Taft first scrutinized, and then criticized, the new administration's economic and financial policies. Stepping into the limelight as Ohio's favorite son in the 1936 presidential campaign provided him with a national audience for his brand of conservative argument.

It is the economic message in his argument that is the focus of this article. During the first decade of his national political career, Taft contributed to a lively "Old Right" conservative critique of the Roosevelt administration's efforts to achieve economic recovery, promote sustainable growth, and convert to a postwar peacetime economy. The purpose of this study is to examine the senator's market rhetoric—the ideas on the market, entrepreneurship, and the role of the state that he "deliberately employed as a persuasive device" in political arguments after 1935—to understand more fully the foundation of his libertarian brand of conservatism.¹ It will closely

¹ Michael Freeden, professor of politics at Oxford University, has theorized that "rhetoric," in contrast to ideology, is the language used in "the weaving of a narrative tale deliberately employed as a persuasive device." According to Freeden, rhetoric may be utilized to simplify complex ideologies or their constituent parts for public consumption. Freeden, *Ideologies and Political Theory: A Conceptual Approach* (New York: Oxford University Press, 1998), 13-23, 35-36, quote at p. 35. Utilizing this approach, this study begins with the analysis of the key speeches and statements to locate the economic message that constituted Taft's market rhetoric. Imbedded, in accessible, simplified form, were certain

examine the senator's arguments during the three periods in which he formulated his thinking about the market: his August 1933 effort to understand the economic collapse, his earliest criticisms of New Deal statism during the 1935-1936 campaign cycle, and his early 1944 support for small-business enterprise during the rancorous debates over postwar planning.

As this article will demonstrate, Taft was the heir to two very rich American traditions which equipped him to mount a powerful rhetorical challenge to New Deal liberalism: first, reaching back through his father to Yale's premier conservative thinker, William Graham Sumner, the younger Taft drew on the evolutionary naturalist component of the Gilded Age's "new conservatism."² Second, like his father and his mentor, Herbert Hoover, Robert blended that natural-law tradition with the GOP's energetic economic nationalism. In the manner of nineteenth-century Republicans, Robert Taft rejected laissez-faire economics and approved a wide range of federal government activities to encourage economic development, especially entrepreneurial enterprise, during the first half of the twentieth century.³

foundational elements (concepts of organic change and extra-human direction) of the "Old Right" conservative ideology espoused by Taft and other spokesmen of the interwar Republican Party.

² On the libertarian "new conservatives" of the Gilded Age, see the classic studies by Clinton Rossiter, *Conservatism in America: The Thankless Persuasion* (New York: Vintage, 1962); Robert G. McCloskey, *American Conservatism in the Age of Enterprise, 1865-1910: A Study of William Graham Sumner, Stephen J. Field and Andrew Carnegie* (New York: Harper & Row, 1951), and Richard Hofstadter, *Social Darwinism in American Thought, 1860-1915* (Philadelphia: University of Pennsylvania Press, 1944). On the concept of evolution and the "transformation of conservatism," see Ronald Lora, *Conservative Minds in America* (Chicago: Rand McNally, 1971), chap. 3. On the distinction between libertarian and traditional conservatives in the Gilded Age, see Gillis J. Harp, "Traditionalist Dissent: The Reorientation of American Conservatism, 1865-1900," *Modern Intellectual History* 5 (3) (2008): 487-518.

³ On the Republican Party as the "political agent" of national economic development, see Richard F. Bense, *The Political Economy of American Industrialization, 1877-1900* (New York: Cambridge University Press, 2000), especially xviii-xxi, 506-7, 510-27. The best assessment of the Civil War-era Republican economic policies is Heather Cox Richardson, *The Greatest Nation of the Earth: Republican Economic Policies during the Civil War* (Cambridge, Mass.: Harvard University Press, 1997). The most important recent interpretation of nineteenth-century U.S. political economy that emphasizes the

In particular, this article argues that Robert Taft's market rhetoric demonstrates a fusion of nature and nation in four crucial ways: first, and most fundamental, the Ohio Republican emphasized extra-human (independent of human will) "natural forces"⁴ underpinning economic activity, especially the natural recuperative powers that had generated recovery from previous business downturns. Second, he incorporated the metaphor of the smoothly running machine—a staple of economic language since the publication of Adam Smith's *Wealth of Nations*—to emphasize the capacity of the American economy, in the absence of governmental interference, to operate flawlessly. Third, once he stepped onto the national political stage in the mid-1930s, Taft presented a more dynamic, entrepreneurial economic model in his campaign speeches and statements. The future senator deployed the entrepreneur, endowed with the "industrial virtues" that Professor Sumner claimed had characterized every successful Gilded-Age businessman, as the principal agent of economic growth and material progress. For Taft, the entrepreneur represented the private sector's alternative to the New Deal's bureaucratic statism, public enterprise, and "stagnation-thesis" economics. Finally, Taft's support for 1944 federal loan guarantees to facilitate small business initiatives revealed his desire for the national government to support, rather than interfere with, entrepreneurial enterprise in the competitive market.

Earlier studies of the senator's conservatism paid little attention to the roots of his market thought, failed to recognize his use of the language of classical economics, and missed the centrality of the entrepreneur in his political arguments.⁵ Throughout the period under investigation—from his

importance of "associative" patterns of federal government activity that combined "national resources and private initiative" is Brian Balogh, *A Government Out of Sight: The Mystery of National Authority in Nineteenth-Century America* (New York: Cambridge University Press, 2009). For Balogh's brief summary of "the enduring patterns of interaction between citizens and the national government established over the course of the nineteenth century," see his "Conclusion: Sighting the Twentieth-Century State," (*Ibid.*, 380-82).

⁴ The label "extra-human" is used here to mean any force—God, natural law, history, etc., anchoring the social order. See Freedman, *Ideologies and Political Theory*, 334.

⁵ Earlier scholarship has focused on Senator Taft's three political "principles"—liberty, equality of opportunity, and equal justice under the law—and his constitutionalism, with little attention paid to the naturalist philosophy underpinning his political thought. For a prime example of this approach, see the discussion of Taft and

1933 “Notes on the Great Depression” to his 1944 speech, “Financing Small Business After the War”—Taft increasingly employed producer-oriented market language to represent the American economy as a “natural” order. In both his 1933 private financial writings and his political arguments beginning in 1935, he asserted that society was governed principally by extra-human natural laws, with a nation’s political realm limited and bounded by those fundamental rules; if unencumbered by government interference, markets functioned with equilibrium-seeking stability. With his initiation into national politics in the mid 1930s, however, Taft employed entrepreneurship to augment his market rhetoric with a dynamic (and equilibrium-disturbing) dimension. From 1935 to 1944, Taft, the politician, elaborated his ideas about the central place of the entrepreneur in increasing detail. For him, it was the “small businessmen” of America and the entrepreneurs who rose from their ranks, not the modern corporation, which mattered as the primary instruments of recovery, growth, and social progress.

In the mid-1930s, Taft joined other Republican Party spokesmen who extolled the virtues of a dynamic “equal opportunity society.” Adopting a conscious electoral strategy, interwar GOP leaders had articulated several “equal opportunity” and social mobility themes, highlighting entrepreneurial success as a key to material progress. During his 1928 campaign, Hoover, the party’s most articulate spokesman, heralded “the emancipation of the individual” and cherished the “ideal of equal opportunity.” Led by their presidential candidate, GOP rhetoricians targeted the growing middle class—especially small businessmen and small farmers—employing, in the words of the political scientist John Gerring, an extensive “free-market vocabulary... to illustrate the virtues of private enterprise.”⁶

“Liberty and Order” in Russell Kirk and James McClellan, *The Political Principles of Robert A. Taft* (New York: Fleet Press Corp., 1967), 67-71. On Taft’s pre-Cold War economic thought, see James T. Patterson’s chapter, “A Philosophy for Hard Times,” in his *Mr. Republican: A Biography of Robert A. Taft* (Boston: Houghton Mifflin, 1972), 146-59.

⁶ A close examination of the political rhetoric of presidential candidates during this era reveals striking party differences. Democrats like Franklin D. Roosevelt appeared to cultivate relations with the large landholder, the influential banker, those of established wealth, or the leadership of established organizations, such as trade union officials. In contrast, Republicans increasingly lionized those of modest means, particularly those middle-class citizens which they praised as the backbone of the nation. John Gerring, *Party Ideologies in America, 1828-1996* (New York: Cambridge University Press, 1998), 144-45.

I. “there suddenly appears a demand for capital”

The 1929 stock market crash and subsequent economic collapse forced Taft to think systematically about the business cycle. In August 1933, during the New Deal’s first year, the future senator set down his thoughts in an effort to assess the depression’s causes and to formulate potential remedies. His duties as executor of his uncle’s far-flung estate and director of numerous business corporations prompted Taft to compose his “Notes” to chart the course that the American economy was traveling under the new regime in Washington, D.C.⁷ The final section of this handwritten private document deals with estimates of the impact of federal industrial and agricultural policies on the nation’s economy and what investments (equities, debt, real estate, etc.) should be made given various scenarios.⁸

While he embraced a rough version of neoclassical orthodoxy in the early 1930s,⁹ Taft’s economic writings utilized the mechanistic language and imagery that had characterized political economy since the eighteenth century.¹⁰ In the century preceding the 1929 stock market crash, according to

⁷ The literature on the New Deal is voluminous. The classic study is William Leuchtenburg, *Franklin D. Roosevelt and the New Deal, 1932-1940* (New York: Harper & Row, 1963). See also Anthony Badger, *The New Deal: The Depression Years, 1933-40* (New York: Hill and Wang, 1989). For an important interpretation of the origins of modern industrial, labor, and welfare policies, see Colin Gordon, *New Deals: Business, Labor, and Politics in America, 1920-1935* (New York: Cambridge University Press, 1994).

⁸ RT, “Notes on the Great Depression,” in *The Papers of Robert A. Taft*, ed. by Clarence E. Wunderlin, Jr., et al., 4 vols. (Kent, Ohio: Kent State University Press, 1997-2005), 1:447-53 (hereafter cited as *Papers of RAT*).

⁹ My categorization of Taft’s early economic thought as a rough neoclassicism results from a reading of Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), especially 754-55, 963-71. Taken collectively, his ideas about the competitive market seem to indicate that Taft was often thinking in terms of “static” patterns within “a more general dynamic theory” with the entrepreneur at its core (Ibid., 963).

¹⁰ Unlike earlier scholars who have linked the mechanistic language of political economy to the marginal revolution of the late-nineteenth century, Murray Milgate and Shannon C. Stimson believe that the machine metaphor “was among the more novel inventions of eighteenth-century political economy”: “The trope (of likening the economy

Taft, immutable economic laws had governed the development of the “American business system,” his label for the United States’ version of industrial capitalism. As of 1933, he saw the American economy as a great “machine,” and applied such mechanical concepts as motion, causation, and equilibrium to economic activity. Extending the machine metaphor, Taft labeled this powerful economic instrument a “balance wheel,” a device having self-correcting, or equilibrating powers.¹¹

In Taft’s American system, numerous competing firms produced goods and services for the nation’s protected market, determined prices in the competitive process of exchange, depended on a securities market to raise capital for plant expansion, and allocated returns to workers and owners with some approximate, market-governed degree of distributive justice. In most industries across the economy, Taft believed that few barriers to entry existed, easily allowing entrepreneurs to create new ventures and compete against existing, established firms. Only under extraordinary conditions did obstacles hinder entry and prevent competition from governing the exchange process. Those conditions were present, the Ohioan observed, when monopoly was allowed to form or where natural monopoly existed—as in transportation and in public utilities.¹²

to a machine) was deployed in the name of working a scientific revolution in economics. The basis of this revolution in thinking about the economy was to be rational argument. Actual machines were deployed in the name of an industrial revolution in production. The basis of this revolution in economic activity was the rational organization of production. Economy in thought (rationality) also seems to be analogous to the idea of the economy in production that was achieved by machines (via rationalization). This eighteenth-century analogy persists to the present day; one still encounters it in phrases like ‘price mechanism’ and ‘market mechanism.’” Murray Milgate and Shannon C. Stimson, *After Adam Smith: A Century of Transformation in Politics and Political Economy* (Princeton: Princeton University Press, 2009), 79, note 4. For an interpretation emphasizing the connection to the marginal revolution, see Metin M. Cosgel, “Metaphors, Stories, and the Entrepreneur in Economics,” *History of Political Economy* 28 (1) (1996): 62-63.

¹¹ The earliest use of this mechanistic language by Taft can be found in his August 1933 “Notes on the Great Depression” in *Papers of RAT*, 1:447-53.

¹² *Ibid.*, 1:447-51.

But Taft believed that in the speculative boom of late 1920s, excessive amounts of capital had flowed into the securities market, creating profits for a few, rather than adding purchasing power to the system. A highly skilled corporate lawyer who had worked with the investment bankers at Kuhn, Loeb & Co. in the financial undertaking of the Cincinnati Terminal project, Taft clearly distinguished between productive industry and speculative finance. He praised capital investment that augmented the productive capacity of the nation's industrial base, but criticized financial speculation in which "that new p.p. [purchasing power] is all thrown into stock market, & creates again excessive amount of capital, before the needs have really developed."¹³

Taft clung to a rather orthodox interpretation of economic cycles, maintaining an older view of depression as a temporary interruption, an "upsetting of the balance wheel" of production.¹⁴ The economic collapse had occurred, he believed, because of a dramatic decline in purchasing power. It was the result, the Ohioan thought, of a "largely decreased purchasing power (or to put it another way a slowing down in the circulation of purchasing power, or the economic cycle)." The failure to sustain previous levels of purchasing power stemmed from two factors external to the productive cycle: first, much of that 1920s purchasing power was either temporary or, in the case of speculative investments, unsound in nature; and second, trade barriers erected in the decade following the First World War inhibited the free exchange of goods and services.¹⁵

Taft's view that a "slowing down" caused the 1929-1932 downturn placed him squarely in the monetarist camp of Princeton University's Edwin W. Kemmerer. One of the economics profession's most respected theorists on money, Kemmerer believed that the velocity of money circulation had dropped dramatically since the October 1929 crash. Currency and credit, according to the Kemmerer, were already available. He urged the nation's industrial, commercial, and financial leaders to create conditions that would lead to increased velocity of monetary circulation: actions which would

¹³ Ibid., 1:450.

¹⁴ Ibid., 1:447. For an assessment of the state-of-the-art thinking on the business cycle during the interwar period, see William J. Barber, *From New Era to New Deal: Herbert Hoover, the Economists, and American Economic Policy, 1921-1933* (New York: Cambridge University Press, 1985).

¹⁵ *Papers of RAT*, 1:448.

restore business confidence. Kemmerer believed that the velocity variable was affected by psychological factors beyond the direct control of any central bank; only a reaffirmation of such orthodox principles as “sound money,” the gold standard, and “fiscal responsibility” could restore confidence.¹⁶

Throughout the 1930s, Taft embraced similar measures. In August 1933, he was particularly concerned about the gold standard and inflation of the currency. He believed that “going off” the interwar gold exchange standard was “bad morally & from the standpoint of all individual effort.” He doubted that Roosevelt’s measures increased exports and concluded that they ultimately mattered little because of the inability of foreign nations to pay for American goods. In Taft’s view, the rise in the prices (in U.S. dollars) of raw material imports negated any benefits to exports from ending gold exchange.¹⁷

Once a restoration of business confidence had occurred, Taft knew that the natural recuperative powers of the economy would take hold. “Economic law” would eventually “restore p.p. as it always had,” he opined. “In some way there must be a little more increase in p. p., then decrease in payroll to start the circle up.” Uncertain as to the specific path to recovery, Taft wrote: “But possibly steady decrease in price ultimately stimulates p.p. and restores balance in volume—I don’t know how anyone can measure it.”¹⁸

For Taft, however, the “chief element” in the recovery process was the demand for capital. “Not enough goes into capital, & repairs etc. & a number of things accumulate to be done.” He believed that the cycle had reached its trough at this point. “Suddenly there is a turn,” creating a demand for goods beyond those inventories available for “current consumption.”

¹⁶ According to the professor, the turnover of demand deposits had fallen to approximately half of its pre-1929 level. Kemmerer placed the price deflation in the general economy within this bank money context. He argued that increasing the money supply would accomplish little; neither printing more dollars nor persuading banks to expand lending capacity would alter conditions. Barber, *From New Era to New Deal*, 157-59.

¹⁷ *Papers of RAT*, 1:451. For an insightful and provocative analysis of the interwar gold exchange standard, see Murray N. Rothbard, “The New Deal and the International Monetary System,” in Leonard P. Liggio and James J. Martin, eds., *Watershed of Empire: Essays on New Deal Foreign Policy* (Colorado Springs, Col.: Ralph Myles, 1976), 19-29.

¹⁸ *Papers of RAT*, 1:449.

Securities reach “reasonably low depths” and investors begin buying, creating new purchasing power, and a recovery is triggered. “In short there suddenly appears a demand for capital—people reduce expenses & begin to save again, & new capital have accumulated.”¹⁹

Then Taft speculated about the dangers involved in the recovery process. To his way of thinking, the chief danger was two-fold: either an increase in prices before a realization of the augmented purchasing power would check its stimulating effect, or a channeling of the new purchasing power into the stock market “creates again excessive amount of capital, before the needs have really developed,” and a new round of securities speculation would result. As the summer of 1933 drew to a close, the future senator was not optimistic. “There is still a lot of loose cash & little need for capital.” He recognized that as long as the demand for consumer goods remained slack, there would be precious little demand for the construction of new capital plant. “New p.p. must go to people who will buy consumable goods.”²⁰ As of August 1933, he believed that it was necessary to place more purchasing power in the hands of American consumers. According to this view, it was consumer spending that would draw down inventories, jump start production, and generate a new demand for capital construction that would reinvigorate the economy. The importance Taft attributed to capital investment, however, provides a glimpse of his future arguments on behalf of unfettered capital investment and the centrality of the entrepreneur.

II. “policies which the Government has pursued in past depressions”

In the political argument of the mid 1930s, Taft espoused an ever more individualist, production-oriented, entrepreneurial theory of economic recovery and growth. As he formulated his critique of the New Deal’s economic experiments, Taft increasingly asserted that new enterprise in the private sector was the primary engine of both cyclical recovery and sustainable economic growth. In so doing, he made no appreciable distinction at this time between the conditions necessary for either short-term recovery or long-term prosperity. Taft endeavored to refute New Deal schemes of bureaucratic intervention, contrived scarcity, and finally, public enterprise, while at the same time he developed his own views on recovery and prosperity. Over this nine-year period, Taft continually feared the

¹⁹ Ibid., 1:450.

²⁰ Ibid.

negative effect that government interference had on both recovery and growth, even as depression turned into wartime economic expansion. His conservative arguments for economic recovery, firmly rooted in the extra-human notion of the “natural recuperative powers of the market,” highlighted a vision of the entrepreneurial enterprise encouraged by prudent, constructive government policies.

By April 1935, Taft's ambivalence toward the administration had shifted to outright opposition. He contributed his voice to that of his old mentor, Herbert Hoover, and a chorus of conservatives who castigated Roosevelt's New Deal economic experiments and the “starry-eyed professors” and “sinister bureaucrats” that conducted them.²¹ From the outset of his national political career, Taft, the disciple, branded federal efforts to administer markets as destructive, and portrayed the transactions of individuals in the market as natural activities. Initially, he was most disturbed by the New Dealers' philosophy of contrived scarcity. The Ohio Republican charged that the administration's policies of restricting output in industrial and agricultural production had failed completely, further asserting that the National Recovery Administration (NRA) and the Agricultural Adjustment Administration (AAA) “had served the additional bad purpose of retarding recovery.” In an address to the Warren, Ohio, Chamber of Commerce, Taft remained confident of the self-correcting powers of markets. “Recovery is a good deal more likely to be secured,” he asserted, “by leaving the patient to the convalescent processes of nature than it is by quack remedies.”²²

Taft praised Hoover's 1932 infusion of capital into the investment system as the type of constructive federal action necessary to arrest the downward economic spiral. The Ohioan favored such capital loan programs as those promoted by the Reconstruction Finance Corporation (RFC), the

²¹ For a brief overview of “The Rise of Conservative Opposition,” see chap. 30 of Arthur M. Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 471-88. For the New Deal's response to the antistatist conservatives, see James Holt, “The New Deal and the American Anti-Statist Tradition,” in John Braeman, Robert H. Bremner, and David Brody, eds., *The New Deal*, 2 vols. (Columbus: Ohio State University Press, 1975), 1:27-49.

²² *Papers of RAT*, 1:484.

Farm Loan Boards, and the Home Owners' Loan Corporation (HOLC).²³ "I think no one can question the wisdom of government loaning money to business and individuals to tide them over a depression," the future senator declared, "when the private machinery of lending broke down." The RFC, the HOLC, and the farm boards carried many citizens through troubled times, Taft asserted, and prevented "liquidation which would not only have caused greatly increased social problems, but also a continuation of the excessive deflation." Nor did he oppose countercyclical public works programs. He did, however, believe that pump-priming efforts could bankrupt a nation if not carefully managed. In the first months of Roosevelt's Second New Deal, Taft argued that government should facilitate private-sector recovery. The government, he claimed, should advocate the "deliberate encouragement" of "new business," of renewed savings efforts, and of "new capital" creation.²⁴

But Taft's prescription for recovery in the mid-1930s was primarily a strong dose of fiscal conservatism. His concrete policy positions left no doubt that the job of the federal government was to provide a stable environment necessary for such capital creation: a stabilized currency, a balanced budget, and an "increased assurance to individuals and businesses that they will not be subjected to governmental interference in the normal processes of business."²⁵

As the 1936 primary campaign season began to unfold, Taft further developed his private sector approach to economic recovery. The "unemployment problem," he lectured the New Hampshire Women's Republican Club, "could only be solved through employment by private business. That can be effected if the economic machine is speeded up to the point it reached in 1928, or better." Reminding his audience that the 1935 national income was "approximately fifty billion dollars, compared to eighty

²³ On Hoover's 1932 recovery efforts that emphasized injecting public capital into the private investment system, often labeled "trickle-down economics" by critics, see Barber, *From New Era to New Deal*, chap. 10, 169-88.

²⁴ *Papers of RAT*, 1:486-87.

²⁵ *Ibid.*, 1:487.

billion in 1929,” the Ohio Republican declared that there “is plenty of room for expansion.”²⁶

In contrast, President Roosevelt firmly believed that only a greater degree of state intervention could create that expansion and provide economic security for all American citizens. In 1936, he informed the members of the Young Democratic Club of Baltimore, Maryland, that gold standard and balanced budget “panaceas” were insufficient to achieve their economic security. Roosevelt queried his young followers, “is there work today, is there assurance for tomorrow, is this the practical, definite answer for which you are looking?” The president claimed that citizens had “a right to expect that those in authority will do everything in their power” to create jobs and secure their future.²⁷

Taft was outraged by Roosevelt’s critique of fiscal conservatism. “Yet those are the policies which the Government has pursued in past depressions,” Taft exclaimed, “and we have come out of every depression with improved standards of living, increased business activity, and greater prosperity.” Only private business could reemploy the large numbers of unemployed, he asserted, “and business should be encouraged in every way” to act. “The natural forces are working in the right direction,” Taft observed, but businesses had no incentives if the federal government maintained unbalanced budgets, uncertain currency valuation, “new and penalizing taxes,” and excessive regulatory interventions in everyday business operations. Taft recommended to New Hampshire Republicans that the 1936 platform should pledge the party to “a stabilization of world currencies on a reasonable basis,” with a return to the gold standard as “the only practical basis of such world stabilization,” balanced budgets effected “principally through reducing expenditures, and if necessary by levying additional taxes, based on the ability to pay.”²⁸

Taft’s strict fiscal conservatism distinguished him from many business and political leaders on the right in the spring of 1936. While he labeled Roosevelt’s Revenue Act of 1935 a redistributive tax “designed to accomplish

²⁶ *Ibid.*, 1:505-14.

²⁷ Roosevelt Address to the Young Democratic Club, Baltimore, Md., Apr. 13, 1936, *Public Papers and Addresses of Franklin D. Roosevelt*, 1936 vol. (New York: Random House, 1938), 159-66, quote at 161.

²⁸ *Papers of RAT*, 1:506.

doctrinaire philosophies of government,” Taft was quite willing to tax earnings in order to balance the federal budget. In contrast, as economist Herbert Stein noted, many corporate critics of the New Deal focused their opposition on all forms of high taxes.²⁹

Taft’s desire to get New Deal regulators off the backs of businessmen was more in line with private-sector opinion. “Business should be encouraged to believe that government will interfere with them,” Taft suggested, “only when they abuse the privileges and opportunities which have been extended to them.” The growing regulatory bureaucracy, according to the future senator, drove up the cost of production, diminished profits, and dissuaded many from investing to expand plant capacity.³⁰

It was to entrepreneurship that Taft increasingly looked in the mid 1930s to solve the nation’s economic problems. As early as his 1935 Warren, Ohio, Chamber of Commerce speech, Taft began to argue that only entrepreneurial enterprise, stimulated by market-based incentives, could generate recovery and economic growth. Instead of spurring consumption by New Deal redistributive policies, Taft believed that it was necessary “to secure the operation of the economic machine in high gear” to effect “a degree of prosperity equaling or exceeding that of the Old Deal.” In the spring of 1935, Taft began to discuss the entrepreneur as the agent of economic recovery and growth. To his Chamber audience, he declared, “only the incentives and rewards for hard work and brain work, afforded by the American business system can possibly stir up the economic machine to a point where there may [be] sufficient wealth to share.” In 1935, Taft was also willing to allow “a few wealthy people” to profit, preventing the “undeserved reward” by strict enforcement of the antitrust laws. “Recovery, and not revolution, should be our goal.”³¹

²⁹ Indeed, as Stein has shown, the corporate critics’ opposition to high levels of spending and big deficits largely derived from their views on taxes. For these business conservatives, there was an obvious linkage of federal spending programs generating budget deficits to higher rates of taxation on incomes. Herbert Stein, *The Fiscal Revolution in America* (Chicago: University of Chicago Press, 1969), 81-83.

³⁰ *Papers of RAT*, 1:513-14.

³¹ *Ibid.*, 1:482-83.

III. "industry, ability, intelligence and thrift"

In the early months of 1936, Taft fleshed out his ideas regarding the agent of American material progress. By his April 30 speech to the New Hampshire Women Republicans, Taft had identified the individual attributes, the natural gifts, possessed by those men who achieved entrepreneurial success. "We should approve the American business system," Taft implored the New Hampshire women, "a system which rewards qualities of industry, ability, intelligence and thrift."³² That system may not have rewarded individuals justly in all cases, he conceded, but the marketplace allocation of rewards was far superior to rewards distributed by "officials serving a partisan government." In his 1936 speech, Taft elaborated on the role of law in securing a just distribution of income shares. To minimize "excessive rewards which monopoly may take to itself," Taft reminded his audience, the Republican Party had steadfastly supported prosecution under the 1890 Sherman Anti-Trust Act; he firmly believed the law maintained "free competition." It was "open competition" that checked excessive profits: the "pioneer receives his reward," but the market allowed other competitors "to rush into the same field and give the consumer the benefit of the lower price."³³

³² *Ibid.*, 1:507. On occasion Taft substituted a synonym for one or more of these terms or substituted a slightly different one. What did he mean by the use of these specific attributes? Those businessmen who established reputations based on abundant "industry," according to Taft, were those who possessed diligence or displayed "persevering application," to employ one dictionary definition, in an employment or commercial pursuit. By "genius," it is clear that the senator was not referring to high intelligence quotient or the "transcendent mental superiority" of an Albert Einstein, but to one of two alternate dictionary definitions of the word: "a strongly marked capacity or aptitude for a given pursuit," or "extraordinary intellectual power, especially as manifested in creative activity." Taft's use of the term "ability" alongside, or as a substitute for, "genius" confirms this choice of meanings. Taft also understood that entrepreneurial success necessitated "daring" or boldness in pursuing an economic venture. Taft recognized that the typical entrepreneurial venture was an undertaking involving chance or considerable financial risk. Taft often coupled "daring" with "initiative" when listing these attributes. By the possession of "initiative," the Ohioan meant that a businessman demonstrated the energy or aptitude to begin a venture or possessed "enterprise," the readiness to engage in risky or innovative activity.

³³ *Papers of RAT*, 1:507-8.

Taft's entrepreneur was an agent of change—an instrument of economic development and a symbol of success, endowed with those specific attributes that still possessed value in America's Depression-era culture. Indeed, according to his narrative of American history, the nation's material progress had resulted from the "encouragement" of millions of men "to spend their time and money" on new business ventures; the American business system then bestowed rewards on them according to the degree to which they possessed those crucial attributes.³⁴ These enterprisers innovated in the market, adopting new technologies or procedures in the productive process.³⁵ In doing so, they were responsible also for organizational change, establishing new business firms, or, in some cases, entirely new industries.

In his successful 1938 campaign for the U.S. Senate, Taft extolled private enterprise and entrepreneurship as the answer to the new "Roosevelt Recession."³⁶ These views placed Taft alongside congressional conservatives who had recently articulated a private formula for economic recovery, the December 1937 "Conservative Manifesto." Led by Senators Josiah W. Bailey (D-N.C.), Arthur H. Vandenberg (R-Mich.), and Warren R. Austin (R-Vt.),

³⁴ On the reasons for America's economic miracle, as well as a restatement of those "industrial virtues" possessed by the successful entrepreneur, see RT Speech, "Financing Small Business After the War," Jan. 14, 1944, in *Papers of RAT*, 2:517-24.

³⁵ The most insightful description of the entrepreneur's innovative function comes from David Hamilton: "The entrepreneur sits astride a strategic pass along the stream of technological development from which position he allows or disallows the further development and application of already-available new technological possibilities." Hamilton, "The Entrepreneur as Cultural Hero," *Southwestern Social Science Quarterly* 38 (1957): 253.

³⁶ In early 1939, Senator Taft claimed that the "Roosevelt Recession" had resulted "from Government interference, the lack of saving, and the unwillingness of individuals to invest in permanent things." See his analysis in the published transcript of *Foundations of Democracy: A Series of Debates by T.V. Smith . . . and Robert A. Taft* (New York: A. A. Knopf, 1939), 229-30.

For the recent "regime change" thesis offered by prominent economic historian Robert Higgs that attributes the recession to Roosevelt's anti-business policies, see Higgs, "Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed after the War," *Independent Review* 1 (Spring 1997): esp. 576. The classic study of the recession is Kenneth D. Roose, *The Economics of Recession and Revival: An Interpretation of 1937-38* (New Haven: Yale University Press, 1954).

conservatives on Capitol Hill felt it was their “duty,” considering the recessionary “conditions that confront us,” to compose their own ten-point program to restore the “full activity of employment and commerce.” The “manifesto” reasserted the necessity for fiscal conservatism and for the primacy of private capital investment. Conservatives who opposed government demand management rejected the path of renewed spending to blunt the recession. “Public spending, invoked in the recent emergency,” asserted the manifesto, “was recognized as a cushion rather than as a substitute for the investment of savings by the people.”³⁷ “Manifesto” conservatives privileged private over public enterprise. “It ought to be borne in mind that private enterprise, properly fostered,” the document declared, “carries the indispensable element of vigor.”³⁸

To Taft’s way of thinking, entrepreneurial enterprise was essential to recovery. He presented Ohio voters with two models of dynamic entrepreneurship during the campaign. Commemorating the life of Harvey Firestone shortly after his death in 1938, Taft asserted the Akron tire-maker’s central place as “one of the pioneers” of modern America’s continuing industrial development in the twentieth century, “whose ability, genius and industry was instrumental in making Akron the rubber center of the world.” Through his manufacturing efforts in the United States and his rubber plantation ventures in Liberia, Taft observed, Firestone had created good, high-paying jobs “for thousands of men and women.”³⁹ When speaking to

³⁷ The core of the manifesto’s fiscal conservatism was expressed in calls for a) the immediate revision of federal capital gains and undistributed profits taxes to “free funds for investment and promote the normal flow of savings into profitable and productive use”; b) the reduction, or at least the stabilization, of tax levels; c) the safeguarding of the collateral on which rested the nation’s credit system; and d) the reduction of expenditures, without the increase in taxes, in order to obtain a balanced budget. “We intend that a consistent progress toward a balanced budget shall be made,” the manifesto stated, “so consistent that none may question the consummation in due season.” John Robert Moore, “Senator Josiah W. Bailey and the ‘Conservative Manifesto’ of 1937,” *Journal of Southern History* 31 (1965): 21-39, quotes at 35; James T. Patterson, *Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939* (Lexington: University of Kentucky Press, 1967), 198-210, final quote at 205.

³⁸ Moore, “Conservative Manifesto,” 34-35, quote on 35.

³⁹ RT, Firestone Memorial Oration, Apr. 3, 1938, draft in Box 31, Paul W. Walter Papers, Western Reserve Historical Society Library, Cleveland, Ohio.

African-American audiences, the future senator also presented Dr. George Washington Carver, the Tuskegee Institute-based agricultural scientist, as a model entrepreneur. Carver's research, especially on the industrial uses of such crops as cotton and peanuts, led to the development of numerous new product lines. Once again, as with Harvey Firestone, Taft stressed the lesson that "progress has been due to individual enterprise and leadership." Taking the opportunity to express his conservative, racial "self-help" message, Taft reminded African Americans that "the development of private industry" by men such as Carver was the "only solution to their economic difficulties."⁴⁰

What were the sources of Taft's thinking on entrepreneurship? In political economy, the notion that the successful entrepreneur was a special individual can be traced back not to Adam Smith, but to Jeremy Bentham, the English utilitarian philosopher. As the economist Enzo Pesciarelli has shown, Bentham's "projector" or entrepreneur was "the active agent of development." Bentham focused on "projectors as introducers of innovation, and on innovation as the driving force behind the development of mankind through history." In contrast to Smith's "prudent man," who exercised self-control in the market, Bentham's heroic individual stood above the "common herd of people," displaying courage and genius. It was these innovators who created utility, according to Bentham, either by starting entirely new methods of production or by dramatically improving existing methods.⁴¹

Bentham's heroic entrepreneur gained wide acceptance in nineteenth-century America. These dynamic enterprisers took center stage in the evolutionary naturalism of the Gilded Age's "new conservatives" and in the political economy of America's Whig and Republican parties of the nineteenth century. In the national political realm, the entrepreneurial ethos held a prominent place in the thinking of political economist Henry C. Carey,

⁴⁰ Ibid. For Taft's views on race, "racial uplift," and the market, see the online version of Clarence E. Wunderlin, "Text and Context in Ohio's 1938 Senate Campaign: Race, Republican Party Ideology, and Robert A. Taft's Firestone Memorial Oration," *Northeast Ohio Journal of History* 6 (1) (2010). See also RT, Address at Howard University, Mar. 2, 1939, in *Papers of RAT*, 2:12-17.

⁴¹ Enzo Pesciarelli, "Smith, Bentham, and the Development of Contrasting Ideas on Entrepreneurship," *History of Political Economy* 21 (1989): 530, 534-35; Robert F. Hebert and Albert N. Link, *Historical Perspectives on the Entrepreneur* (Boston: Now Publishers, 2006), 43.

a spokesman for the antebellum Whigs, then the Republican Party of Abraham Lincoln. Carey strove for a society that rewarded proper moral values. As historian Daniel Walker Howe has observed, Carey approved of a social system in which men with “foresight, thrift, and conscientious application would have not only a variety of career choices but also the opportunity to rise from wage-earner to employer.” Success in such a world was “an appropriate reward for moral effort.”⁴²

For his mid-1930s political argument, however, Taft drew directly from the language of the naturalist tradition, as taught at Yale College, for his symbol of success. Not surprisingly, his entrepreneur possessed many of the same “industrial virtues” that Professor Sumner believed were necessary for success in the “competitive struggle.” An advocate of strict laissez-faire and a leader of the “new conservatism” emerging in the 1880s, Sumner argued that the original “struggle for existence” forced human beings to cultivate self-restraint, to accumulate capital (“the fruit of industry, temperance, prudence, frugality, and other industrial virtues”), to begin the long civilizing process. The struggle for existence, according to Sumner, continued as human society progressed; humans were never free of the limits imposed by the natural world. As human civilization developed, immutable economic laws governed both the survival and the success of individuals in market economies. First, the law of supply and demand governed the availability of increasingly scarce natural resources humans needed to build their civilizations; second, the law of competition governed the allocation of those resources, with Sumner’s “competition of life” (the struggle among social groups) determining the allocation of distributive shares to labor and capital.⁴³

⁴² Daniel Walker Howe, *The Political Culture of the American Whigs* (Chicago: University of Chicago Press, 1979), especially 96-122.

⁴³ Sumner’s clearest statements on natural law are in his “Democracy and Plutocracy,” “Socialism,” and “Sociology” essays in *On Liberty, Society, and Politics: The Essential Essays of William Graham Sumner*, ed. by Robert C. Bannister (Indianapolis, Ind.: Liberty Fund, 1992), especially, 138, 164-65, 169-73, and 199-200; the quoted list of “industrial virtues” is in the essay “The State as an ‘Ethical Person,’” 234. Sumner’s list of virtues also appears in *What Social Classes Owe To Each Other* (Caldwell, Idaho: Caxton Printers, 1970), 68. On the role of religion in the formulation of Sumner’s political thought, see Robert Green McCloskey, *American Conservatism in the Age of Enterprise, 1865-1910* (New York: Harper Torchbooks, 1964), 36, and Stow Persons, ed., *Social Darwinism: Selected Essays of William Graham Sumner* (Englewood Cliffs, N.J.: Prentice-Hall, 1963).

Taft's father employed Sumner's language of "industrial virtues" in his Progressive-Era political rhetoric. Like his favorite Yale professor, William Howard Taft applied these descriptions to the great corporate moguls of the era. President Taft believed that two types of men were responsible for establishment of the "great lawful enterprises" of the late-nineteenth century: inventors and entrepreneurs. While inventors created new technologies, the successful entrepreneurs applied the new knowledge in their corporate enterprise. (The younger Taft merged both categories with his example of Dr. Carver.) According to William Taft, these successful businessmen possessed several attributes: good judgment, courage, ingenuity, industry, and executive ability.⁴⁴

Arthur T. Hadley, president of Yale University when young Robert Taft was enrolled, gave this same attribute model a slightly darker interpretation. A nationally known expert on transportation economics and a prominent leader in the economics profession, Hadley asserted that men with the ability to manage great concentrations of capital were chosen by a complex process of natural selection. The process was not simply a selection of those men possessing strength of character, industry, intelligence, and prudence, but the triumph of men who blended bad qualities with good ones in a ruthlessly competitive market. "The control [of business] is often placed in the hands of men who are enterprising and efficient, but often narrow and unscrupulous."⁴⁵

Taft's entrepreneur, however, possessed none of those negative qualities. He was an extraordinary figure, a uniquely endowed individual, a dynamic builder who decisively seized opportunities, and was, therefore, a key agent of innovation and economic development in a market society. The

An insightful short piece on Sumner's political thinking is Lance Robinson, "Pricking the Bubble of Utopian Sentiment: The Political Thought of William Graham Sumner," in Bryan-Paul Frost and Jeffrey Sikkenga, eds., *History of American Political Thought* (Lanham, Md.: Lexington Books, 2003), 451-63, especially 452-55.

⁴⁴ The best example of William H. Taft's use of Sumner's naturalist language is in his collected addresses, published for his 1908 presidential campaign. See W. H. Taft, "Labor and Capital," in William Howard Taft, *Present Day Problems: A Collection of Addresses Delivered on Various Occasions* (1908; reprint ed.: Freeport, N.Y.: Books for Libraries Press, 1967), 245-46.

⁴⁵ A. T. Hadley, *Economics: An Account of the Relations Between Private Property and Public Welfare* (New York: G. P. Putnam's Sons, 1896), 117.

nineteenth-century culture from which Taft drew his entrepreneurial concept accepted human inequality, recognized the importance of preserving equal opportunity so that the outstanding individual could succeed, and extolled the social benefits derived from achieving such success.

IV. “the patron and backer of other men”

The Republican Party's championing of “small business enterprise” after the First World War, the controversial activities of the Smaller War Plants Corporation, and the vehement opposition of conservatives to recommendations from the National Resources Planning Board (NRPB) for a vast expansion of public enterprise throughout the nation, provided the context for Taft's most important address on political economy. Taft's “Financing Small Business After the War” represents his mature thinking on entrepreneurship. This crucial statement made four key points: it vehemently criticized the wartime tax system of the Roosevelt administration; made a strong case against public enterprise strategies for the long-term growth; made a convincing argument that entrepreneurs from the “small business” sector were responsible for the nation's dynamic growth; and called on the federal government to facilitate small capital ventures through a variety of loan and investment guarantees.

The senator presented “Financing Small Business After the War” to the Boston City Club on January 14, 1944. With the address, Taft joined the debate over economic development—a debate prompted by legislation prepared with the assistance of William Leavitt Stoddard and the New England Industrial Development Corporation. A pioneer in the field of industrial policy planning, Stoddard had been a major force in the efforts to rejuvenate the region's industry after the decline of textiles at the end of the nineteenth century.⁴⁶

Taft's address was a brief for private enterprise. He began with a stinging critique of the NRPB's 1943 recommendations for extending public enterprise. The planning board had drafted several postwar planning monographs offering numerous policy suggestions, underpinned by

⁴⁶ The analysis in this section of the paper is based a reading of RT Speech, “Financing Small Business After the War,” in *Papers of RAT*, 2:517-24. On New England redevelopment, see David J. Koistinen, “Dealing With Deindustrialization: Economics, Politics, and Policy During the Decline of the New England Textile Industry, 1920-1960” (Ph. D. diss., Yale University, 1999).

Keynesian compensatory spending theories, before conservatives secured its dissolution that same year. Among the board's recommendations was a call for public or quasi-public corporations to operate companies in the power generation, transportation, shipbuilding, and aviation industries, as well as the aluminum and magnesium industries in the natural resources sector. In the mind of most conservatives, continuation of massive public enterprises after the war meant a continuation of high rates of taxation and spending. Taft feared that declining private entrepreneurship would result from both the "crushing burden" of high taxes and the competitive threat that public corporations posed in the search for capital and markets.⁴⁷

By 1944, Taft came to the conclusion that small business needed federal support. It was a "typical example" of private enterprise "which had been hampered and may be destroyed unless it is protected and assisted in some degree by federal legislation." The senator believed that it was necessary to "foster and stimulate small business, old and new," while not creating new federal controls that might be used by the Roosevelt administration "either for political purposes or for economic planning."⁴⁸ In other words, government must assist, but not hinder, the natural workings of the market.

The senator rejected the notion embraced by many Progressive-Era Republicans, including his father, William Howard Taft, and widely held later in the twentieth century by "corporate liberal" thinkers, that the modern corporation was an agent of social progress.⁴⁹ In a Boise, Idaho, address,

⁴⁷ *Papers of RAT*, 2:517. For the NRPB's 1943 program, see "Plans for Development of an Expanding Economy Through Cooperation of Government and Private Enterprise," in NRPB, *National Resources Development, Report for 1943* (Washington, D.C.: Government Printing Office, 1943), 13-16; for the board's proposals for nationalization of the railroads, see "Types of Government Ownership and Operation," in NRPB, *Transportation and National Policy* (Washington, D.C.: G. P. O., 1942), 298-99. Assessments of the board include Alan Brinkley, *The End of Reform: New Deal Liberalism in Recession and War* (New York: Vintage Books, 1996), 227-64; idem, "The New Deal and the Idea of the State," in Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton: Princeton University Press, 1989), 105-11; and "The Crucible of Planning" chapter in Patrick D. Reagan, *Designing a New America: The Origins of New Deal Planning, 1890-1943* (Amherst: University of Massachusetts Press, 2000), 196-223.

⁴⁸ *Papers of RAT*, 2:518.

⁴⁹ Martin J. Sklar has defined "corporate liberalism" as "the prevalent ideology of the general movement seeking to transact the corporate reconstruction of the political-

during the 1906 congressional election campaign, Will Taft, then secretary of war in the Theodore Roosevelt administration, countered Democratic Party critics with a ringing endorsement of the modern corporation as the primary instrument of economic growth and development. In the elder Taft's mind, corporate organization had provided late-nineteenth-century captains of industry with the efficient structures through which they built America into an industrial giant. The corporation was a "privilege," the former judge explained, an "artificial entity" created by men through general incorporation laws to provide for a more efficient economy. The modern business corporation was "the most important instrument in modern times in perfecting and helping on the use of wealth as capital to reproduce wealth," Will Taft claimed. The corporate model allowed for the concentration of capital that was socially advantageous because it provided "the opportunity to amass the savings of many into one fund—one great fund—with which railroads and other great commercial enterprises can be carried on."⁵⁰

In contrast to his father's views, Senator Taft located economic innovation in small-unit enterprise. As he observed in his 1944 speech: "large business units, like units of government, tend to settle down into fixed grooves. They adopt methods which cannot be easily changed. There is little incentive among their many employees to develop new ideas or new methods." Furthermore, according to the senator, the large corporation could become an ally and tool of socialism. If the nation became "a country of big business," it was no better off than under a state socialist regime. Indeed, he argued, "the easiest road to socialism is through the formation of large business units which can easily be taken over by the government."

economic order on the basis of the mutual adaptation of corporate capitalism and the American liberal tradition." Any survey of the literature on "corporate liberalism" must start with Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916: The Market, the Law, and Politics* (New York: Cambridge University Press, 1988), quote from p. 34.

On the progressive nature of the modern corporation (as the organizational locus of "new and sturdier ladders of success" and as "centers of development planning"), see Sklar, pp. 26-27. W. H. Taft's views were best articulated while campaigning in the 1906 congressional elections: W. H. Taft, "A Republican Congress and Administration," in David H. Burton, ed., *The Collected Works of William Howard Taft*, 8 vols. (Athens: Ohio University Press, 2001), 1:168.

⁵⁰ W. H. Taft, "A Republican Congress and Administration," in Burton, ed., *Collected Works of William Howard Taft*, 1:168.

Communists, socialists, and New Dealers all had shown “a strange friendliness to the biggest units of big business.” The senator claimed that most large corporations had not opposed Roosevelt’s radical reformist experiments.⁵¹

In contrast, Taft reiterated his party’s rhetorical emphasis on “small business” and “equal opportunity.” He portrayed small business entrepreneurship, especially the smaller manufacturing enterprises being undertaken across the industrial North and Midwest, as the driving force in the American economy. At the Boston City Club, he skillfully employed his market language, reinforced by entrepreneurial imagery, to repudiate the New Deal public enterprise and reaffirm private-sector individualism. “Our whole system,” he charged, returning again to Sumner’s industrial virtues, “depends on rewards for individual work, individual initiative, genius, and daring.” The American business system must offer those men “an incentive” to provide a better standard of living for themselves and their family; the senator was adamant that the economy’s health “depends on substantial rewards for such men as against those who take no interest in their work and who have no ability to improve the conditions of their fellow men.”⁵² Taft’s entrepreneur clearly furthered the public interest through the passionate pursuit of self-interest.

As the last full year of Second World War began, Senator Taft reaffirmed his belief that enterprising individualists, like those who had profited from the equal opportunity and social mobility of the mid-nineteenth century, survived in the America of the 1940s:

Fortunately we still have such a group, who are their own masters and do their own thinking. We have six million farmers, every one an independent business man. We have hundreds of thousands of professional men, lawyers, doctors, engineers, most of whom are independent and develop their own ideas. We have over two million small businesses. They must be preserved if artisans are to have the freedom, after learning the trade, to step out for themselves and be their own masters, if clerks and other employees are to have the same right in the field of retail and wholesale trade.⁵³

⁵¹ *Papers of RAT*, 2:518-19.

⁵² *Ibid.*, 2:518.

⁵³ *Ibid.*, 2:519.

To preserve this social group, Taft turned next to the capital needs of smaller enterprises—needs that differed significantly from those of the large corporation. From his years as a Midwestern corporate lawyer and state legislator, Taft possessed a unique understanding of the needs of small- and medium-sized industrial corporations. He asserted that small businessmen needed relief from both the high costs of federal regulatory initiatives and large federal tax bills. The “greatest complaint” Taft had received from Cincinnati small businessmen had been about the onerous burden of federal regulatory reporting. Large corporations could absorb the cost of such reporting, Taft explained, but the small enterprise could not. “The small business man had to spend his own time, which ought to have been devoted to improving his own business,” complying with federal reporting requirements. Next in importance to reducing the regulatory costs of small businesses, Taft asserted, was supplying their capital needs. Retail establishments and wholesale dealers were by far the most numerous group of small businessmen and, according to the senator, the most important guardians of independence, freedom, and opportunity in our local communities. However, these businessmen were the least likely to need assistance from government in securing loan capital. In contrast, small manufacturing concerns, the most important growth engines generating new production and employment, did need assistance.⁵⁴

According to the senator’s narrative of America’s industrial transformation, there was a period when those with fortunes “became the patron and backer of other men who seemed to possess ideas or ability.” Taft recognized that “many of the ventures went wrong, but when one did succeed, the investor obtained such advantages as to balance his losses in others.” In Taft’s version of U.S. economic history, industries with “one or two employees were expanded by the investments of a half-dozen friends who had confidence in the enterprise or the enterpriser, until they gave work to hundreds of men, or thousands, or hundreds of thousands.” This approach to the “risk investment field,” as he labeled it, so important to the development of industry during the previous century, had ended largely because of the high tax rates on income.⁵⁵

After totaling the cost of the war mobilization, the senator realized that little income tax relief was possible in the immediate postwar years. He was

⁵⁴ Ibid.

⁵⁵ Ibid., 2:520, 523.

adamant, however, about reforming the capital gains tax. Taft believed that removing the capital gains tax barrier would do much to improve the financing of smaller enterprises after the war. The federal capital gains tax had tended to “freeze capital,” in Taft’s words, “and prevent its turnover in individual hands,” while producing little revenue for the Treasury. “If we want capital to go into small industry, or into large industry, the market ought to be just as liquid as possible, and the government ought to do everything possible to encourage the transfer of property from one person to another, so that capital reaches the hands of those who can make it most useful for production and employment.”⁵⁶

Taft then recommended that federal restrictions on securities issues be relaxed to facilitate investment in smaller industrial firms. Once again, Taft criticized the Roosevelt administration’s regulatory zeal for increasing the cost of doing business. The Securities and Exchange Commission, according to Taft, had made “the business of public financing so expensive and difficult as to be almost impossible in the case of those small manufacturing concerns which have attained their first growth but need additional capital for expansion.” Taft also believed that federal regulations hampered the growth of securities exchanges in smaller cities. “It is hopeless for the small business man to look to New York for capital. The great exchanges there can only be interested in big business.”⁵⁷

Far from being an advocate of *laissez-faire*, Taft supported a vigorous, constructive role for the federal government in securing sufficient capital for small business after the war. Smaller enterprises required three types of capital assets: their operations often necessitated commercial loans for “current purposes”; loans for “capital purposes” extending for periods of five to ten years; and long-term capital needs in the form of either preferred or common stock.⁵⁸ In early 1944, Taft placed his considerable political clout behind the small business entrepreneurs of America. He supported legislation introduced by Senator James M. Mead (Dem.-N.Y.) which called for the creation of a small business finance corporation within the Federal Reserve System with specific authority to guarantee or insure loans directly to small

⁵⁶ *Ibid.*, 2:520.

⁵⁷ *Ibid.*, 2:520-21.

⁵⁸ *Ibid.*, 2:521-23.

businesses and provide limited guarantees to private investment companies furnishing capital to business ventures.⁵⁹

VII. Conclusion

From 1933 to 1944, Robert A. Taft's ideas about the market evolved in a manner contingent on the context of political argument. By the 1944 debate over small-business legislation, Senator Taft had formulated a well-crafted market rhetoric; his economic message, deployed as a persuasive device in successive rounds of political dispute, formed the core of his refutation of New Deal liberalism. His speech, "Financing Small Business After the War," constituted a convincing narrative of America's rise to industrial dominance. Taft's mature arguments blended the "mechanistic" language and imagery of the market, with its origins in classical economics, with the dynamic imagery of the entrepreneur, a "romantic" language central to Professor Sumner's evolutionary naturalism, but with its origins outside the mainstream of political economy.

The central feature of Taft's rhetoric was a competitive market directed by extra-human "natural forces." To refute New Deal interventionism as the depression persisted, Taft emphasized the market's self-correcting mechanisms and its recuperative powers, the natural forces that underpinned cyclical recovery. Even before the mid 1930s, in notes written to himself, Taft drew on classical political economy for the "machine metaphor" to portray the economy as smoothly running, efficient, and self-adjusting.

The symbolic dynamism of the entrepreneur comprised the second component of the senator's rhetoric. Once he stepped onto the national political stage in the 1935-36 campaign cycle, Taft reinforced his ideas about competitive natural order with the romantic figure of the entrepreneur. Now fully equipped, the Ohio conservative arrayed his dynamic natural order against the New Deal's alternative of bureaucratic statism, which he portrayed as unnatural, arbitrary, and dangerous. In a decade when corporate

⁵⁹ Mead was a U.S. senator from Buffalo, N.Y. A copy of the Mead Bill, with amendments made by William Leavitt Stoddard of the New England Industrial Development Corporation, is in Box 795, Library of Congress/Robert A. Taft Papers. On the wartime status of small business enterprise, see Special Senate Committee to Study Problems in American Small Business, *American Small Business: Additional Report* (Washington, D.C.: G.P.O., 1942).

profits and income taxes were hotly debated, Taft confronted the central criticism of the market as the guarantor of distributive justice: although rewards to successful entrepreneurs were often “excessive,” he admitted, allocation of distributive shares by the market’s “natural forces” remained superior to rewards apportioned by political operatives.

Theodore Rosenof’s description of Joseph Schumpeter’s ideal innovator certainly applies to Taft’s rhetorical creation: although the entrepreneur “was deemed historically bold, adventuresome, and heroic,” he was “quite susceptible to disturbance from the interventionist policies of a reform government”⁶⁰ To the senator’s way of thinking, entrepreneurship was an endogenous factor, with entrepreneurs operating according to the natural laws of the market within the American business system. Federal interference, especially the arbitrary decision making of federal regulatory bureaucrats, was exogenous and undermined economic recovery and lasting prosperity.

The role of the state in a market economy constitutes the final ingredient of the senator’s market rhetoric. Like F. A. Hayek, whose *The Road to Serfdom*⁶¹ was published in 1944, Taft rejected laissez-faire policies, distinguishing between government encouragement of, and bureaucratic interference with, the natural processes of the market. By 1944, the senator became convinced that the federal government had to protect, not merely facilitate, small business in an economy dominated by large-scale corporate enterprise. Most importantly, the state should assist in financing the most

⁶⁰ The descriptive language is drawn from Theodore Rosenof’s comparison of Schumpeter’s entrepreneur and Keynes’ businessman (an assessment similar to Pesciarelli’s comparison of Bentham’s heroic “projector” and Smith’s “prudent man”) in Rosenof, *Economics in the Long Run: New Deal Theorists & Their Legacies, 1933-1993* (Chapel Hill: University of North Carolina Press, 1997), 100.

⁶¹ In his discussion of “Economic Liberalism” in chapter three, Hayek wrote: “To create conditions in which competition will be as effective as possible, to supplement it where it cannot be made effective, to provide the services which, in the words of Adam Smith, ‘though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small group of individuals’—these tasks provide, indeed, a wide and unquestioned field for state activity.” F. A. Hayek, *The Road to Serfdom: Text and Documents: The Definitive Edition*, in *The Collected Works of F. A. Hayek*, ed. by Bruce Caldwell, 13 vols. to date (Chicago: University of Chicago Press, 1988-), 2:88.

dynamic of small businessmen, the entrepreneurs operating smaller manufacturing enterprises, when the capital markets were unable to meet their needs. Advocating the use of public resources to support private enterprise, while keeping government administrators “out of sight,” was, as historian Brian Balogh has shown, consistent with federal practices in the nineteenth century.⁶²

For Senator Taft, supporting entrepreneurial enterprise was the most effective use of national resources; he firmly believed it was the key to both economic recovery and sustainable growth. Unlike others who saw the modern corporation as a progressive institution, Taft portrayed it as a lethargic organization, entrenched in the status quo, impeding technological innovation and economic growth. In contrast, the entrepreneur was not merely a dynamic economic actor, but also a cultural symbol. The senator endowed him with Sumner's industrial virtues, the character traits that epitomized America's material progress. The entrepreneur represented the best in America, embodying the nation's industrial success. It is not surprising, therefore, that during this era of depression and war, Taft coupled this entrepreneurial image to his language of the market for a vigorous counterattack against New Deal liberalism.

⁶² Hardly an extremist, Taft, the politician, was conserving a long-held political-economic tradition. Summarizing the key point regarding nineteenth-century political economy, Balogh has written: “Combining national resources and private initiative proved to be a consistent formula for political success in policies ranging from land distribution to internal improvements. Subsidizing a communications system that provided access to newspapers in remote locations stimulated national political debate in a polity that was highly decentralized. The General Government was instrumental in constructing a national market—a contribution soon washed from memory in a torrent of congratulations for America's exceptional stature among supposedly far more statist industrialized nations.” Balogh, *A Government Out of Sight*, 380-81.

