5. The Impact of the Great Depression on the U.S. Political System, 1933–1945

Introduction

In the election campaign of 1932, in the midst of the most serious world economic crisis since the beginning of the Industrial Revolution, Republican President Herbert Hoover and his Democratic challenger Franklin D. Roosevelt engaged in a passionate debate over the question that is the leitmotif of this article: whether and to what extent the federal government in Washington, headed by the president, had the right and the duty to intervene in a regulatory and orderly manner in the U.S. economy and society in order to combat the crisis and misery.[1]

1 For the following remarks, see especially D. Junker, Franklin D. Roosevelt. Power and Vision. Präsident in Krisenzeiten, Göttingen 1989, pp. 60–96; S. I. Rosenmann (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, vol. I, The Genesis of the New Deal 1928–1932, New York 1938; E. A. Rosen, Hoover, Roosevelt, and the Brain Trust. From Depression to New Deal, New York 1977; H. Hoover, American Individualism, Garden City / New York 1922; H. Hoover, American Ideals versus the New Deal, New York 1936; H. Hoover, The Memoirs of Herbert Hoover, 3 vols, 1951–52; a survey of Hoover's election speeches in 1932 in: K. Tracy (ed.), Herbert Hoover—A Bibliography. His Writings and Addresses, Stanford 1977.
The literature on Roosevelt and the New Deal is almost impossible to survey, even for specialists. According to the most recent bibliography, 1300 books, 800 dissertations, and 2500 scholarly articles in English were identified by 1987: K. D. Kyvig / M. A. Blasio (eds.), New Day / New Deal: A Bibliography of the Great American Depression, 1929–1941, Westport 1988. Classics include: W. E. Leuchtenberg, Franklin D. Roosevelt and the New Deal, 1932–1940, New York 1963; E. W. Hawley, The New Deal and the Problem of Monopoly: A Study in Economic Ambivalence, Princeton 1966; A. M. Schlesinger Jr, The Age of Roosevelt, 3 vols, Boston 1956–60; J. Braeman / R. H. Bremner / D. Brody (eds.), The New Deal, vol. 1, The National Level, Columbus 1975; H. A. Winkler (ed.), The Great Crisis in America. Comparative Studies in Political Social History, Göttingen 1973; F. Freidel, Franklin D. Roosevelt, vol. 4, Launching the New Deal, Boston 1973; J. M. Burns, Roosevelt: The Lion and the Fox, New York 1956; a new synthesis that integrates the flood of results and publications from the 1980s is a desideratum of research that is both urgent and difficult to achieve.

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Hoover never saw himself as a precursor of the *New Deal*; all the crisis-combating measures of his tenure, which can be classified as timid precursors of the *New Deal when* viewed institutionally, corresponded to a different spirit. To the point of complete physical exhaustion, Hoover tried to convince the American electorate of the soundness of his governing philosophy. Just as passionately, he warned against Roosevelt's response to the crisis: the "revolutionary changes" that Roosevelt and the Democrats were offering the American people in their fear and distress would destroy the foundations of the American system that had led the nation to unprecedented heights in one hundred and fifty years. The result would be another America, fundamentally different from the one hitherto known and alienated from the best traditions of the country.

This American system, he said, was built on the principle of individual freedom and equal opportunity, which gives the capable and striving individual room for initiative, daring, and advancement in the social pyramid. This freedom of the individual creates out of itself the necessity and the joyful readiness to join forces with other individuals in a thousand ways. Individual freedom and voluntary social cooperation for the betterment of social organization, prosperity, knowledge, research, and education had made the American people great. "This is self-government by the people outside of government." Only when, in times of crisis, events slipped from the control of individuals, voluntary associations, local organizations, and individual states, only then might Washington headquarters temporarily spring into action as a "reserve power"; remembering to make itself obsolete again as quickly as possible.

But if the government begins to interfere permanently in the economy and society of the USA, it will soon begin to regulate daily life—and through it, the souls and thoughts of the American people. Free speech could not survive if free industry and free trade died. For Hoover, the danger of a perversion of the American system loomed if the publicized proposals of Roosevelt and other Democrats became reality: An expansion of public spending, Hoover argued, would condemn free men to slave labor for the public treasury. Deliberate inflation, even the issuance of currency without gold backing, would ruin the American system, as would permanent government intervention in banking. The takeover of energy utilities by the government would lead to the tyranny of the state; the use of unemployed people in public projects and their payment by the state would mean the complete abandonment of the American system.

Hoover's classic liberal creed, according to which the sum of the energies of individuals that were as free as possible from state influence would guarantee the greatest happiness to the greatest number of people, marked his as a "conservative" in U.S. political terminology. Such ideas would have been in line with the exuberant optimism connected to progress in 1928, but, in the face of the deep crisis of 1932, they were incapable of giving confidence and hope to people being hit hard by the Depression.

Roosevelt, on the other hand, despite all the tactics, rhetoric, and a blatant contradiction in his statements,[2] offered them an alternative for the situation. According to Roosevelt, Hoover's economic philosophy of *laissez-faire was based* on a false conception of man, according to which man was incapable of intervening in the supposedly immutable laws of the market and, therefore, simply had to put up with periodic depressions. "But while they prattle on about economic laws, women and men are dying." Such an uncreative philosophy of government only spreads despair, hopelessness, and fear; is profoundly un-American; favors "the selfish few" at the top of the social pyramid; and forgets the millions of people who dwell without money, power, and social status at its base, i.e., "the forgotten man." One should not allow economic life to be dominated by a small group of men whose views on social welfare were colored by the fact that they could make huge profits by lending money and selling securities. Hoover and the Republicans had forgotten that the nation was a "community of interest" within which everyone was "interdependent." Roosevelt believed that the president had to simultaneously be a leader, a spokesman, and above all an educator of the nation. Therefore, he should not see himself as the administrator of a privileged minority, but should also work to promote the welfare of the "common man."

For Roosevelt, this basic conviction was not only a situationally-appropriate response to the Great Depression, but also the result of a sense of where contemporary America stood—an evaluation he derived from his interpretation of American history. "I will not allow Hoover to cast doubt on my Americanism," he declared angrily after an attack by his opponent. A linchpin of his interpretation of American history was connected to Jefferson's victory in the 1800 campaign against the

2 While the trumpeted New Deal had to result in higher government spending, Roosevelt simultaneously promised to end Hoover's modest deficit spending policies and return to a balanced budget.

"aristocratic" Federalists. Jefferson had made the liberty and welfare of all Americans the starting and ending point of the U.S. system of government in an essentially equal, agrarian society favored by the open frontier in the West as a safety valve.

However, since the middle of the 19th century, this system had been deprived of its economic base, as it were. Due to the industrial revolution, there had been an unprecedented concentration of power, capital, and influence in the hands of a few "titans," in the form of corporate executives and financial magnates. Roosevelt pointed out that, in 1932, the economic life of the nation was dominated by around 600 corporations that controlled two-thirds of U.S. industry. The last third was shared by ten million small businessmen. For a long time, Roosevelt said, people had not wanted to see the dangers arising from this development. These included the use of economic power without regard for the common good, and the loss of freedom and equal opportunity for the little man. The latter was all the more serious because those who had become unemployed in the East as a result of the "great economic machines" had long since ceased to find an open frontier in the West. Finally, there were also the dangers of overproduction, underconsumption, and unemployment.

In view of this analysis, Roosevelt saw himself in a similar situation to the one in which Jefferson had been. Just as the latter had averted the dangers of too strong a government without abandoning the principle of national government, so now the government must master the new economic dangers without calling into question the principle of strong economic units. The new task, he said, was an economic declaration of human rights; a new social contract guaranteeing every American the right to own property and to live decently without fear or hunger.

Faced with the worst economic crisis in U.S. history, Roosevelt promoted the most radical state interventionist planning program yet formulated in peacetime by a presidential candidate, yet without any revolutionary intent. As early as the spring of 1930 he had written, "There is no question in my mind that the country must become quite radical for at least a generation. History teaches that nations in which this occasionally happens are spared revolutions." He saw himself as both a preservationist and an agent of change; as both a traditionalist and a progressive at the same time. He never considered attempting to challenge the foundations of the American system, such as private property, the profit motive, the regional and functional separation of powers, the free press, and the free exercise of religion. Despite sharp attacks against the self-serving few at the top of the social pyramid, he was not an ideologue of class warfare. That would have deeply contradicted his basic conviction that the president should be an administrator of the *"community of interests."* He maintained good relations with entrepreneurs and bankers who remained aware of their social responsibility for the whole. He also did not treat the wealthy as cardboard cutouts. He was not, of course, a Marxist or a socialist, as Hoover claimed in the final stages of the campaign. But neither did he want to be pigeonholed as a capitalist. Asked about his basic political convictions, he could say with disarming simplicity that he was a Christian and a Democrat. But if the American system did not do what Roosevelt believed it should do, namely serve the common good and provide every American with a decent living, then the government would have to intervene with reforms, planning, and unorthodox means. Common sense and human decency demanded it.

This struggle between Hoover and Roosevelt over the foundations of the American system foreshadowed nearly the entire history of effects of the Great Depression from the 1930s to the present. The term "history of effects" is commonly used, although it only covers, albeit in a linguistically elegant way, historical theory's unsolved problem of causal attribution in historical processes—in sequences of events and structural contexts.

Among these effects is the fact that, to this day, the debate over the fundamentals of the American system has not reached a conclusion. Although Hoover lost the 1932 election campaign, his basic convictions remain alive in the hearts and minds of a large portion of the American people. For even the Great Depression was unable to revolutionize the tenants of the liberal value system—individualism, personal initiative, competition, small government, and low taxation—held by the vast majority of the American upper and middle classes. One might even hazard a guess that after the end of the Reagan era, (ironically Regan constantly identified himself with his father figure Roosevelt while preaching Hoover's beliefs),[3] 1992 would be in store for a re-run of the 1932 campaign—that is, if the leaderless Democratic Party could present a candidate of Rooseveltian stature to run against President George H. W. Bush. For, in reality, the country is ripe for a second *New Deal*. This candidate would have a great chance of winning if two things

3 Cf. the eminently readable and source-saturated work by W. E. Leuchtenburg, In the Shadow of FDR. From Harry Truman to Ronald Reagan, revised edition, lthaca/London 1985, pp. 209–35.

would happen. First, if he would obtain a copy of Roosevelt's "Public Papers" and make the best texts, slightly modified, the basis of his campaign. Second, if Congress would act to restore public discourse, which has been degraded by the market and the medium of images, by forcing all television stations to give both presidential candidates, free of charge, around half an hour in prime time, on six occasions, to present their positions.[4]

In what follows, I will highlight two effects of the Great Depression that have emphatically shaped the reality of American life, including its political system, up to the present. The first of these is the rise in importance of the federal government in general, and of the presidency in particular. The second is the establishment of the U.S. interventionist state in general, and the sociopolitical entry of the U.S. into the 20th century in particular.

The Rise in Importance of the Federal Government in General and the Presidency in Particular

With rare unanimity, historians and political scientists share the view that Roosevelt was the founder of modern American presidential democracy.[5]

4 On the decline of public discourse, see N. Postman, Amusing Ourselves to Death. Public Discourse in the Age of Show Business, New York 1985. While campaigners Lincoln and Stephen A. Douglas subjected their voters to a total of seven hours of arguments and counterarguments in 1854, the average of uninterrupted speech for presidential candidates on the three major television networks ABC, CBS, and NBC fell from 42.3 seconds in the 1968 campaign to 9.8 seconds in the 1988 campaign. Cf. K. Adatto, Sound Bite Democracy: Network Evening News Presidential Campaign Coverage, 1968 and 1988. Research Paper R-2. The Joan Shorenstein Barone Center on the Press, Politics, and Public Policy. John F. Kennedy School of Government, Harvard University, June 1990, p. 4 ff.

5 From the profusion of literature on the "modern" American presidency since Roosevelt, the following were particularly important for the topic of this paper: A. M. Schlesinger Jr, The Imperial Presidency, Boston 1973; R. E. Neustadt, Presidential Power. The Politics of Leadership from FDR to Carter, New York 1980; M. Shaw (ed.), Roosevelt to Reagan. The Development of the Modern Presidency, London 1987; H. D. Rosenbaum/ E. Barthelme (eds.), Franklin D. Roosevelt. The Man, The Myth, The Era, 1882–1945, New York/London 1987; therein especially the contributions of M. J. Frisch, Franklin D. Roosevelt and the Modern American Presidency, pp. 231–38; A. J. Wann, Franklin D. Roosevelt's Administrative Contributions to the Presidency, pp. 239–53; F. I. Greenstein (ed.), Leadership in the Modern Presidency, Cambridge/London 1988; therein especially W. E. Leuchtenburg, Franklin D.

In the long evolution of the presidency since 1789, there had been a qualitative and quantitative leap under Roosevelt. To a far greater extent than even under Theodore Roosevelt and Woodrow Wilson, the White House became the power center of the entire American system of government, the source of new ideas, the driving force of commerce, the engine of social change, and thus, in Roosevelt's mind, the embodiment of the common good. "No modern president has been more nearly master in the White House."[6]

Perhaps the most important aspect of this qualitative change was that, for the mass of the American population, the federal government and the president became a tangible part of their everyday lives for the first time—the center and vanishing point of their expectations and hopes. Critical interpreters claim this happened to an extent that must necessarily lead to disappointment and disillusionment, i.e., the modern president is fundamentally incapable of achieving what is expected of him every four years.[7]

The emergence of the modern American presidency under Roosevelt is, on the whole, undoubtedly due to the fact that the 32nd president of the United States led his country successively out of the Great Depression and into the greatest war in history. In a sense, the U.S. was always at war during those twelve years, first against economic hardship, then against German Nazism, Japanese imperialism, and Italian fascism. This twofold state of emergency became the hour of executive power in this case as well, but within the framework of the American constitutional system. It is significant that the metaphor of "war" also played a predominant role in the fight against economic hardship.[8]

Roosevelt. The First Modern President, pp. 7–40; and F. I. Greenstein, In Search of a Modern Presidency, pp. 296–418.

From the German-language literature, cf. the remarks in E. Hübner, Das politische System der USA. Eine Einführung, Munich 1991; P. Lösche, Amerika in Perspektive. Politik und Gesellschaft der Vereinigten Staaten, Darmstadt 1989; H. Mewes, Einführung in das politische System der USA, Stuttgart 1975; and the contributions in K. L. Shell and A. Falke in: W. P. Adams / E.-O. Czempiel / B. Ostendorf / K. L. Shell / P. B. Spahn / M. Zöllner (eds.), Länderbericht USA, 2 vols. (Bundeszentrale für politische Bildung, Schriftenreihe 293/I-II, Bonn 1990, vol. 1), pp. 303–53.

6 Neustadt, Presidential Power 1980, p. 119.

7 G. Hodgson, All Things to All Men: The False Promise of the Modern American Presidency, New York 1980.

8 W. E. Leuchtenburg, The New Deal and the Analogue of War, in: I. Braeman / R. H. Bremner/E. Walters (eds.), Change and Continuity in Twentieth Century America, no place given 1964, pp. 81–144.

Nevertheless, the author is among those historians who attribute the qualitative leap to the modern presidency in large measure to the *New Deal.* This is due to the fact that, for the first time ever during a period of peace, the Roosevelt-driven federal government made massive interventions in the economy and thereby established a new normal. Despite the changing fortunes of federal legislation in a wide variety of areas, the interventionist state has continued to be part of the *"American way of life" ever* since the Great Depression. The transformation from the liberal night watchman state of the 19th century to the precautionary and interventionist state of the 20th century, which can be observed in all Western democracies, was considerably accelerated in the United States by the Great Depression and the *New Deal.*

"Roosevelt ran the show," pushing against the limits that the American constitutional system imposes even on a president who demonstrates strong leadership.[9] Like no president before him, he wrested legislative initiative from Congress and, in this sense, expanded the legislative function of the presidency. Roosevelt broke all records in the use of his veto power, using it a total of 635 times.[10] He courted the crucial congressmen and senators in personal conversation, used his opportunities for patronage of office, and, when necessary, pressured Congress through public opinion. Roosevelt was also able to focus public attention and expectations on the presidency because he knew how to use the two forms of mass media in that time, the press and radio, as instruments of his policies in unparalleled ways. Roosevelt was the first media president. He dominated the headlines like no president before him, not least because of his self-confident "open door" policy toward journalists working in Washington. Twice a week, year in and year out, the president, who was paralyzed from the waist down, gathered up to 200 journalists around his desk. They were allowed to ask him any question they wanted without written advance notice. These conferences were show pieces of how to deal with the free press. They have been compared in importance to Question Time in the British House of Commons.[11] The secret of the success of his *"fireside chats"* over the radio, which drew an audience of millions, was that this dialogue with his fellow Americans was not a manipulative ploy for Roosevelt, but emerged from the core of his understanding of democracy.

9 For the following, see Junker, Roosevelt 1989, p. 60 ff.

10 R. J. Spitzner, The Presidential Veto. Touchstone of the American Presidency, Albany 1988, p. 72.

11 F. I. Greenstein, Leadership 1988, p. 18.

The monumental shift of policymaking toward the president and the Washington executive branch was also evident in terms of personnel and institutions. Particularly between 1933 and 1935, and then again from 1939,[12] new agencies, offices, boards, and commissions sprang up like mushrooms. They were constantly transforming, dissolving, and reorganizing, not infrequently overlapping, and driving devotees of clearly delineated authority and an orderly path of official channels to despair. During Roosevelt's tenure, executive branch personnel doubled to tripled: in 1933, the federal government employed nearly 600,000; in 1939, before the outbreak of the European war, it employed about 920,000. By the time the Japanese attacked Pearl Harbor, the number had risen to more than 1.5 million, and then, due to the war, it soared again. Under none of his successors did the number ever drop below two million again.[13] Indeed, if you look at the figures, Reagan's fight against "big government" turned out to be a sham revolution.

Finally, the reorganization and staff expansion of the presidential office itself were probably among the most consequential effects of the Great Depression on the U.S. political system. Roosevelt quickly realized after 1933 that his office was institutionally unable to cope with the enormous tasks and demands placed upon it. He appointed a panel of experts, the famous *Brownlow Committee* which, in 1937, concluded "The president needs help."[14] It proposed the creation of an "*Executive Office of the President.*" Within this structure, there would also be a "*White House Office"* staffed by competent, energetic people who above all would be distinguished by one thing: "a passion for anonymity." After a fierce political tug-of-war, Congress, which is granted organizational power by the constitution, passed legislation in 1939 to reorganize the Office of the President. Roosevelt then put the changes into effect through Presidential *Executive Order* No. 8248.[15]

12 Cf. D. Junker, Zur Struktur und Organisation der amerikanischen Rüstungswirtschaft 1939–1945, in F. Forstmeier/H.-E. Volkmann (eds.), Kriegswirtschaft und Rüstung 1939–1945, Düsseldorf 1977, pp. 314–32; D. Junker, The Impact of Foreign Policy on the United States Domestic Scene, in: M. Vaudagna (ed.), The United States in the Late Thirties. Special Issue of "Storia Nordamericana," vol. 6, nos. 1–2, Torino 1989, pp. 17–34.

13 Wann, Administrative Contributions 1987, p. 16 ff.

14 Greenstein, In Search 1988, p. 301.

15 Rosenman (ed.), Public Papers (1939 vol.) 1941, pp. 490–96; the commentary authorized by Roosevelt ibid, pp. 496–506.

When Roosevelt presented this plan to Congress and the American people, he argued with extraordinary skill. On the eve of the outbreak of the European war, on April 25, 1939, he reminded the audience that even a democracy needs the necessary means for efficient government. The proposed reform had only one aim: "… to make democracy work—to strengthen the arms of democracy in peace or war and to ensure the solid blessings of free government to our people in increasing measure." After this there followed a key phrase in Roosevelt's understanding of the situation: "We are not free if our administration is weak."[16] He told Americans that the proposed reorganization would make government more effective and cheaper, and assured them that his personal White House staff would in no way become "assistant presidents," would have no authority over anyone in any department, and should in no way come between the president and the tops of departments and offices.[17]

Of the five special administrative units incorporated into the *Executive Office in* 1939, the *White House Office* and the Bureau of the *Budget* were by far the most important. For all their internal evolution, they have also survived to this day, with the Bureau of the Budget renamed to the Office *of Management and Budget* (OMB) in 1970.

It has been determined that from 1939 to 1981, there were a total of 44 different organizational units within the *Executive Office*. Today, ten departments, each with several subdepartments, have special significance. In addition to the two already mentioned, these include the *Council of Economic Advisers* since 1946, the National Security Council (NSC) since 1949, the Office of the Special Representative for Trade Negotiations since 1963, the Council on Environmental Quality since 1969, the Domestic Council and Domestic Policy Staff since 1970 and 1978, respectively, the Intelligence Overside Board and the Office of Science and Technology since 1976, and the Office of Administration since 1977.[18] Of particular political significance was the transfer of the Bureau of the Budget from the Treasury Department, where it had a kind of accountant's function, to the center of power. It was only since

On reorganization, see K. Barry, Executive Reorganization and Reform in the New Deal: The Genesis of Administrative Management, 1909–1939, Cambridge 1963; R. Polenberg, Reorganizing Roosevelt's Government: The Controversy over Executive Reorganization, 1936–1939, Cambridge 1966.

16 Rosenman (ed.), Public Papers (1939 vol.) 1941, p. 246.

17 Ibid, pp. 247, 492.

18 Wann, Administrative Contributions 1987, p. 244.

this restructuring that the president has been able to play a predominant political role in drawing up the budget.

These Rooseveltian reforms gave the constitutionally defined executive power of the president an independent bureaucracy. Within the framework of the U.S. system of separation of powers, this added weight to the presidential office. Indeed, today it can even compete with the bureaucracies of the departments and the bureaucratic apparatus of Congress, which itself has grown considerably. At the same time, this expansion always harbors the possibility of abuse: the temptation to assemble a power elite in the White House that is insufficiently controlled by Congress and the public, thereby circumventing the constituent principle of the separation of powers and establishing an "imperial presidency."

Only with this independent administration can the president, if at all, fulfill his many tasks and the expectations of the population. After all, he is simultaneously responsible for the executive branch, legislation, foreign and security policy, and, as commander-in-chief, the military. In addition, he is also a politician tied to his party's platform who must keep his election promises and who is increasingly under pressure to project a positive image in the media. The president's "entourage" has also grown steadily. The number of personal staff in the *White House Office*—the number of those with a supposed passion for anonymity who do not require Senate approval in their appointments—grew from 37 in 1939 to more than 900 in 1988, while the number of staff in the other departments, in the so-called institutionalized presidency, has grown from zero to several thousand. It is one of the most important tasks of a president, once elected, to fill these positions with his own people. The often-criticized downside of this "spoils system" is obvious: When a new president is elected, the ensuing loss of institutional memory causes a lack of political continuity at the core of the government.

Within this presidential bureaucracy, there is a constant, bitterly fought battle for the scarcest commodity of American democracy: the president's eyes and ears. Indeed, it was easier for a minion at the court of Louis XIV to get to the bedside of his king than for a lowly White House staffer to enter the *Oval Office* for a face-to-face meeting with his president.

The Dawn of the Interventionist State in General and the Sociopolitical Entry of the U.S. into the 20th Century in Particular.

The Great Depression and Roosevelt's fundamental belief in the responsibility of government to its people established the American interventionist state and led to the sociopolitical entry of the U.S. into the 20th century. The federal government had already intervened in the peacetime economy of the U.S. on a case-by-case basis in the 19th century, for example in the expansion of a transportation system by water and by land. Nevertheless, the Great Depression also brought about a qualitative and quantitative change in this area: the emergence of a *"mixed economy" in* which the state intervened in a regulatory, controlling, planning, and administrative capacity. Under Roosevelt's successors —Truman *(Fair Deal),* Eisenhower, Kennedy, Johnson *(The Great Society),* Nixon, Ford, and Carter—the respective challenges of the time repeatedly led to a political and programmatic struggle over the wisdom and desirability of certain state interventions. However, none of these administrations, whether Democratic or Republican, fundamentally questioned the legitimacy of state interventionist policies. Even Reagan's pleas for a return to the country's liberal (in American terminology, conservative) tradition, and his initiatives for tax cuts, deregulation of many sectors of the economy, and the curtailment of government spending on welfare programs, did not substantially alter the reality of the interventionist state and the *"mixed economy."* At present (December 1991), many signs indicate that the disastrous legacy of "*Reaganomics*" and so-called *supply side economics,* the structural weaknesses of the American economy and society, and the drastically reduced international competitiveness of many parts of the American economy will force a new state interventionist cycle in American history—a second *New Deal.*

To illustrate and justify the qualitative change that occurred during President Roosevelt's tenure, the New Deal's major areas of intervention will briefly be summarized. In varying combinations, they reflect the three goals promised by Roosevelt in the 1932 campaign: short-term relief (relief), economic recovery (recovery), and long-term reform (reform).[19]

19 Cf. note 1, Junker, Roosevelt 1989, p. 77 f.; Detlef Junker, Die unteilbare Weltmacht. Das ökonomische Interesse in der Außenpolitik der USA, Stuttgart 1975, pp. 43 ff.

One of the areas in which the Roosevelt administration intervened immediately after taking office was the U.S. monetary and credit system, proclaiming a four-day "bank holiday." All measures in this area served three purposes: a thorough reform of the rather chaotic banking system, supervision, and control of trading in securities, and, especially important in the early stages, the creation of the legal foundations that would allow the state to implement inflationary policies based on money creation in order to fight deflation.

Under the wide-ranging Banking Act, state regulators could review the liquidity and realizable value of the banks. The Reconstruction Finance Corporation, which had already been set up under Hoover, began to buy preferred shares in private banks on a large scale, thus strengthening their capital base and exerting influence on business policy and management through the associated shareholder rights. The powers of the federal reserve banks *(Federal Reserve System),* including the government's influence on this institution, were decisively expanded, thus, for the first time, making something like a national money supply policy possible. The previous universal bank was also divided up, and from then on normal commercial banks were no longer allowed to engage in the securities business. The provision that was psychologically most important for the average citizen was a limited guarantee and insurance obligation for all private deposits since, beginning on July 1, 1937, deposit insurance became mandatory for all banks in the country. The stock market also felt the regulating hand of the state: henceforth, the issuance of shares was subject to a government-controlled reporting procedure designed to prevent an excessive increase in shares or even speculation with shell companies—the lessons of such pernicious practices having been learned from the crisis.

But simply reopening the banks was not enough, for it was not possible to wait for the reform legislation to bear the hoped-for economic fruit. If he wanted to regain the people's confidence in the government, Roosevelt had to act immediately to address the most urgent social problem and improve the lot of at least some of the more than twelve million unemployed and their dependents. The first means of temporary assistance were direct federal welfare payments to the individual states and municipalities. But the main instrument was a large-scale public job creation program. This began in March 1933 as a temporary emergency measure but, contrary to the original intention, did not expire until the U.S. entered World War II. This was due to the realization that, while the *New Deal* could considerably alleviate the joblessness problem in peacetime, it could not eliminate unemployment altogether. The outward image of the successive and complementary programs and organizations (CCC, FERA, PWA, CWA, WPA) was indeed confusing, not to mention the fact that the capital-intensive (Secretary of the Interior Ickes) and labor-intensive (Harry Hopkins) projects often rivaled each other. But the basic idea was simple: to get those able-bodied people who could not find jobs in the private sector off the streets, to save them from destitution and despair, and to restore their self-esteem by assuring them that they were not living on welfare but earning a living through meaningful employment in public works.

At times, federal assistance payments reached as many as four million families in the years from 1933 to 1935. The largest procurement program was headed by former New York social worker Harry Hopkins, one of Roosevelt's closest confidants after the death of Louis Howe in 1936. It employed a total of eight million people from 1935 to 1941, and over two million on a monthly average from August 1935. Including their dependents, 25 to 30 million people benefited from the, albeit modest, wages from public work. Under Hopkins, the *Works Progress Administration* (WPA) constructed 122,000 public buildings, built 664,000 miles of new roads, 77,000 bridges, and 285 airfields. But teachers, scientists, visual artists, and writers also received work, winning Roosevelt the support of an important opinion-forming constituency that was in favor of the *New Deal.* There was almost no program of "public interest" that was not carried out.

Among the deepest state interventions into the American market economy were the aid measures for agriculture, which was by far the hardest hit sector of the economy. Backed with legislation hastily enacted by Congress, the Roosevelt administration made a large-scale attempt to regulate production and prices. The essence of the *Agricultural Adjustment Act* (AAA) was to drive up prices through voluntary—and in later years, statutory—restrictions on cultivation. In addition, farmers received compensatory subsidies for what they did not grow or raise. For example, cotton, wheat, corn, tobacco, pork, beef, dairy cattle, rye, barley, and sugar beets were included in this program in order to tighten supply. As emergency measures, ten million acres of cotton were plowed under, and six million piglets were slaughtered in August 1933.

The stated goal of these policies was to restore farm incomes relative to other sectors of the economy to the level they had been in the years from 1909 to 1914. In addition, a whole series of laws were enacted to increase farmers' borrowing opportunities, reduce their debts, and strengthen protection against mortgage foreclosures. Resettlement projects and structural assistance, such as the Land Conservation Act and agricultural electrification, complemented these measures. Finally, in 1938, legislation created a government purchasing agency to remove surpluses from the market to support price levels.

The curse of overproduction also drove intervention in the industrial sector. The federal *National Industrial Recovery Act* (NIRA) hoped to eliminate "ruinous competition" and its consequences for prices, wages, and working conditions. Through a form of corporate self-regulation under loose government supervision and involvement, it would be replaced with rules for "fair competition." Government, business, and labor were to cooperate voluntarily to stabilize production, prices, and wages. For industry and commerce, this meant the authorization to make production and price agreements and thus was a *de facto* undermining of the anti-trust laws, which had, however, already been fairly ineffective.

As part of this concerted action, labor in return received the right to unfettered industry-wide organization and collective bargaining for the first time in U.S. history. Furthermore, maximum working hours and minimum wages were promised, while child labor under the age of 16 was banned. Monitored and promoted by a new authority, the *National Recovery Administration* (NRA), working hours and *codes were* to be established in all factories and decided by arbitration in the event of conflict. The president himself issued a regulatory framework that set minimum wages and limited the workweek to 35 hours for industrial workers and 40 hours for white-collar workers.

The first New Deal measures were met with general approval and great propagandistic support in the initial phase, but subsequently encountered increasing criticism from the business community as well as from labor, which felt betrayed, disadvantaged, and put under severe pressure by the companies during implementation. Moreover, in May 1935, the Supreme Court declared the legislation unconstitutional, essentially for the following reasons: Congress had delegated too much power to the executive branch, and, furthermore, it lacked the authority to regulate local and regional economic life through national laws.

Thus, the concept of comprehensive and voluntary cooperation between the Roosevelt administration, industry, and labor had failed. From 1935 to 1938, the relationship between these three factions changed significantly. The government, with the help of Congress *(Wagner Act)*, did succeeded from 1935 onward *in* securing the gains of organized labor through a series of new laws. But, at least verbally, there was a fierce confrontation between government and business, especially in 1938, when an investigating committee probed the monopolization that had been exacerbated by the NIRA policy. Roosevelt's message to Congress on April 29, 1938, in which he called for such a committee, is perhaps the harshest indictment of the power of monopolies and cartels, and of the unequal distribution of wealth in the United States ever made publicly by an American president. But this indictment remained merely rhetoric. The closer the United States came to entering World War II, the closer the government and the business community became again; although, for part of the business community, Roosevelt remained the most hated man in the country.

The laws meant to strengthen organized labor led to the consolidation of two large unions, the American Federation of Labor (AFL) and the Congress of Industrial Organizations (CIO), but this only came about after fierce resistance from the business community and through violent strikes. In particular, two other additional New Deal initiatives served to provide social security for workers: the aforementioned job creation program, which was launched as a temporary emergency measure, and the unemployment insurance and pension laws, which were intended to be permanent but were still very inadequate.

The U.S.'s first step on the road to a welfare state was taken by the Social Security Act of 1935, which introduced unemployment insurance and old-age pensions. The law marked not only a departure from the liberal night-watchman state, but also a break with America's deep-rooted pioneering spirit, which relied on individualism, personal responsibility, and initiative, and saw protection against social hardship to be the domain of private charity. These beginnings of social security, however, were extraordinarily modest, with nearly half of Americans being excluded from the benefits of these already low payments. Compulsory health insurance was not introduced.

Perhaps the state's most successful attempt at a large-scale planning intervention into the economy was the modernization of the impoverished Tennessee River Valley area. Through the federal agency created under the *New Deal*, the *Tennessee Valley Authority* (TVA), hydroelectric plants were built, cheap energy provided, rivers regulated, soil erosion inhibited, malaria eradicated, agriculture modernized, industrial manufacturing plants established, shipping traffic was enabled, and many new jobs created. However, the success of this regional planning project remained an example without imitation. Roosevelt appealed to

Congress in a special message in 1937 to authorize six more regional planning projects that would have encompassed most of the United States, but his request was unsuccessful.

It is impossible within the scope of this paper to trace the checkered history of the U.S. interventionist state in these various policy areas from the 1930s to the present. Nor is it possible to trace the history of the labor unions or the organizations representing agricultural interest that established themselves as countervailing forces to the business world during Roosevelt's administration and as a result of the Great Depression. Thus, only a few remarks on the history of the impact of the welfare state will be presented.[20]

It has often been said, and rightly so, that the *"big bang"* for the American social and welfare state came in 1935 with the passage of the Social Security Act.[21] Compared to other industrialized countries—such as Germany, England, France, the Netherlands, and Sweden—the U.S. was a "Johnny-come-lately" in the field of social policy, and to this day the social safety net in the U.S. is much more widely-meshed, even full of holes, than in Western and Northern European countries. Despite the fact that, since the turn of the century, the socio-political reformers within the Progressive Movement have also envisioned socio-political programs, the federal government had only assumed socio-political responsibility once before the Great Depression. This was through payments to Civil War veterans and their dependents, which effectively amounted to old-age pensions for this group of people.[22] It is significant that reformers did not take this wartime pension as a model for peacetime social policy—this pension, incidentally, having been

20 Cf. A. Murswieck, Sozialpolitik in den USA, Opladen 1988; A. Murswieck, Sozialpolitik, in: Adams et al, Länderbericht USA 1990, vol. II, pp. 160–82; A. Murswieck, Sozialversicherung und Sozialfürsorge, in: C.-L. Holtfrerich (ed.), Wirtschaft USA: Strukturen, Institutionen und Prozesse, Munich / Vienna 1991, pp. 105–30 (with further references); A. Windhoff-Heritier, Sozialpolitik unter der Reagan-Administration, in: Aus Politik und Zeitgeschichte. Beilage zur Wochenzeitschrift Das Parlament B44/88 (1988), pp. 25–35; G. D. Nash / N. H. Pugach / R. T. Tomasson (eds.), Social Security. The First Half-Century, Albuquerque 1988; M. Weir / A. S. Orloff / T. Skocpol (eds.), The Politics of Social Policy in the United States, Princeton 1988; J. T. Patterson, America's Struggle Against Poverty 1900–1985, enlarged edition, Cambridge 1986; A. Gutman (ed.), Democracy and the Welfare State, Princeton 1988.

21 Murswieck, Social Policy 1990, p. 160; Weir/Orloff/Skocpol (eds.), The Politics 1988, p. 6.

22 A. Orloff, The Political Origins of America's Belated Welfare States, in: Weir / Orloff / Skocpol (eds.), The Politics 1988, pp. 37 ff.

pushed through Congress not solely out of a sense of sociopolitical responsibility, but because the patronage parties were able to buy votes with these payments. It took the hardship of the Great Depression, the leadership and tactical skill of the president, and the socio-political ethos of intellectuals and bureaucrats that Roosevelt drew into his sphere of influence to overcome the strong resistance of the American tradition to the interventionist welfare state. At the same time, traditional values—particularly those of the Southern Democrats on whose votes Roosevelt depended for passage of the bill in Congress—limited the quality and quantity of the intervention.

While conservatives criticized the passage of the 1935 law, Roosevelt also wanted to take the wind out of the sails of populist mass movements whose hopes had been raised by the *New Deal* but not fulfilled. The most politically dangerous man for Roosevelt was Senator Huey P. Long of Louisiana. Long dominated the politics of his state and won a mass following at the national level with his radical slogan of "share the wealth," promising every citizen a home worth $6,000 and a guaranteed annual income of $2,500. The Democratic Party believed he could garner three to four million votes with his intended presidential bid. But this remained conjecture, for in the summer of 1935 Long was the victim of an assassination attempt, and his movement disintegrated.

Less threatening to Roosevelt, but just as characteristic of the social unrest in the country, was the movement of the Californian physician Dr. Townsend. Townsend proposed to solve the problem of old-age poverty with the promise to have the state treasury pay every citizen over the age of 60, 200 dollars a month, on condition that the money be spent by the end of the month. The 4,500 clubs he founded managed to mobilize 500,000 people in thirty U.S. cities on a single day.

New Deal legislation has shaped the dual structure of federal social policy to this day. Both basic principles of the welfare state, contribution-financed social *security* and tax-financed social assistance or *welfare,* date back to the 1930s. Today, social spending is also the largest single item in the U.S. federal budget, accounting for 41% of the total in 1989.[23] Contributory social insurance is now accepted by Americans as the result of their own, individually earned work. The *New Deal was thus* the beginning of a mental revolution. This is particularly true of old-age pension insurance, which was introduced in 1935 and financed by employer and employee contributions, and was extended

23 Holtfrerich (ed.), Economics USA 1991, p. 264.

to survivors in 1939 and to the disabled in 1956. But it is also true of federal subsidies for unemployment insurance (1935); accident insurance, which has been introduced in all individual states since 1948; and health insurance for pensioners (Medicare), *which has* been in effect since 1965. The socio-political consequences of this development, which have been accepted by the majority of Americans, is that in American society it is not the poorest but the elderly who are comparatively the most well-protected group. They are allowed to enjoy in old age what they have earned through their own labor. During Eisenhower's presidency, it was Nelson D. Rockefeller in particular that ensured this system was preserved. Later, when Reagan tried to touch the "sacred cow" of American social policy, the old-age pension, in 1981, he was immediately rebuffed by his Republican party friends.[24]

Tax-funded federal welfare benefits also date back to the New Deal. These began in 1935 with income support for the needy seniors, the blind, and families with minor children. This was followed in 1950 by aid to the disabled, in the context of the "War on Poverty" under President Johnson; by nutritional assistance *(Food Stamp Program)*; in 1965 by coverage of the costs of medical care for the needy *(Medicaid); and,* finally, in 1974 by income maintenance assistance. Today, there are more than 70 individual programs in the area of social assistance, accessibility to which depends on an individual examination of income and need.

Reagan's attacks against the—in his view—exaggerations of the welfare state and his proposals for savings were primarily directed against this area. In his fight to tame the excesses of the welfare state, he was able to draw on a widespread pattern of opinion that these programs suffered from corruption and bureaucratic incompetence and, above all, did not separate the "truly needy" from the parasites and the lazy. Today, the public debate oscillates between the need of citizens to protect themselves against the risks of old age, illness, accident, and unemployment, and to alleviate the hardships of the bottom third of the American population, and the call for less government, less taxes, more personal initiative, more personal responsibility, and a return to traditional American values. In principle, as they were in 1932, these opposing positions are based on different views of the individual and society. Thus, the election campaign between Hoover and Roosevelt is still not over.

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24 Nash et al, Social Security 1988, pp. 77 ff; an excellent overview of U.S. social legislation in: Murswieck, Social Policy 1990, pp. 162–66.