



Which New Deal Program Had a Death Rate?

BY BURTON W. FOLSOM, JR.

Franklin Roosevelt's New Deal was often hazardous to the health of the American economy. Sometimes it was even hazardous to the health of Americans. An example is Roosevelt's almost-forgotten decision in 1934 to cancel the federal airmail contracts. Here is the story.

Airmail service began in 1918, and the first such flights were done by the U.S. Army Air Corps. Private airlines, however, were improving so rapidly that soon after 1918 the government bid out contracts to major airlines to deliver the mail. By 1930, with almost all airlines losing money, President Hoover's postmaster general, Walter Brown, decided to award a few large airlines most of the mail routes. That decision was contrary to the law, which mandated competitive bids. Brown, however, did not believe that some of the low bidders, especially former crop-dusters, could safely, efficiently, and profitably deliver the mail. No airline in the 1930s could make a profit on passenger traffic alone, and Brown preferred to see three to five experienced airlines deliver the mail safely and show profits rather than have dozens of companies with varying experience and aircraft providing uneven service over the 27 federal airmail routes. For example, some of the interested airlines had no experience with night flying and no equipment to navigate through the fog and rain.

Perhaps the whole airmail system should have been privatized. The existing system of large federal contracts and self-seeking companies was an invitation to collusion and possible fraud. But the post office was federally operated, and Brown decided to scrap the competitive bids and give most of the business to the largest companies with the best-trained pilots and fewest accidents.

In 1933, with Roosevelt now president, Senator Hugo Black (D-Ala) launched a Senate investigation of

the whole federal airmail business. In testimony he discovered the absence of competitive bids, evidence of bribery, and possibly larger-than-necessary subsidies given the major airlines. Black urged Roosevelt to cancel the mail contracts and reopen them for competitive bids.

Roosevelt, who was receptive to attacks on corporations, became enthusiastic about the plan and wanted to cancel the contracts right away. Let the Army Air Corps fly the mail, the President reasoned, until new bids could be taken. However, James Farley, the postmaster general, wanted to wait a few months and transfer the contracts directly to the successful bidders. To pursue Roosevelt's

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request, one of Farley's assistants talked with Benjamin Foulois, head of the Air Corps, who said he thought his fliers could do the job. According to Farley, "[T]he President favored giving the service an opportunity to distinguish itself." On February 9 Roosevelt publicly announced that all airmail contracts would be canceled in ten days; the Air Corps would again fly the mail

for several months until new bids could be taken.

At one level Roosevelt's canceling of the contracts was odd. The airlines in effect had done what he was encouraging all businesses to do under the National Industrial Recovery Act (NIRA): organize, set standards, set prices, and raise wages. Under the NIRA Roosevelt had halted business competition and made legal the very thing he condemned the airlines for doing.

Even without the comparison with the NIRA, Roosevelt was vulnerable on two charges: he voided legally binding contracts and was risking the lives of the Army pilots.

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On the first point the popular aviator Charles Lindbergh, who was employed by TWA, denounced Roosevelt for breach of contract “without just trial.” The *Magazine of Wall Street* concurred and asked, “[I]f private industry is to be thus summarily punished without even a fair hearing, what industry can confidently enter into contracts with its Government?”

On the second point veteran pilot Eddie Rickenbacker predicted disaster for the less-qualified Army pilots. Rickenbacker told reporters, “The thing that bothers me is what is going to happen to these Army pilots on a [foggy winter] day like this. Their ships are not equipped with blind-flying instruments.”

Rickenbacker did not wait long to be proven a prophet. On the first day the Army carried the mail, three pilots were killed in two separate crashes. One plane hit a mountain in Utah, and another crashed in Idaho after encountering fog. “That’s legalized murder,” Rickenbacker told inquisitive reporters. But a stubborn Roosevelt persisted. Crashes occurred almost daily, and at the end of the Army’s first week of flying, six pilots had been killed, five had been severely injured, and eight planes had been destroyed. Roosevelt began feeling the sting of public rebuke, but he continued anyway and ordered the Army to make fewer flights in the hard winter weather.

Rickenbacker was so angry he went on NBC radio to denounce the continuing flights. According to Rickenbacker, as he prepared to deliver a second radio address he received a phone call from William B. Miller of NBC, whose “orders had come from Washington to cut me off the air if I said anything controversial.” Lindbergh had also been complaining, but he was partly negated by Steve Early, Roosevelt’s press secretary, who accused Lindbergh of merely seeking publicity.

Meanwhile, Benjamin Lipsner, superintendent of the Aerial Mail Service, pleaded with Roosevelt to “stop those air mail deaths.” Roosevelt agreed to limit Army airmail service, but the next day four more Army pilots crashed and were killed. As the criticism of the President increased, Roosevelt wrote Felix Frankfurter: “The scattered forces of the opposition seized on the loss of life

among the Army fliers to come together and make a concerted drive. For the last three weeks we have been under very heavy bombardment.” He complained that “the aviation companies have been shrieking to high heaven, using Chambers of Commerce and every small community with a flying field to demand the return of their contracts. . . .”

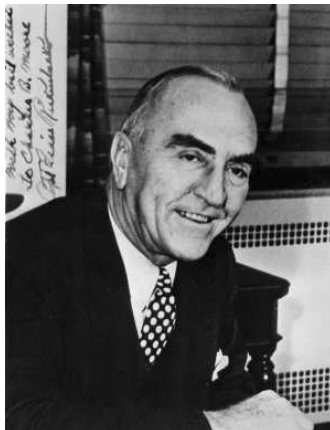
FDR Gives In

After 12 deaths Roosevelt decided he had had enough. He called in the airlines to negotiate. Roosevelt was suffering politically, and the airlines were suffering financially. They struck a deal to turn their mutual suffering into recovery. Under the Air Mail Act of 1934 FDR returned the business to them and in turn they agreed to more competitive bidding, new rules on maximum loads, and separating ownership of the airlines from airplane manufacturing.

The airlines also had to change their names because Roosevelt insisted that no company doing business under the old contracts could have new business. Thus Eastern Air Transport became Eastern Airlines; Trans World Air Transport became Trans World Airlines, and United Air Transport became United Airlines. Lind-

bergh called Roosevelt’s solution “reminiscent of something to be found in Alice in Wonderland.” Rickenbacker, who became president of Eastern Airlines, said, “As it stands today, Eastern Air Lines is held up by government subsidy. I believe it can become a free-enterprise industry, and I will pledge all my efforts and energies to making it self-sufficient.”

Rickenbacker did not succeed in that noble goal, but with Roosevelt out of the way, the airline industry did succeed in resuming the safe and efficient delivery of the mail. Historians, however, have tended either to ignore or lightly touch on this episode of Roosevelt’s presidency. David Kennedy, for example, in his Pulitzer-Prize-winning book on Roosevelt, *Freedom from Fear* (1999), omits the episode completely. If we are to have an accurate evaluation of the Roosevelt presidency, we need to assess those programs that gave death as well as those that gave dollars.



Eddie Rickenbacker

