

# Henning Webb Prentis and the Challenge of the New Deal.

by Thomas R. Winpenny

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While New Left historians seem to focus most of their attention on foreign policy considerations, a few probe the nature of twentieth century liberal reform. The best known work in this area is *The Triumph of Conservatism* in which Gabriel Kolko argues that the Progressive movement was not a grass roots campaign to curb the excesses of corporate America, but rather a scheme whereby big business called upon the federal government to rationalize business activity.<sup>1</sup> From Kolko's perspective it is ludicrous to argue that the populist persuasion was in control as reform followed only those paths designed and approved by industrial titans. Thus the Progressive movement constitutes something other than meaningful reform. In an analysis of the New Deal, Barton J. Bernstein finds an equally hollow ring to the word reform. His article "The New Deal: The Conservative Achievements of Liberal Reform" presents the argument that radical rhetoric and a deluge of legislation should not be confused with significant change. It must be recognized, according to Bernstein, that Franklin Roosevelt and several of his advisors were basically conservative, sympathetic to business, and prepared to thwart truly radical impulses within the administration.<sup>2</sup> Once again the New Left views liberal reform as shallow and

basically meaningless. According to Bernstein big business weathered the New Deal unchallenged. Put more specifically: "Through recognizing new political interests and extending benefits to them, His [FDR's] New Deal never effectively challenged big business or the organization of the economy."<sup>3</sup>

In one sense Bernstein is right: the New Deal did not dismantle American Capitalism. At the same time, however, his analysis has the potential to mislead as it leaves the reader with the impression that anything short of the destruction of capitalism must not be viewed as a challenge. Bernstein has employed a terribly rigorous definition of the word challenge as it is reasonable to conceive of a challenge that *threatens* and *alters* as well as a challenge that *destroys*. In the former sense, the New Deal clearly presented a challenge to big business, and this can be reconstructed through the eyes of one of the nation's leading businessmen of the 1930's.

Henning Webb Prentis, president of the Armstrong Cork Company of Lancaster, Pennsylvania from 1934 through 1950 is the subject of this case study. Born and raised in St. Louis, Missouri, the son of a public school principal, he attended public school, earned a B.A. from the University of Missouri in 1903, and a M.A. in economics from the University of Cincinnati in 1907. After working briefly for the University of Cincinnati, he accepted a job with Armstrong Cork in Pittsburgh where he rapidly gained a reputation as a hard-driving innovator in the field of marketing. Prentis' industry and zeal, so characteristic of the self-made man, ultimately carried him to the executive suite. His philosophy was no doubt influenced by his conservative, midwestern background. The tenets of free enterprise, the Republican party, and Calvinism were deeply ingrained in his thinking, and there is no evidence to suggest that their influence ever waned.

Prentis' views on the New Deal merit consideration as he was one of the leading spokesmen for big business in the 1930's. Though it would be ludicrous to argue that he spoke for all of big business, it seems reasonable to suggest his views were fairly representative of the more conservative titans of his day. During his career Prentis delivered more than seven hundred speeches in the United States and Great Britain, the majority before business organizations. He was allied with business and industrial leaders in the conservative revolt of the mid 1930's known as the Liberty League. Furthermore, Prentis held various offices in the National Association of Manufacturers and ultimately served as president and primary spokesman for the organization in 1940.

The archives of Armstrong Cork contain not only the many speeches delivered by Prentis during this period, but also the private correspondence flowing in and out of his office. It is the contention of this writer that an analysis of his speeches and correspondence will provide insight concerning the extent to which the New Deal "challenged"<sup>4</sup> one industrial titan. Of course it could be argued that Prentis' observa-



Henning Webb Prentis, Jr., 1934. Photo courtesy  
Armstrong Cork Company.

tions, even in his private correspondence, should not be taken at face value and this could justify a plunge into amateur psychoanalysis currently labeled psychohistory. However, a modest amount of self-restraint leads this writer to side with Edward Chase Kirkland who notes: "It is simple — and more valid — to operate on the theory that businessmen, like other groups, generally meant what they said."<sup>5</sup>

### The Depression and Armstrong Cork

Before examining Prentis' response to the New Deal it is helpful to gain an overview of Armstrong's performance throughout the depression since a business executive's attitude toward the New Deal might

understandably be influenced by the well-being of his particular firm. In determining what happened at Armstrong in the 1930's it is instructive to note some recent conclusions of Robert Sobel:

... the period was far from being one of unalloyed decline. Indeed, in some respects the depression was a time of remarkable technological growth. This was particularly true of the large-scale, oligopolistic, industries that were rationalized during the 1920's . . . Faced with declining sales, the giant companies were forced to look to technological advances and efficiencies to maintain their profit margins and shares of the market.<sup>6</sup>

He further notes that ". . . the leaders in practically every industry not only survived the period, but often emerged stronger than they had been in 1929."<sup>7</sup> Sobel's conclusions seem to constitute a reasonably accurate description of what happened at Armstrong.

Table 1

Corporate Net Income/Loss (—), 1929-1939

(millions of dollars)

	Armstrong Cork Company	All U.S. Industry
1929	4.98	N.A.
1930	-3.36	N.A.
1931	-3.82	-880
1932	-2.26	-3,792
1933	2.39	-1,056
1934	1.97	2,451
1935	3.43	4,778
1936	5.28	6,473
1937	5.16	6,531
1938	1.15	3,300
1939	4.49	6,019

Source: Consolidated Statements of Income for Armstrong Cork Company, 1929-1939 in *Annual Reports of Armstrong Cork Company, 1929-1939*, and *Historical Statistics of the United States* (Washington: U.S. Government Printing Office, 1960), 580-581.

Focusing on the depression decade, or 1930 through 1939, Table 1 reveals that Armstrong experienced substantial losses in 1930, 1931, and 1932 totaling more than \$9.4 million; but enjoyed modest net incomes in 1933, 1934, and 1938; and relatively high net incomes in 1935, 1936, 1937, and 1939. Furthermore, net income in 1936 and 1937 surpassed the firm's previous high experienced in 1929. Thus during the nation's most severe depression Armstrong earned profits in seven of the ten years including substantial profits in five of the ten and record profits in two of the ten.

Armstrong's impressive performance in the 1930's was, of course,

no accident. Similar to firms studied by Sobel, Armstrong became more efficient in the face of declining sales, introduced new product lines, purchased subsidiaries, and generally sought to take full advantage of technological change.<sup>8</sup> An index comparing "domestic sales" with "combined domestic manufacturing, selling, and commercial expense" illustrates the increase in efficiency.

Table 2

Index for Domestic Sales and Combined Domestic Manufacturing, and Selling, and Commercial Expense for Armstrong Cork Company, 1927-1936 (1929 = 100)

	Domestic Sales	Combined Domestic Mfg., Selling, and Commercial Expense
1927	77.4	N.A.
1928	92.2	N.A.
1929	100.0	100.0
1930	70.0	94.0
1931	49.3	70.5
1932	33.5	51.6
1933	37.6	48.8
1934	48.7	54.5
1935	60.3	58.4
1936	80.0	71.0

Source: *Annual Report, Armstrong Cork Company, 1936*

Thus a more efficient Armstrong earned record profits in 1936 from sales volume significantly lower than the pre-depression high of 1929. All of these data in Tables 1 and 2 suggest that Armstrong was rather successful in coping with the depression. Certainly there were a few bad years and continual pressure for greater efficiency, but the firm for which H. W. Prentis spoke could in no way be described as devastated. What this means is that his opposition to the New Deal cannot be explained as the frustration of a businessman presiding over the demise of a firm.

### The New Deal as Prentis Saw It

Though Armstrong prospered there is little question, based on the evidence in his speeches and correspondence, that H. W. Prentis sensed a very direct challenge to big business from Washington. This challenge did not stem from mere rhetoric, nor did it address itself to simply a few areas of concern. On the contrary, the New Deal's challenge to Prentis frequently involved direct action, action which altered

his everyday existence, and action which encompassed several areas of concern. What were these several areas of concern?

## National Leadership

It is generally agreed that during the 1920's the American people grew accustomed to looking to businessmen for leadership. This carried as far as the White House where Presidents were said to be running "business administrations." Business expertise and economy were applied at the federal level, enabling Secretary of the Treasury Andrew Mellon to gradually reduce the total gross national debt from \$24.3 billion in 1920 to \$16.2 billion in 1930.<sup>9</sup> Basically, it was felt that businessmen contributed practical wisdom to a rapidly changing and prospering society, and received the admiration of the American public in return. However, by the time H. W. Prentis entered the executive suite at Armstrong (1934), all of this had changed.

William Leuchtenburg vividly describes this change when he observes:

... the businessman had been thought of as a magicmaker who could master the forces of a complex industrial society which the common man viewed with awe, and which were as much out of his control as the winds or tides. By the winter of 1932, the businessman had lost his magic .....<sup>10</sup>

Thus the same business community that a few years earlier had been credited with creating prosperity was now being blamed for the depression. This shift in public attitude together with the election returns of 1932 and the aggressiveness of the new administration enabled political leaders to replace businessmen as the dominant lights in national leadership roles.

Understandably, Prentis lamented this shift and in his speeches he repeatedly admonished businessmen to regain the initiative by devising their own strategies for meeting the needs of society. For example, he expressed these sentiments to a gathering of Armstrong's wholesalers in Lancaster in January of 1936:

... we should strive to attain the desired goal by intelligent private programs ... not under the spur of government compulsion. Inaction inevitably leads to the setting up of stresses and strains which lead to legislative excesses. *We should prefer to lead (italics added) rather than be driven in harness ....*<sup>11</sup>

Prentis believed that if American business, generally, had been as sensitive to employee welfare considerations as Armstrong, business would not have lost its leadership role.

Beyond his prolific speech making, Prentis hoped that business initiative and influence might also be restored through a broad educational campaign involving leading businessmen and conservative academicians. To this end he lent his support to the American Liberty League, serving as a member of the National Advisory Council. Fred-

erick Rudolph has characterized the historic role of the Liberty League in the following manner:

At a time when the Republican party was bankrupt of leadership and purpose, the American Liberty League became the spokesman for a business civilization, and a defender of that civilization from the attacks of the administration in Washington and of lesser groups from the right and the left .....<sup>12</sup>

Between 1934 and 1936 this organization, funded primarily by members of the DuPont and Pew families,<sup>13</sup> spent a great deal of money disseminating the businessman's view of the New Deal through speeches and pamphlets. Had this campaign been successful, obviously Prentis would have seen business influence and leadership enhanced in the mid 1930's. The Liberty League, however, did not find America responsive to its fundamental thrust. Membership in the organization peaked in the summer of 1936 at 124,856; and, following the defeat of Landon in the fall, the American Liberty League remained an organization in name only.

With the demise of the Liberty League in the fall of 1936 there seemed to be little immediate hope of restoring the level of public confidence in businessmen which had existed in the 1920's; nevertheless, the President of Armstrong pressed on with his speech making, asserting the necessity of looking not to Washington but to businessmen for practical, philosophical, and moral leadership. He realized that the American public remained reluctant to do so, and he attributed the tenacity of this reluctance to the efforts of "New Deal propagandists." Speaking before the American Chamber of Commerce in London in July of 1937, Prentis charged that:

New Deal propagandists . . . succeeded over the past four years in making business, particularly big business, the objective enemy of the American wage earner, farmer, and "reliever." The envy and cupidity of the masses have been aroused by insinuating epithets, by invidious comparisons, by publication of incomes and salaries, and by inflammatory speeches .....<sup>14</sup>

In short, there can be little question that the American businessman was forced to shoulder a lion's share of the responsibility and guilt for the economic crisis of the 1930's, and that this burden prevented him from enjoying the influence and national leadership he had once enjoyed. In the eyes of H. W. Prentis this was clearly one of the major challenges of the New Deal.

### The Expanding Role of the Federal Government

While it is no doubt possible to view the surge in federal activity in the 1930's as historically insignificant, Prentis like many other businessmen did not see it that way. Speaking before a group of businessmen in January of 1936, Prentis warned of federal encroachment in apocalyptic tones: ". . . can it be that we may be discerning today the first sinister shadows that the Great Lord of the Heavens is casting . . .

to warn us of the ultimate doom of our governmental system?"<sup>15</sup> He argued that activity in Washington might lead the nation into socialism and ultimately dictatorship. Addressing students at the University of Cincinnati in March of 1935 he observed:

Sometimes in my more pessimistic moments I almost suspect that some of the radicals at Washington, whose socialistic writings I have scanned fairly closely, are not averse to seeing the depression continue for a few years more because thereby a larger amount of public funds would find their way into productive enterprise which means state socialism.<sup>16</sup>

From this point he argued:

The socialization of industry . . . leads straight to dictatorship through these steps: The moment industry is socialized, political pressure arises to raise wages and shorten hours. These two factors together increase the cost of production, which results in higher prices, diminished demand, lower standards of living, and finally, when the standard gets too low to be bearable, government is forced to step in and substitute physical compulsion for self-interest in order to maintain any reasonable semblance of productivity.<sup>17</sup>

Many of Prentis' objections to the expanding role of federal authority, however, concerned matters far more mundane than impending dictatorship. For example, commenting on the newly-created Securities and Exchange Commission he protested that:

. . . real havoc is done to legitimate business and industry. It is estimated that in the case of the Armstrong Cork Company . . . the cost of registering new securities would range from \$60,000 to \$70,000. The amount of work involved is appalling to those of us who would enjoy devoting ourselves to constructive effort in building up our business. . . . the sad part is that the investor who really needs protection most will assume . . . that his investment must be safe because Uncle Sam has compelled the filing of all these data . . .<sup>18</sup>

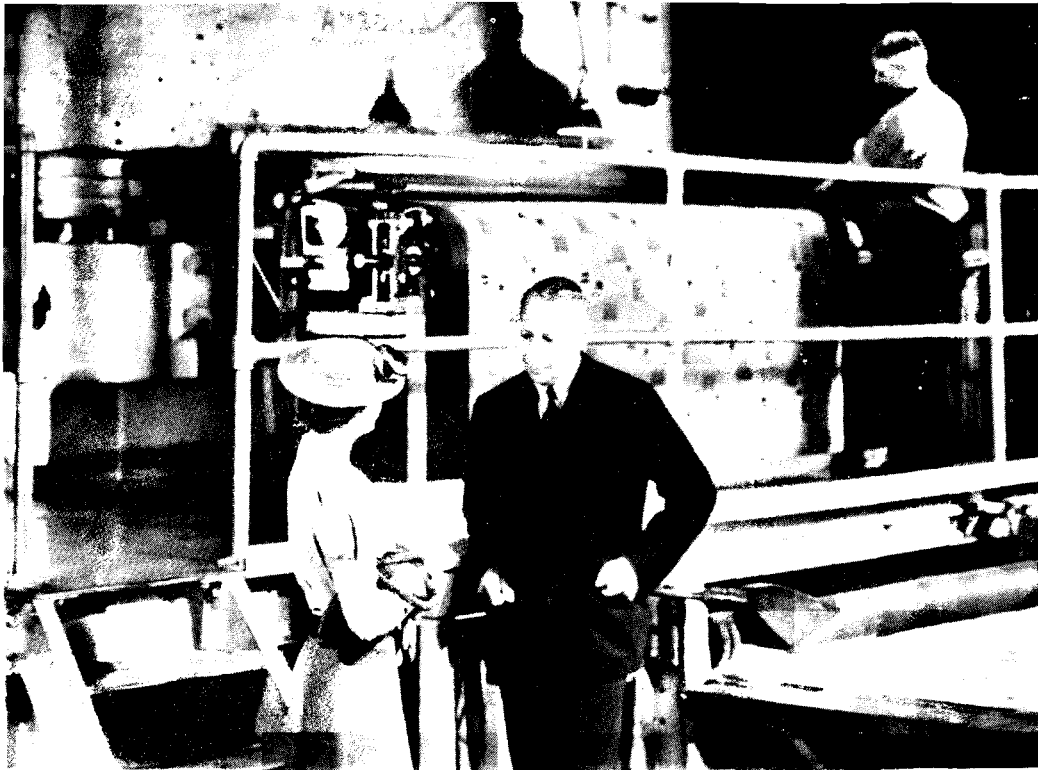
Of greater concern was the coercive thrust of the National Recovery Administration. The potential power and influence of this agency was so important in shaping Prentis' thinking that it will receive special attention later in this study. It is illuminating, however, at this point to gain some sense of the pressure these codes generated. Writing to counsel in April of 1934 to determine what corporate rights still existed in the face of these codes, the President of Armstrong specifically asked:

Would there be any benefit in . . . building a legal case to indicate that the code had been imposed on us against our wishes? Would there be anything gained by stamping on every report that we make to any Code Authority that these figures are submitted under compulsion . . .?<sup>19</sup>

Later in the same letter he added, with an obvious note of bitterness:

It never occurred to me — after all the animadversions administration supporters have cast at slick corporation attorneys — that its own legal advisors would take advantage of American businessmen, who wanted to cooperate . . . by inserting clever ambiguous clauses under which participants in codes waived their constitutional rights without knowing what they did.<sup>20</sup>





Henning Webb Prentis, Jr. being interviewed by Mrs. John L. Moore for *Woman's Home Companion* magazine (article appeared in May 1940 issue), at Armstrong Cork Company's Lancaster Floor Plant, Lancaster, Pa.

The court-packing controversy led Prentis to raise an issue generally not associated with the struggle. Writing to a member of the House of Representatives in April of 1937, he argued that: ". . . if the President's proposal to increase the membership of the Supreme Court is adopted, there will at once follow, through a series of federal statutes, the centralization of power over hours, wages . . ." <sup>21</sup> He further argued that Democrats representing industrial states in the North would then push for ". . . the elimination of those legitimate differentials in wages now prevailing in the South . . ." <sup>22</sup> In this instance greater central authority seemed capable of eliminating regional wage differentials, and this had meaning for Armstrong as the firm operated plants in Greenville, South Carolina and Pensacola, Florida.

All of these illustrations serve to demonstrate that the expanding role of the federal government in general, and the executive branch in particular, created distinct problems for Prentis. Perhaps visions of an apocalypse were not justified, and perhaps the emergence of a dictatorship was not imminent, but he could hardly ignore the coercive power of the NRA or a variety of threats implicit in the court-packing scheme.

Closely linked to the growth of federal power are constitutional questions in addition to a general concern over the emergence of a federal bureaucracy. Prentis touched on these issues in a speech he de-

livered to a group of businessmen in January of 1936:

Over 1500 executive orders have been issued in the last two years and eight months which have the force of law, excluding the thousands of rules and regulations of the now defunct NRA. Thus the principle established in John Locke's philosophy that a legislature must under no circumstances delegate its law-making power to any other agency has been flagrantly violated. More than fifty great centralized bureaus have been set up in the face of a definite promise to reduce the number of agencies of government . . . Today we have 230,000 more civil servants on the Federal payroll than we had two and one-half years ago. <sup>23</sup>

Table 3

Paid Civilian Employment of the  
Federal Government, 1930-1939

	Total	Washington, D.C.
1930	601,319	73,032
1931	609,746	76,303
1932	605,496	73,455
1933	603,587	70,261
1934	698,649	94,244
1935	780,582	108,673
1936	867,432	122,937
1937	895,993	117,020
1938	882,226	120,744
1939	953,891	129,314

Source: *Historical Statistics of the United States*, 710.

The President of Armstrong objected not only to growing bureaucracies, but to the ability these institutions had to perpetuate themselves. Many of his fears were no doubt confirmed by a letter he received in September of 1935 from Armstrong's counsel in Washington, D.C., who observed:

. . . the NRA is a personal "pet" of the President and today — four months after the Schechter decision — there are still 2,760 employees on the NRA payroll, 541 of whom are receiving \$4,000 or more in salaries. The administration is fostering the NRA . . . by lending some of its employees to other government agencies, but the bulk . . . merely continue to put in time and receive their salaries. <sup>24</sup>

The rise of a Washington bureaucracy and the emergence of constitutional questions focusing primarily on the executive branch underscored for Prentis the fact that power in America was shifting to Washington, and it was shifting, in large part, at the expense of the businessman.

## Federal Spending and Ensuing Deficits

The growth of central government in the 1930's was accompanied by heavy spending; and, in the face of a depressed economy, this spending readily outstripped federal revenue resulting in a series of annual deficits. Because this phenomenon was relatively new to American society, there is reason to believe that even those who supported the heavy spending of the period felt uneasy about the resulting deficits. Opinion polls taken as late as 1939 reveal that less than 20 per cent of the American people were willing to "accept" unbalanced federal budgets.<sup>25</sup> It is common knowledge that President Roosevelt had difficulty learning to live with deficits.

Prentis too had serious reservations, and they were based on very practical fears and concerns. Like other businessmen accustomed to looking at a consolidated annual report and focusing on the bottom line, he wondered about the future of a government that willfully permitted spending to outstrip revenue. He even began to wonder about how much control Washington still held over its own spending. Speaking to a group of industrialists in Louisville in the fall of 1936 he noted:

I fear that the floodgates . . . have been opened to the point where the national government is nearly powerless to prevent . . . even more ill-advised and reckless expenditures, advocated by well organized political minorities.<sup>26</sup>

Table 4

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**Federal Government Finances, 1929-1939**  
(thousands of dollars)

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	Receipts	Expenditures	Surplus or Deficit (-)
1929	4,033,250	3,298,859	734,391
1930	4,177,942	3,440,269	737,673
1931	3,115,557	3,577,434	-461,877
1932	1,923,913	4,659,203	-2,735,290
1933	2,021,213	4,622,865	-2,601,652
1934	3,064,268	6,693,900	-3,629,632
1935	3,729,914	6,520,966	-2,791,052
1936	4,068,937	8,493,486	-4,424,549
1937	4,978,601	7,756,021	-2,777,421
1938	5,615,221	6,791,838	-1,176,617
1939	4,996,300	8,858,458	-3,862,158

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Prentis understood that serious economic or political dislocation at the federal level threatened the businessman's decided interest in stability and predictability.

Beyond the threat to stability and predictability, Prentis opposed heavy federal spending because he suspected it represented an effort by Roosevelt to buy political support. Speaking before the American Chamber of Commerce in London in July of 1937 he observed that: "At one fell swoop a large majority of the voting population of the United States have been made direct beneficiaries of the Federal Treasury."<sup>27</sup> He saw a new social theory at work whereby a paternalistic government desired to ". . . raise the standard of living of the indigent and the lower income groups by financial subsidies."<sup>28</sup> Prentis liked to cite statistics for Lancaster County in which the number of persons employed by 551 firms actually increased by almost 2,000 from August 1929 to August 1936 while the number on relief for the same period climbed from 692 to 7,662. If factories were running, how could "soaring" relief roles be justified?<sup>29</sup> In his view a paternalistic government had decided to systematically purchase the support of lower income groups.

It is not the purpose of this paper to determine whether New Deal spending was motivated primarily by a desire to meet human needs or by a desire to build a political following, but it seems obvious that spending was instrumental in making the Democratic party the majority party. Thus even if Prentis was wrong concerning motivation, he accurately perceived the political challenge implicit in the series of deficits.

Prentis also feared that federal deficits would lead to heavier taxation: "Business is going to be taxed and taxed more heavily as time passes."<sup>30</sup> He also understood that heavier taxation would be placed on individuals, and this he argued was an unjust burden on the "self-reliant, up-standing," and the "successful."<sup>31</sup> Indeed, an expanding federal government faced with a series of deficits could be expected to raise taxes. Thus, beyond the direct threat to fiscal well-being, and the indirect threat to Republican dominance, New Deal spending seemed to guarantee the likelihood of increased taxation for both individuals and corporations. These very practical concerns were part of the New Deal challenge.

### Employee Relations and Welfare

The Wagner or National Labor Relations Act and the Social Security Act, both passed in 1935, produced decided shifts in traditional patterns of employer-employee relationships. The first basically strengthened the hand of unions in their efforts to organize while the second mandated employer-employee contributions to a federal retirement fund. H. W. Prentis objected to both pieces of legislation, and his objections stemmed primarily from what he knew of employer-employ-

ee relations at Armstrong. A bit of background helps to clarify this point.

During the first seventy-five years of the firm's existence (1860-1934) the Armstrong family maintained a continuing and direct interest in Armstrong Cork. This continuing and direct interest included the welfare of employees and led to an extensive program of formal and institutionalized employee benefits. For example, as early as 1909 the Armstrong family endowed "what may have been U.S. industry's first free dental service for employees."<sup>32</sup> In 1913 a policy of additional pay for overtime was instituted. The same year a building and loan association was established. In 1919 shop committees were formed for the purpose of establishing better communication between employer and employee. With no foreman present, employees could express their concerns directly to management. Paid vacations were introduced in 1924. In 1931 group life insurance was added followed shortly thereafter by hospital-surgical insurance.<sup>33</sup> In addition, sickness, permanent

First Presbyterian Church, Lancaster, Pa. November 15, 1942. Left to right: Henning W. Prentis, Jr., Herbert Hoover and Mrs. Prentis. Photo courtesy of Armstrong Cork Co.



disability, unemployment, and pension benefits were made available in the 1930's though their status seemed uncertain in the face of pending state and federal legislation.<sup>34</sup> When government's position was clarified, Armstrong proceeded to establish a General Personnel Department to administer a more formal<sup>35</sup> General Retirement Program and basically coordinate employee benefits.<sup>36</sup>

The aforementioned benefits are rather comprehensive and indicate that Prentis and Armstrong Cork were aware of employee concerns and endeavored to meet them. There is every reason to believe that Armstrong employees recognized this effort as unions had difficulty making inroads at Armstrong and employee morale was good.<sup>37</sup> Therefore, as President of a firm that had weathered the depression and provided for the welfare of its employees, Prentis was perplexed by federally mandated social security and expanded rights for organized labor.

Speaking before the Pennsylvania State Chamber of Commerce in Harrisburg in January of 1936, Prentis cited an additional concern regarding the new Social Security legislation:

The most dangerous feature of the plan is that it is supposed to be operated upon a self-supporting, full reserve system; that is to say, the payroll taxes . . . will for thirty years provide a much larger return than will be called for by the benefits to be paid out. Congress is supposed each year to appropriate this excess to a reserve fund which by 1980 is estimated to reach . . . 47 billion . . . .

Prentis later added:

. . . the menace of figures like these is that future Congresses instead of doing what the law contemplates may yield to political pressure to increase materially the promised pensions . . .

One authority estimates that for the purpose of paying extremely modest monthly Old Age Benefits to less than 1 per cent of the population . . . in 1942, the Federal Government will in the meantime collect from American business and some 53 per cent of the gainfully employed workers . . . approximately nine billion dollars. That sum is between 15 and 20 per cent of the total current annual income of the country . . . .<sup>38</sup>

In other words, the extraordinary reserve fund required to implement the Social Security Act would constitute another source of wealth and power for an increasingly powerful central government.<sup>39</sup> To combat this trend Prentis recommended an amendment: ". . . to substitute . . . a current cost plan, under which income and current outgo for pensions would be approximately balanced, except for a margin sufficient . . . for use in periods of economic depression."<sup>40</sup>

The impact of the Wagner Act became quite clear early in 1937 when employees of Armstrong's Pittsburgh plant ". . . saw fit to become affiliated with an outside labor organization . . ."<sup>41</sup> In the wake of this development there emerged a company union known as the Linoleum Workers Protective Union.<sup>42</sup> This apparently satiated much of the re-

maining interest in union activity as Armstrong, for the most part, remained free of additional external union activity until the post-war era. As Thomas Cochran has noted in *The American Business System*, the rapid rise of company unions in the 1930's successfully "neutralized" much of the threat of Section 7a of the Wagner Act.<sup>43</sup> Nevertheless, a major plant within the firm had been organized by an external and independent union.

What all of this suggests is that Prentis was forced to accept the reality of permanently altered employer-employee relations. The fact that Armstrong had a history of responsible performance in employee welfare and labor relations made no difference in the face of needs and considerations which were national in scope.

### The Spectre of Class Warfare

Yet another consideration in this effort to comprehend the New Deal challenge to Prentis is the spectre of class warfare. American society, for the most part, has not been tormented by class consciousness or class tensions; <sup>44</sup> nevertheless, certain class-oriented anxieties did surface in the 1930's and were exacerbated by the rhetoric of some government officials, some labor leaders, some businessmen, and the public in general. Prentis complained of ". . . the creation of class consciousness and class hatred in America to a degree that is appalling. An attitude of self-pity, envy, covetousness . . ." <sup>45</sup> seemed to prevail. The hatred, as Prentis understood it, was directed at businessmen who were tarred and feathered as ". . . gentlemen who came from their warm and well stocked clubs and seek to dictate to the government how it should let people starve." <sup>46</sup>

Prentis did not shrink from the fray but rather defended the position of the businessman. When salaries of corporate executives were published by "New Deal propagandists," <sup>47</sup> Prentis countered by noting the level of taxation applied to such salaries. He may have been speaking from experience when he pointed out that "In Pennsylvania a salary of \$100,000 to a married executive pays \$30,994 federal tax, and leaves the recipient \$69,406 net." <sup>48</sup> When it was suggested that the federal budget was not balanced because the rich were evading income tax, Prentis argued that ". . . if all incomes of every individual who reported an income of \$50,000 or more during 1936 were confiscated, the budget still would not balance for the fiscal year ending June 1937." <sup>49</sup> Thus, although Prentis was concerned about the prospect of class warfare, he spoke out on behalf of businessmen and became immersed in the anxiety-laden exchange. He contributed indirectly to the exchange through his public use of elitist references. For example, Prentis did not hesitate to speak of an "intelligent minority"; <sup>50</sup> or, in a society accustomed to speaking of "democracy" without qualification, he spoke only of "representative" or "constitutional democracy." <sup>51</sup> This elitism was not unrelated to the question at hand.

Now it is obvious that the potential for class warfare that existed never materialized, and yet had it materialized it could have produced serious upheaval and perhaps even violent revolution. The critical point to note here is that Prentis had no way of knowing just how far class antagonisms would go toward arousing passions. Eric Goldman in *Rendezvous With Destiny* notes that "The very tone of the New Deal was far more aggressively equalitarian than that of either Populism or progressivism."<sup>52</sup> This aggressively equalitarian stance pitted against traditional elitist views was potentially explosive. The fact that the explosion never came is something known only through *hindsight*. There can be no question but that Prentis and others in comparable positions were threatened by the spectre of class warfare and what this *could* have meant.

Clearly a considerable part of the New Deal challenge resided in the five general areas already considered: leadership, power, deficit spending, employer-employee relations, and the prospect of class warfare. This neat and tidy categorization, however, is inadequate apart from an examination of the impact of the NRA.

### The New Nationalism Revisited

It is the contention of this writer that the activities and demands of the NRA from 1933 through 1935 frustrated Prentis more than any other aspect of the New Deal, and thus the NRA is singled out at this point in the analysis for special consideration. During the summer of 1933, a few months before he assumed the presidency, Prentis and other Armstrong executives became entangled in an extraordinary effort to: (1) help design at least fifteen different NRA industrial codes, (2) determine what the implications of these various codes would be once drawn up, (3) understand the powers and limitations of NRA authority, and (4) devise a plan for implementing NRA codes at Armstrong. Similar to many other businessmen, Prentis was an initial supporter of the NRA. This was a perfectly logical position to assume as this new agency, inspired partly by the New Nationalism and the War Industries Board, promised to be beneficial to business interests. For example, the NRA was prepared to sanction open collusion. Furthermore, businessmen expected to have a great deal to say about any changes in the philosophy or direction of the NRA. Prentis registered his support in a letter to the NRA's Bureau of Public Relations: ". . . I am heartily in sympathy with the objectives of this measure — in fact, I have been in close touch with it in Washington ever since it was first proposed . . ." <sup>53</sup> There is, however, no evidence to indicate that this enthusiasm extended beyond 1933.

As early as January of 1934 Prentis expressed concern over the potential conflict between the spirit of the NRA and anti-trust laws. It is, of course, historically accurate to point out that anti-trust proceedings had not played a significant role in the previous three administra-



tions, and that Roosevelt was equally disinterested in stimulating such activity in the early years of the New Deal. The problem with this analysis is that, in the case of Roosevelt, it is a knowledge that is gained only with hindsight. That is, businessmen in 1934 could not be certain that anti-trust was a dead issue. In an inter-office communication to other executives in January of 1934 Prentis warned:

I anticipate that the Attorney General will be compelled to take some steps to enforce the Anti-Trust Laws where they have been violated under the cloak of the code provisions. . . . industry must be extremely careful that it does not let its enthusiasm for the NRA and its possibilities lead it into a violation of the Anti-Trust Laws. <sup>54</sup>

Later in the same communication he noted that he believed General Hugh Johnson, Director of the NRA, would be quick to prod the Attorney General's Office in the event such violations appeared. <sup>55</sup> Thus Prentis sensed the very distinct possibility of being caught between the spirit of the NRA and the sentiments of the Justice Department.

By the spring of 1934 the newly elected President of Armstrong began to show pronounced concern for constitutional questions relating to the codes. He contended that Armstrong's decision to comply with NRA mandates had grown out of the "patriotic fervor" surrounding the launching of the agency the preceding year, and that legal advisors had not warned of any waiver of rights as a result of compliance. He therefore hoped that initial compliance did not mean that Armstrong was committed to all future codes or all amendments to original codes. This question was important as a struggle within the NRA had resulted in reduced business influence in the agency. <sup>56</sup>

In a letter to Prentis dated April 23, 1934, counsel to Armstrong cited an article in the *Harvard Law Review* in response to Prentis' concern:

The preparation and submission of suggested codes cannot be considered to constitute a consent to be bound thereby, since, in a realistic sense, the recommendations are made chiefly to avoid imposition of regulations by the President. And the signing of a certificate of compliance with an approved code binds the signatory only to what is already his legal obligation. The fact that the President can amend codes both before and after approval reinforces this conclusion. <sup>57</sup>

The letter also pointed out:

. . . by becoming a signatory to a code a company does not waive any rights to object to the legality of future rulings . . . whether the code be treated as a general law or a contract. For this reason . . . no useful purpose would be served by inserting into future codes that the company might submit either the provision that they do not waive their constitutional rights or that they reserve the right to object to future modifications. These provisions will be stricken out by the administrator, and properly so . . . Moreover, if the company pursues a course which would constitute a waiver or estoppel by accepting benefits under a code, a statement that it does not intend to waive any constitutional rights will be of no effect. If its conduct does not amount in law to a waiver or estoppel, a reservation of the right to object will be unnecessary. <sup>58</sup>

Counsel concluded by advising Prentis that all of the confusion surrounding the rights and liabilities of firms operating under NRA codes could not really be resolved until there was final determination of the constitutionality of the NIRA itself.<sup>59</sup> It is doubtful that such advice offered much consolation.

Beyond the confusion over anti-trust and the rights and liabilities of the firm, Prentis was also vexed by the number of codes relating to Armstrong and the resultant paperwork and trips to Washington. It is illuminating to discover that while Armstrong labored directly under the mandates of fifteen codes, there was interest in several others which seemed closely related. Thus the firm's archives contain twenty-six different NRA code booklets for the following industries:

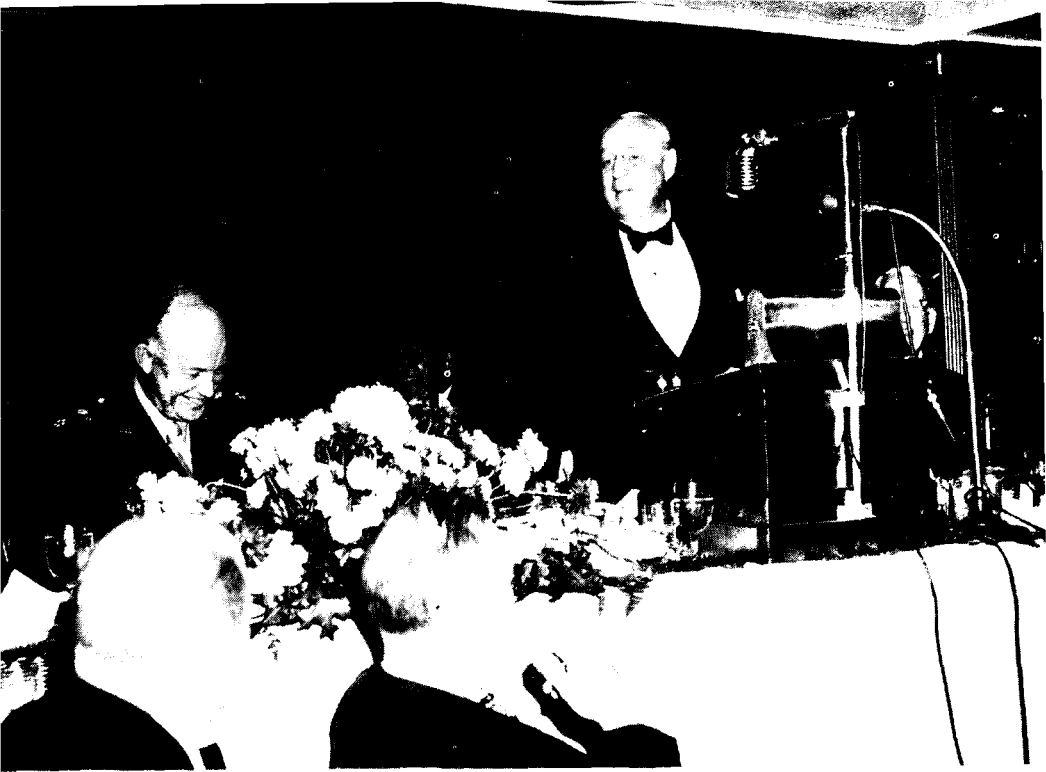
Alcoholic Beverage Importing	Dry Saturating Felt
Alcoholic Beverage Wholesale	Polish and Furniture and Floor Wax
Asbestos	General Contractors
Asphalt and Mastic Tile	Insulation Board
Asphalt Shingle and Roofing	Insulation Contractors
Brewing	Labeling and Advertising of Wine
Cap and Closure	Linoleum and Felt Base
Construction	Paper and Pulp
Cork	Scrap Iron, Nonferrous Scrap Metals and Waste Materials Trade
Cork Insulation Contracting	Waste Paper Trade
Crown	Wholesaling or Distributing Trade
Distilled Spirits	Wholesale Food and Grocery Trade
Distilled Spirits Rectifying	Wine

In April of 1934 Prentis reflected on all of this code drawing activity in response to a survey from *Fortune*:

I have personally spent much of my time for the past ten months in connection with their formulation . . . . The more I study the problem . . . the more I am impressed with the futility of a great deal that is being done; and with what seems to me to be the impossibility of making codes really effective without dictatorial power being lodged somewhere — and that somewhere obviously would have to be the Federal Government.<sup>60</sup>

The extraordinary confusion surrounding the NRA was not limited to the myriad of codes and the question of enforcement as conflicting interests constantly sought to amend the codes. For Prentis this meant several trips to Washington for the purpose of testifying in NRA amendment hearings. For example, in June of 1934 he testified on behalf of retention of Article VIII, Section 6, of the Cork Industry code which dealt with "resale price maintenance." In his testimony he argued that:

. . . under Article VIII, Section 6, if a manufacturer quotes a given price, and files that price with the Secretary of the Cork Institute, and his branch quotes



The Economic Club, New York City, November 20, 1946. Henning W. Prentis, Jr. (at lectern), General Dwight D. Eisenhower (at left). Photo courtesy Armstrong Cork Co.

that price, and is bound to quote that price, that if in some other community a distributor functions in lieu of a factory branch, that distributor should be bound by that particular manufacturer's price.<sup>61</sup>

Of course, certain wholesaling interests opposed this line of reasoning and kept working to eliminate resale price maintenance. Thus NRA codes had a dynamic and not a static quality. In short, Prentis could not simply participate in drawing up codes and then forget about them as the contest for controlling the direction of the NRA was a contest which lasted a long as the agency.

Finally, it should be obvious that the NRA was costing Armstrong money in at least two ways: (1) administrative costs, and (2) pressure for higher wages and salaries.<sup>62</sup> There is, however, little evidence to indicate that this consideration was as important as it might seem. That is, in the more significant area of wages and salaries it is reasonable to imagine that reductions instituted in 1931, 1932, and 1933 would have been followed by increases in the mid 1930's (Table 5) whether mandated by the NRA or not. These increases would simply have been a by-product of Armstrong's recovery. No doubt a time lag would have existed between recovery and the restoration of earlier wage and salary levels, but the critical point is that restoration would have come in the mid 1930's with or without the NRA. If effect, the NRA simply prodded restoration

Table 5

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 Change in Wages and Salaries at  
 Armstrong Cork Company, 1931-1935
 

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Wages		Salaries	
2/23/31	10% reduction	1/1/31	5-15% reduction
3/21/32	10% reduction	1/1/32	5-6% reduction
1/1/33	4% reduction	3/1/32	10-16.67% reduction
7/1/33	4.16% increase	1/1/33	4% reduction
7/31/33	10% increase	7/1/33	4.16% increase
11/3/35	5% increase	12/24/35	5% increase (bonus?)

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Source: *Annual Reports, Armstrong Cork Company, 1931-1935*

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In sum, Prentis' opposition to the NRA was primarily a product of the extraordinary confusion created by a myriad of codes and amended codes, uncertainties with regard to the rights and liabilities of a firm under the codes, and the ever-present anti-trust considerations. As Amos Hawley has pointed out:

For almost all groups involved, the NRA had been a disillusioning and frustrating experience, one they were not anxious to repeat. The clash of goals, the conflicts of rival pressure groups . . . and a series of fallacious assumptions and administrative mistakes had made the program one of the New Deal's greatest failures . . . .<sup>63</sup>

Thomas Cochran has noted that in the 1930's ". . . Americans were relatively inexperienced in creating bureaucracy." Thus, "businessmen, unaccustomed to government forms and regulations, bitterly resented the new burdens of paperwork, legal advice, and federal supervision."<sup>64</sup> In October of 1935, some five months after the Supreme Court had found the NIRA to be unconstitutional, Prentis reflected on his experience in the process of declining an invitation to help draw up permanent legislation to replace the NRA. His feeling was that the limited achievements of the NRA did not justify the "time, effort, and expense" contributed by management at Armstrong.<sup>65</sup> Apparently most of Prentis' peers in the National Association of Manufacturers felt the same way as a poll taken in 1935 indicated that 75 per cent opposed continuing the NRA.<sup>66</sup> At least half of the American public agreed.<sup>67</sup> To say that the NRA constituted a challenge to Prentis is to belabor the obvious.

### Conclusion

John Braeman writing in the *Business History Review* recently attempted to summarize the emerging consensus of historians of the New Deal. His primary observation was that ". . . the New Deal was com

mitted to the preservation of the capitalist system through the elimination of its worst abuses . . . .”<sup>68</sup> Certainly to the extent that the American system remained intact the New Deal was basically conservative, but does this justify Barton Bernstein’s claim that the “. . . New Deal never effectively challenged big business . . . ?”<sup>69</sup> Surely the New Deal did not have to destroy capitalism in order to mount a serious challenge. Paul Conkin has noted that a real issue divided Roosevelt and business and that issue was power. “Roosevelt was powerful and could not be controlled by anyone or any group. For two years even intense lobbying could not block his control over the legislative process.”<sup>70</sup> This extraordinary power manifested itself in many ways, as this paper has already indicated, and a leading industrialist such as Prentis understood what this power and the various changes meant.

In addition, it is terribly simplistic to think only in terms of what the New Deal *was*, and ignore what it frequently *appeared* to be, or the threats of what it *might have become*. Analysts of the New Deal now have the luxury of some forty years of hindsight and this leads repeatedly to a focus on what *was* and a slighting of these other considerations. It is easy to forget that in the early and mid 1930’s no one, including Roosevelt, could say exactly what the New Deal *was*. Otis Graham perceptively writes of the “. . . general unintelligibility of the New Deal.”<sup>71</sup> He points out how hard it was to trust Roosevelt “. . . because intelligent men, accustomed to following public affairs, could not tell where Roosevelt was going.”<sup>72</sup> In the same vein Paul Conkin adds “The New Deal was . . . a type of political bohemia, frequented by many of the better sort, but still dangerous. Roosevelt was a puzzling creature. Even when he served conservative causes, he preached an alien gospel.”<sup>73</sup> Thus the New Deal, in effect, presented Prentis with a dual challenge: (1) there was the decided shift in power that produced a deluge of unwelcome changes such as NRA, and (2) there was great uncertainty in the face of hostile rhetoric, threats, and the absence of a master plan.

All of this should be sufficient to explain Prentis’ tenacious opposition to the New Deal, and yet there is one additional point worth noting for beyond the real and potential challenges there was also a conflict in temperament. Richard Hofstadter, in assessing New Deal temperament, has argued: “The essence of this temperament was Roosevelt’s confidence that even when he was operating in unfamiliar territory he could do no wrong . . . .”<sup>74</sup> Hofstadter saw the New Deal temperament embodied in Roosevelt whom he described as “. . . a warmhearted, informal patrician, he hated to disappoint, liked to play the bountiful friend. He felt that if a large number of people wanted something . . . they should be given some measure of satisfaction.”<sup>75</sup> Roosevelt was very much the cavalier patrician. In contrast, Henning Webb Prentis was a no-nonsense Midwesterner of humble origin who had worked his way to the top at Armstrong. It is not difficult to understand why an earnest, self-made man guiding one of the nation’s leading industrial

firms through the great depression resented the hit-or-miss, cavalier attitude of Roosevelt. This sharp difference in temperament surely made it even more difficult for Prentis to live with the ever-present uncertainty of the New Deal.

In short, this case study does not support the contention of the New Left in general, and Barton Bernstein in particular, that New Deal reform was basically shallow and meaningless. There can be little question about the fact that Prentis was engaged in a serious conflict with New Dealers, and that much of that which he opposed became law despite his protests vented through literally hundreds of speeches, trade associations, the American Liberty League, the NAM, and lobbyists. Indeed, the New Deal not only challenged American business, it permanently altered the course of the American experience.

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#### NOTES

This study was initially presented to the Regional Economic History Conference at Eleutherian Mills Historical Library, Greenville, Delaware on April 25, 1975. Professor Thomas C. Cochran of the University of Pennsylvania served as commentator.

I am indebted to Armstrong Cork's Archivist, Mrs. Jean Immel, for answering endless questions and generally aiding my research efforts in the collection.

1. Gabriel Kolko, *The Triumph of Conservatism* (Glencoe: The Free Press, 1963).
2. Barton J. Bernstein, "The New Deal: The Conservative Achievements of Liberal Reform," in Barton J. Bernstein (ed.), *Towards A New Past* (New York: Random House, 1968), 2761.
3. Bernstein, 267.
4. While New Deal rhetoric might constitute a "challenge," direct and meaningful action would certainly be more conclusive.
5. Edward Chase Kirkland, *Dream and Thought in the Business Community* (Chicago: Quadrangle, 1964), VIII.
6. Robert Sobel, *The Age of Giant Corporations* (Westport: Greenwood Press, 1972), 122.
7. Sobel, 152.
8. These changes are discussed in "Armstrong Cork," *Fortune*, XV, No. 5 (May, 1937), 102-107 and 160-166.
9. *Historical Statistics of the United States* (Washington: U.S. Government Printing Office, 1960), 711.
10. William E. Leuchtenburg, *Franklin D. Roosevelt and the New Deal, 1932-1940* (New York: Harper and Row, 1963), 22.
11. H. W. Prentis, "Business and the State," Address before the 18th Annual Convention of the Wholesalers of Armstrong's Linoleum in Lancaster, Pennsylvania, on January 3, 1936. All of the material in this paper relating to either H. W. Prentis or the Armstrong Cork Company, unless otherwise indicated, can be found in the Archives of the Armstrong Cork Company of Lancaster, Pennsylvania.
12. Frederick Rudolph, "The American Liberty League, 1934-1940," *American Historical Review*, LVI, No. 1 (October, 1950), 21.
13. Such matters are discussed in a history of the American Liberty League by George Wolfskill, *The Revolt of the Conservatives* (Boston: Houghton Mifflin, 1962).
14. H. W. Prentis, "The Current American Scene," Address before the American Chamber of Commerce in London, England, on July 22, 1937.
15. Prentis, "Business and the State."

16. H. W. Prentis, "Today's Challenge to the University Graduate," Address at the University of Cincinnati Day Celebration, Cincinnati, Ohio, on March 4, 1935.
17. Prentis, "Today's Challenge to the University Graduate."
18. Prentis, "Today's Challenge to the University Graduate."
19. Letter from H. W. Prentis to legal counsel, April 17, 1934.
20. Prentis to legal counsel, April 17, 1934.
21. Letter from H. W. Prentis to an unidentified member of the U.S. House of Representatives, April 7, 1937.
22. Prentis to unidentified member of the House, April 7, 1937.
23. Prentis, "Business and the State."
24. Letter from Armstrong's counsel in Washington, D.C., to H. W. Prentis, September 27, 1935.
25. See Paul Conkin, *The New Deal* (New York: Thomas Y. Crowell, 1967), 33.
26. H. W. Prentis, "Payrolls, Progress and Prosperity," Address before the Associated Industries of Kentucky in Louisville, Kentucky, on October 22, 1936.
27. Prentis, "The Current American Scene."
28. H. W. Prentis, "Popular Delusions and Industrial Leadership," Address before the Associated Industries of Massachusetts in Boston, Massachusetts, on October 19, 1939.
29. Prentis, "Popular Delusions and Industrial Leadership."
30. Prentis, "Payrolls, Progress and Prosperity."
31. Prentis, "Payrolls, Progress and Prosperity."
32. This is discussed in an article by Hubert Kay, "To Live and Die for Armstrong," *Fortune*, LXIX, No. 3 (March, 1964), 150.
33. Kay, "To Live and Die for Armstrong." 150.
34. Prentis, "Business and the State."
35. The less formal retirement program paid out \$150,000 in benefits in 1935. See Prentis, "Business and the State."
36. On June 1, 1937, Armstrong Cork established an "actuarial contributory pension system." This is noted in a company-sponsored biography *H. W. Prentis*, Lancaster, 1962, 20.
37. Company morale is discussed extensively in the *Fortune* article by Kay, "To Live and Die for Armstrong."
38. H. W. Prentis, "The Federal Social Security Act in its Relation to Pennsylvania," Report of the Committee on Social Security Legislation of the Pennsylvania State Chamber of Commerce at its Annual Meeting in Harrisburg, Pennsylvania, on January 29, 1936.
39. This reserve fund by the end of 1937 totaled \$766,000,000; by the end of 1939 it totaled \$1,724,000,000. *Historical Statistics of the United States*, 197.
40. Prentis, "The Federal Social Security Act in its Relation to Pennsylvania."
41. See *Semi-Annual Report, Armstrong Cork Company, June 30, 1937*.
42. The Linoleum Workers Protective Union was formed on June 15, 1937.
43. Thomas C. Cochran, *The American Business System* (New York: Harper and Row, 1962), 145.
44. A cogent explanation for the absence of class consciousness and class tension in American society can be found in Selig Perlman's, *A Theory of the Labor Movement* (New York: The Macmillan Company, 1928).
45. H. W. Prentis, "The Road Ahead," Address before the American Bankers Association in Boston, Massachusetts, on October 13, 1937.
46. Prentis, "The Current American Scene," quoting President Franklin D. Roosevelt.
47. Prentis, "Business and the State."
48. Prentis, "Business and the State." Under the general consideration of class warfare it is perhaps helpful to note that the share of total income received by the top 1 per cent of the total population decreased from 14.1 per cent in 1930 to 11.8 per cent in 1939. *Historical Statistics of the United States*, 167.
49. Prentis, "The Current American Scene." Though Prentis made frequent use of statistics in his speeches, they could hardly be described as statistic-laden. Far from mechanistic agglomerations of numbers, Prentis' speeches were full of highly

emotive references. His most heavily relied upon emotive references were the following: the founding fathers, the Constitution, representative democracy, fascism, socialism, God, and a variety of descriptions of an apocalypse.

50. H. W. Prentis, "Thinking Ahead," Address before a Convention of Armstrong Tile Contractors in Lancaster, Pennsylvania, on October 19, 1935.
51. Prentis, "Payrolls, Progress and Prosperity."
52. Eric F. Goldman, *Rendezvous With Destiny* (New York: Vintage, 1960), 288.
53. Letter from H. W. Prentis to Louis J. Alber, Chief of the Bureau of Public Relations for the NRA, July 31, 1933.
54. Inter-Office Communication from H. W. Prentis to Armstrong executives, January 23, 1934.
55. Prentis to executives, January 23, 1934.
56. Prentis to legal counsel, April 17, 1934.
57. Letter from legal counsel to Prentis quoting from the *Harvard Law Review*, April 23, 1934.
58. Legal counsel to Prentis, April 23, 1934.
59. Legal counsel to Prentis, April 23, 1934.
60. Letter from H. W. Prentis to Henry R. Luce, Editor of *Fortune*, April 30, 1934.
61. Testimony of H. W. Prentis before the NRA in Washington, D.C., on June 22, 1934.
62. Armstrong estimated that it was costing \$33,000 yearly to administer the Cork Code.
63. Ellis W. Hawley, *The New Deal and the Problem of Monopoly* (Princeton: Princeton University Press, 1966), 131.
64. Cochran, *The American Business System*, 150.
65. Letter from H. W. Prentis to Major George L. Berry, Coordinator for Industrial Cooperation, NRA, October 18, 1935.
66. It is interesting to note that 75 per cent of the members of the United States Chamber of Commerce favored continuing NRA. This point is brought out by Richard Hofstadter in *The American Political Tradition* (New York: Vintage, 1960), 333.
67. Arthur M. Schlesinger, Jr., *The Politics of Upheaval* (Boston: Houghton Mifflin, 1960), 283.
68. John Braeman, "The New Deal and the Broker State," *Business History Review*, XLVI, No. 4, (Winter, 1972), 409.
69. Bernstein, "The New Deal: The Conservative Achievements of Liberal Reform," 267.
70. Conkin, *The New Deal*, 77.
71. Otis L. Graham, Jr., *An Encore for Reform* (New York: Oxford University Press, 1967), 42.
72. Graham, *An Encore for Reform*, 42.
73. Conkin, *The New Deal*, 74.
74. Hofstadter, *The American Political Tradition*, 315-316.
75. Hofstadter, *The American Political Tradition*, 317.