Government Spending – for the Deserving

Government-opposition dynamics during the Roosevelt Administration's economic crisis management effort in the 1930s – and its lessons for contemporary party politics

Palma Polyak
Scuola Normale Superiore
palma.polyak@sns.it

Sep 2017

Research paper for the course "Comparative Politics"

Abstract

This paper explores government-opposition dynamics during economic crises, taking the Great Depression as its case study. By surveying legislative behavior and evaluating the individual policy initiatives, it aims to gain a deeper understanding of the remarkable bipartisan support behind President Franklin D. Roosevelt's New Deal legislation. The analysis points to a bipartisan distributional coalition behind New Deal programs with white (Southern) males, indebted farmers and homeowners and elderly workers as their main beneficiaries – and lends support to the hypothesis that Keynesian stimulus measures and 'big government' initiatives are accepted by a large cross-party coalition if they are perceived in a way that 'deserving' members of the community gain from them. The main fault line which makes a difference in public and legislative support is not the ideological commitment to the size of the federal government but the distributional objectives of the particular spending programs.

Key words: Keynesian stimulus, New Deal, Great Depression, political economy, social policy, government-opposition dynamics

Introduction

A large-scale economic downturn is often framed as a national emergency, which suspends normal politics, and prompts government and opposition to work together. Opposition parties, who are in ordinary times expected to represent their constituencies by signaling their markedly different policy positions, also face pressures to act 'responsibly' and seek consensus in times of crisis (Moury and De Giorgi 2014). In November 2008, as the severity of the Great Recession started to sink in and President-elect Barack Obama's transition team was preparing to manage the most severe economic calamity since the Great Depression of the 1930s, political discourse in the United States often turned to this dilemma of conflict or consensus.

Obama's crisis management efforts were regularly depicted as analogous to those of Franklin D. Roosevelt, and liberal political commentary was quick to point out that in case of FDR, "an unusually energetic and ambitious president (…) was paired with an unusually energetic and ambitious Congress" (Ezra Klein wrote in November 2008). Apart from being supported by a large Democratic majority, the New Deal also enjoyed remarkable bipartisan support (Cushman 2010). That was certainly not the case 80 years later. Congress Republicans mounted a fierce opposition challenge against the administration's fiscal stimulus measure, the American Recovery and Reinvestment Act (for an extensive inquiry into the politics of the stimulus bill, see Grunwald 2012), and did not support further measures of expansionary fiscal policy either (see Skocpol and Jacobs 2011).

Departing from this puzzling contrast of government-opposition dynamics in the two cases, this paper aims to explore the aforementioned bipartisan support of ND legislation in detail and trace back reasons behind it. It does so by a preliminary empirical probe into fiscal and monetary stimulus measures enacted by the ND Congresses from 1933 to 1939. The main method used is a descriptive empirical inquiry into legislative behavior: using roll-call voting data to show the extent of bipartisan support of FDR's initiatives while assessing each bill's content and expected distributional impacts. The analysis is augmented by a review of the literature of public opinion in the 30s focusing on public support for the individual ND programs. Throughout the paper, traces of qualitative evidence from the political debate are presented to show how the programs were framed, with due attention to the distributional tensions they engendered.

The aim of the preliminary case analysis is hypothesis-generating – and its findings do point to an interesting direction that is worth exploring by further, more systematic empirical research. Patterns of legislative support (as well as public opinion) show that those government stimulus programs – either deficit financed or based on redistribution – which were targeted to white, mainly working middle class families (disproportionately in Southern states) did manage to shore up the support of a large and bipartisan coalition. The significant fault line does not seem to be the partisan appeal of the success of crisis management or the ideological commitment to big or small government per se, but whether beneficiaries were seen as deserving members of the community.

This case analysis is part of a broader research agenda exploring the political determinants of fiscal and monetary stimulus programs in liquidity trap situations – periods of persistently weak demand, often as a consequence of a financial crisis, where near-zero levels of inflation or even deflation creates a vicious cycle of prolonged stagnation and unemployment. The focus in on political prerequisites and driving forces for governments to opt for Keynesian crisis management policy options.

As fiscal stimulus has been gaining momentum in the aftermath of the Great Recession, increasingly considered – to quote an IMF Staff Position Note from 2008 – "highly useful (almost necessary)" instruments to tackle low-growth recoveries throughout the developed world (after a long period of being assigned a limited role in managing the business cycle[1]), understanding the political dynamics behind them is and continues to be of great relevance.

The paper succeeds in five sections. Section (1) gives a short review of the theoretical literature, section (2) introduces the case's economic policy background, section (3) turns to the individual ND programs' opposition support in the House and Senate, cross-referencing the level of bipartisanship with the bills' expected distributional impacts, section (4) turns to the limits of the ND's bipartisan support by looking at the issues driving a wedge in the ND Coalition. Section (5) concludes.

[1] Fiscal stimulus as an effective crisis management tool was 'rediscovered' in academia and epistemic communities after 2008, also among organizations formerly known of their fiscal conservatism. The pre-crisis consensus was that central banks – having successfully dealt with the stagflation crisis of the 70s – suffice in managing demand fluctuations; so fiscal policy took "a backseat to monetary policy" concentrating on debt sustainability and rules, rather than discretion. (See: Blanchard 2010).

1) Theorizing government-opposition dynamics during crises

The question explored by this paper taps into multiple strands of the literature – from legislative behavior through party politics. The following section gives a brief sketch of some of the relevant theories and concepts, introducing a few theoretical insights to guide the research endeavor.

Departing from the possible incentives of opposition parties – a simple model of economic voting (see, for instance, Lewis-Beck 1988, Duch and Stevenson 2008) would suggest that successful crisis management will raise the reelection chances of an incumbent government, so its opposition will have evident incentives to block it. Empirical evidence also lends support to the hypothesis that demand stimulus programs are associated with growing support for the incumbent (for instance, Bartels 2013), prompting the opposition to oppose this particular instrument of crisis management.

In their theoretical overview of consensual and adversary patterns in opposition behavior, Catherine Moury and Elisabetta De Giorgi (2011) propose multiple driving forces possibly pushing opposition parties towards consensus. Firstly, the opposition can influence the exact content and direction of the final bill if it cooperates. Secondly, mismanagement of a crisis can also deter the success of the opposition if voters see them show irresponsible and self-seeking behavior. An opposition which is expecting to become the government party in a foreseeable future also has incentives not to hurt their own chances of successfully managing the economy.

Moury and De Giorgi also point to the importance of the issue area. In issues that are of great salience for the electorate – socio-economic ones being the prime example – it is more difficult for the opposition to abandon their previous positions and seek consensus. In contrast, foreign policy and defense, supposedly entailing fewer distributional conflicts, are typical examples for more consensual ones.

Dissent from opposition parties can also be driven by 'responsiveness' to their own constituents (as opposed to 'responsibility' to an outside constraint), which was elaborated by Peter Mair (2011) in the context of governing parties managing the euro crisis among outside constraints from international organizations or the European Union. In case of opposition parties, this 'responsiveness' could refer to certain preferences of opposition parties' constituencies – ideological and symbolic appeals as well as distributional objectives, both of which may differ from those mirrored in the government-sponsored bill. Responsiveness and responsibility can be aligned as well – if a proposed bill is popular among the opposition voters, their party is expected to vote for it, regardless of its being government-sponsored.

In case of the US, a presidential democracy with separated executive and legislative branches, with Congressional seats corresponding to territorial districts and not party lists – government-opposition lines are never straightforward. Commonly, there is a governing party and an opposition party, but as the two parties have limited means to enforce party cohesion, incentives (like reelection chances) shaping Congress members' legislative behavior do not necessarily follow strict partisan lines either.

These features necessitate to think in terms of looser coalitions that can be cobbled together behind policy reforms and dissenting 'opposition blocs' instead of opposition parties. They also gave rise to legislative theories based on the median voter thesis like the 'floor agenda model' (see: Krehbiel 1998, Cox and McCubbins 2005) which simply propose that –

> If the distance between a legislator's ideal point and the bill is smaller than the distance between the legislator's ideal point and the status quo, the legislator votes for the bill, otherwise she votes for the status quo. (…) Members of the same party might vote together, but this is because their ideal points are on the same side of a cut-point in a vote (Hix and Noury 2016: 251)

When conceptualizing distributional objectives, following Dixit and Londregan's seminal paper (1996), it is also often useful to make a distinction between more ideologically-based and stable 'programmatic' types of distribution and 'tactical distribution', better known as pork-barrel politics, that entail "short-term shifts of resources to groups of voters." (Stokes 2009: 1)

In order to disentangle the possible drivers behind opposition support of certain policy initiatives, this paper takes the distributional politics approach seriously, assessing possible regional, sectoral or class interests behind each piece of legislation.

2) Approaches to economic crisis management – from Hoover to FDR

As an introduction to the case study analysis, it is useful to delve into a brief overview of the economic policy debates that set up the context for the crisis management effort by President Roosevelt and the New Deal Congresses.

According to a fairly consensual view among economic historians, one of the reasons why the US economy spiraled into a devastating depression after the 1929 stock market crash was the mistaken crisis management and the general passivity of both fiscal and monetary policy during the Hoover administration. (Friedman and Schwartz 1963, Romer 1992, Eichengreen 1992, 2015) The approach of Hoover and the Federal Reserve corresponded to a mainstream view among economists – that fluctuations of the business cycle are natural and markets are self-correcting. A recession is simply a corrective slump, which will eventually push the economy back into a virtuous cycle: lower prices will spur consumption and growth will return.

The economic theory was also complemented by a moral argument that is often termed 'liquidationist' thinking, stemming from Herbert Hoover's Treasury Secretary, Andrew Mellon, who proposed inaction as response to the crisis with his famous words –

> Liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate (…) It will purge the rottenness out of the system. High costs of living and high living will come down. People will work harder, live a more moral life. Values will be adjusted, and enterprising people will pick up the wrecks from less competent people. (Mellon in: Krugman 2008)

These moral frames also prompt people to understand a recession, especially after a debt crisis, as punishment for greed and "sins of excess", which naturally should be managed by tightening belts. This view also makes it profoundly counterintuitive to call the government to borrow and spend – if the crisis was caused by excess borrowing and spending. (See: Summers in: Klein 2011)

But Hoover's approach did not bear fruit. After three years of ill-managed Depression, unemployment (from around 3% in 1929) stood at 25% and the banking system was on the verge of collapse, the 1932 elections could only go one way. Herbert Hoover stepped down at the height of his unpopularity, ultimately seen as the 'owner' of the depression (proliferating cardboard shelters of homeless people were sarcastically dubbed 'Hoovervilles') – and Franklin Delano Roosevelt took office after a landslide victory and with a strong mandate for change.

Roosevelt and his team of economic advisors (the 'brain trust') took the opposite way – and started experimenting with stimulus policies. Although John Maynard Keynes only finished his seminal *General Theory* in 1936, the so-called Keynesian multipliers were in the heart of the policy debate. The simple idea behind the multiplier is that government spending boosts the economy by raising incomes, which in turn will be spent and invested, contributing to even more economic activity. When the economy is operating under full capacity, spending does not crowd out private investment, since interest rates will not rise (see the liquidity trap concept above). This means multipliers will be very large and the fiscal expansion might even end up paying for itself.

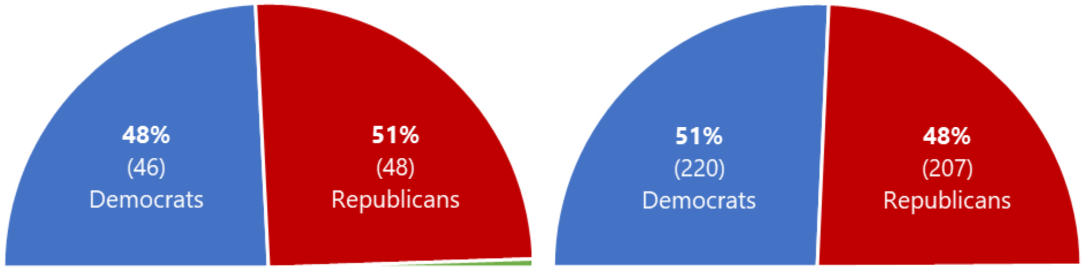
Fiscal contraction, promoted by Mellon and the liquidationists, in a period like that has the same multiplying effect in the negative direction, creating a vicious cycle, not a virtuous one. Falling price levels worsen the economic downturn by increasing the real burden of nominally fixed debt. As consumer confidence vanishes and the private sector prefers to hoard cash and not spend – governments (or central banks) need to step up and bolster demand as 'spenders of last resort' to prevent the economic downturn spiraling into a depression.

The New Deal as a fiscal stimulus package enacted throughout President Franklin D. Roosevelt's first two terms is generally understood to have played a key role in the recovery from the Great Depression. However, even though New Deal measures constituted a radical expansion of the federal government, the more or less consensual view among economic historians about the New Deal is that it did not provide adequate stimulus, was inconsistent (fiscal policy was in some years expansionary, in other years contractionary) and therefore contributed to the recovery only on a very limited scale. The steepest rise in expenditures started only after 1940, as the United States' started preparing for war.

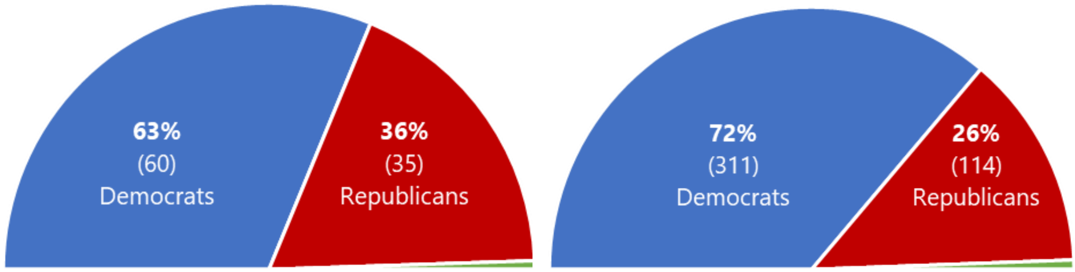
As Christina Romer (1992) pointed out, it was Roosevelt's monetary regime shift (public commitment to raise prices to pre-Depression levels, abandoning the Gold Standard, passing the 'Thomas Inflation Amendment') that contributed to the recovery by raising the money supply, pushing down real interest rates and stimulating investment. Brown's (1956) conclusion became widely cited – "fiscal policy, then, seems to have been an unsuccessful recovery device in the thirties—not because it did not work, but because it was not tried." Fiscal stimulus was too small – only amounted to 1.5% of GDP in its peak year and abandoned too quickly.

Figure 1, Party composition of Congress between 1931 and 1941

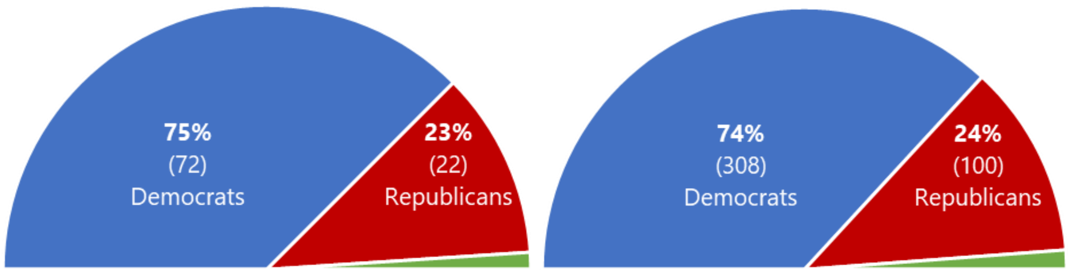
72nd US Congress, Senate (L) and House (R). In session: Mar 4, 1931 – Mar 4, 1933



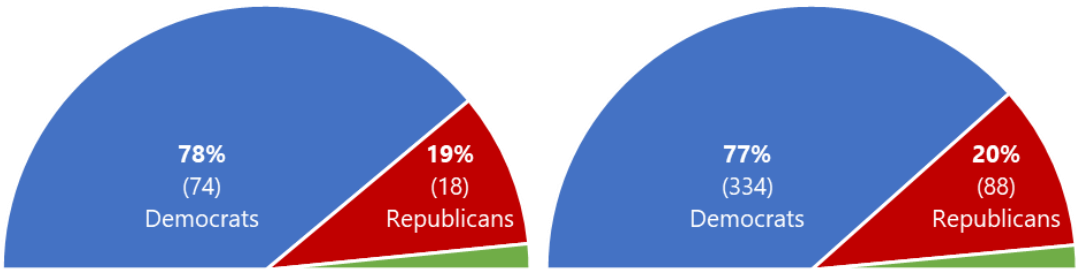
73rd US Congress, Senate (L) and House (R). In session: Mar 4, 1933 – Jan 3, 1935



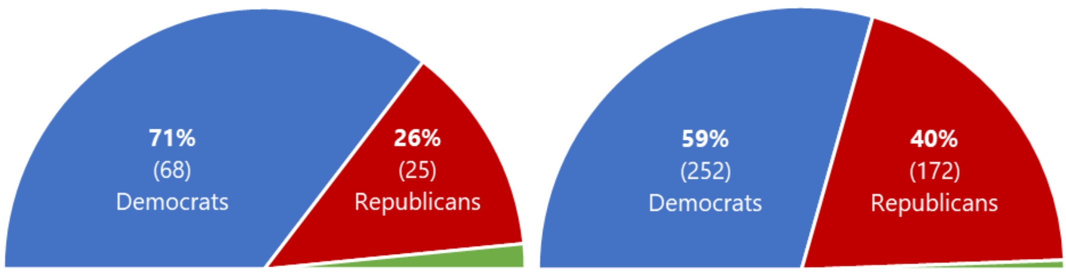
74th US Congress, Senate (L) and House (R). In session: Jan 3, 1935 – Jan, 1937



75th US Congress, Senate (L) and House (R). In session: Jan 3, 1937 – Jan 3, 1939



76th US Congress, Senate (L) and House (R). In session: Jan 3, 1939 – Jan 3, 1941



3) New Deal programs with large bipartisan support

As legal scholar Barry Cushman pointed out (2013: 146) Roosevelt had the "dual luxuries of electoral dominance and bipartisan support." As for the first portion, which is shown by Figure 1[2], Democrats effectively dominated Congress throughout the decade. The charts show growing Democratic dominance between 1933 and 1938 with a slight Republican comeback in the aftermath of the recession of 1937-38.

As for the 'bipartisan' portion of FDR's dual luxury – New Deal legislation did witness Republican House and Senate members crossing the aisle in significant numbers to support it. Several notable bills passed both chambers with a voice vote (eg. the act creating the Civilian Conservation Corps, the Farm Credit Act or the Rural Electrification Administration Act) and as both Table 1 and Table 2 demonstrate, many others had either the majority of Republican legislators behind it or a significant share of them.

There are several possible reasons behind Roosevelt's bipartisan success. As mentioned above, one of it was his forceful political communication. He framed the Depression as a foreign invader and a national emergency situation. The speed of the legislative process was correspondingly rash, creating the air of extraordinary times. As mentioned above, the crisis had been raging on for three years by then – the public and Congress learned already that something needs to be done (this here, is one of the stark contrast to Obama's situation, who started his term a few months into the crisis). FDR's goal with his rhetoric was of course to make it politically costly for the opposition to dissent – so that their base would turn away from them if they do not cooperate along the lines of the 'national interest' and seem irresponsible. The presence of this effect is plausible, yet hardly quantifiable. There is some anecdotal evidence for it, however. As Rep. Everett Dirksen (R-IL), for instance, remembered the period–

> under the lash of the economic squeeze upon the country people generally could be induced to give support to legislative proposals which under normal circumstances they would view with fear and apprehension as embracing a real danger to our constitutional form of government (Dirksen in: Homer, 1963: 88)

[2] Source of data: GovTrack.us. Final voting shares – within-session membership changes not included. Voting shares of third party or independent members denoted with green: 72nd: Farmer-Labor Party (S: 1%, H: 1%). 73rd: Farmer-Labor Party (S: 1%, H: 2%). 74th: FLP (S: 1%, H: 0.7%) and Progressive P (S: 1%, H: 1.7%). 75th: FLP (S: 2.1%, H: 1%) PP (S: 1%), Wisconsin Progressive P (H: 2%). 76th: FLP (S: 1%, H: 0.2%) PP (S: 1%), Independents P (S: 1%), American Labor P (H: 0.2%), Wisconsin Progressive P (H: 0.7%)

It is unlikely, however, that it would explain all variation in voting patterns – especially within party variation in both camps. For that, it is useful to see the voting patterns cross-referenced with assessments about expected distributional effects of measures. By doing so, the more deep-rooting cause could be traced out about a cross-party distributional coalition behind the demand stimulus measures.

In Tables 1, 2 and 3, what follows are lists of the most important ND programs of the First 100 Days (1), FDR's inflationary legislation (2) and social security legislation, the bills' short description, opposition support – which is measured by the Republican YEA votes they got, based on roll-call (recorded) voting data about the final passage of the bills. In the final column, a short assessment about the distributional objectives of individual programs are featured, focusing on the constituencies they catered to. The assessments focus on direct program effects only, secondary impacts like growing aggregate demand's positive effect on growth are less relevant for its political targeting. They do not qualify as empirical program evaluations, their sole purpose being the demonstration of distributional impacts politicians and their constituents could plausibly expect, which was also shaped by the political debate and media discourse around them – and was not necessarily the actual distributional impact at all.

There are three types of programs which enjoyed wide bipartisan support, which also lend the structure of this section. The three types are – work relief, inflationist policies and social security.

A) Work relief – supporting working middle class (white) males

Work relief was perhaps the type of program that was most strongly associated with the ND in the public mind. It aimed to combat mass unemployment by creating government employment, especially for white male manual laborers. Table 1[3] summarizes the most notable work relief programs of the First Hundred Days session.[4]

There were some opportunities provided for women, eg. the short-lived FERA program (and there were social security allowances for mothers or widows), but that was the exception, rather than the rule – women were overwhelmingly seen as not part of the workforce, therefore, not

[3] Program data and descriptions are based on: Hanes et al. 2003; references to public opinion based on Schickler and Caughey 2011; source of legislative data: govtrack.us
[4] Initiatives of the so-called Second New Deal (1935-36) are not included here – they present similar patterns to the First Hundred Days legislation

entitled to government help (Newman and Jacobs 2007, for an extensive discussion about the gendered nature of the early American welfare state, see Skocpol 1995).

Welfare spending in the form of public works scheme is a labor market intervention that mirrors a conservative philosophy by itself – government support goes to those only who work for it. These programs were means tested, eligibility criteria were strictly controlled and – based on polling data – the public would not have had it any other way. In a 1939 Gallup poll, 73% of people agreed that WPA workers should be payed less than private sector workers and 81% of all people (even 64% of those on relief) answered yes to the following question –

> Pennsylvania has a law requiring all able-bodied people on relief (including WPA) to accept any job offered by a local government, no matter what kind of job it is. If they refuse to take the job, their relief is cut off. Do you favor this law? (Gallup and Fortune, 1940: 92)

WPA practices were investigated in Congress, led by Southern Democrat Clifton Woodrum (D-VA) – and certainly not independently from the public hearings on alleged misbehavior, it was rapidly losing popularity (see Schickler and Caughey [2011: 184] for data) – but not all work relief programs lost popularity over time. The CCC was one example for the remarkably popular ones (in 1939, 83.7% approved of it, considering it as the biggest achievement of FDR – see Gallup and Fortune, 1940). The PWA – overseeing large bridge and dam construction projects – or the TVA were also positively viewed.

The WPA's unpopularity may also points to an interesting direction for further inquiry, although, in light of the CCC's massive popularity, the evidence supporting it is inconclusive. In the aftermath of economic crises (the 30s as well as today) a distributive tension arises between generations. Young people are also labor market 'outsiders' who are more severely affected by unemployment and thus more relying on government interventions (directly or indirectly) prompting job creation. Some New Deal programs explicitly targeted the youth, however, their support declined over time.

The metaphor 'boondoggle', a word regularly attached to stimulus bills by GOP politicians today to highlight the wastefulness of spending programs, comes from the Great Depression era. It literally means a bracelet woven from leather straps and figuratively, a useless and frivolous object. The WPA became an object of fervent criticism because of its wasteful projects like craft-making (boondoggle-crafting) for boy scouts or government-funded research on safety pins. (For a detailed history of the New Deal, see for instance: Brinkley 1996; Rauchway 2007) The ardent unpopularity of the program may suggest that young people did not necessarily fall into the 'deserving' category either.

Table 1, Notable fiscal stimulus programs of the First Hundred Days session (Mar 9, 1933 – June 17, 1933), opposition support and constituencies

<table>
<tr><th>Measure</th><th>Date</th><th>Bipartisanship</th><th>Constituency</th></tr>
<tr><td>Emergency Conservation Work Act[5] creating the Civilian Conservation Corps

CCC offered public employment related to conservation of natural resources (reforestation, rural infrastructure and facility construction)</td><td>Mar 31</td><td>H: voice vote
S: voice vote

The program was widely popular among the public and had a broad supporting coalition in Congress</td><td>Young (18-25) unemployed males, mainly unskilled manual laborers; working in racially segregated camps

3 million participants over 9 years (1933-42)</td></tr>
<tr><td>Federal Emergency Relief Act creating the Federal Emergency Relief Administration

FERA provided grants and loans to states' work relief programs. It was dissolved in 1935</td><td>May 12</td><td>Republican vote:

H.R. 4606 (331-42)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>74</td><td>30</td><td>7</td></tr></table>
S. 812 (55-17)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>12</td><td>15</td><td>7</td></tr></table></td><td>A broader group of unemployed people – including women and skilled or semi-skilled workers (employed in nursing, teaching jobs etc. or participating in adult education programs)</td></tr>
<tr><td>The act creating the Tennessee Valley Authority

TVA administered large-scale electrification and modernization projects in seven underdeveloped</td><td>May 18</td><td>Republican vote:

H.R. 5081 (306-92)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>17</td><td>90</td><td>7</td></tr></table>
S. 1272 (63-20)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>14</td><td>16</td><td>4</td></tr></table></td><td>Mainly Southern white males in the construction industry of the states included (TN, KY, MS, NC, GA, AL, VA)

The TVA barred African Americans from skilled</td></tr>
</table>

[5] Sometimes referred to as the Reforestation Relief Act

<table>
<tr><td>Southeastern states – mainly through the construction of dams and hydropower plants.</td><td></td><td></td><td>jobs and management positions</td></tr>
<tr><td>National Industrial Recovery Act

The industrial regulation package created ‘codes’ of standards for industries. The codes set up anti-deflationary price controls: minimum ‘floors’ to product prices and wages; they also included labor protections – maximum working hours, prohibition of child labor or the right to unionize.

The bill also created the Public Works Administration (PWA, not to be confused with the WPA) – overseeing large construction projects like bridges, dams, airports etc., the most iconic physical monuments widely seen as the New Deal’s legacy</td><td>June 16</td><td>Republican vote:

H.R. 5420 (325-76)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>54</td><td>50</td><td>5</td></tr></table>S. #91 (58-24)<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>10</td><td>20</td><td>4</td></tr></table>The Supreme Court struck down the bill as unconstitutional in May 1935, and – unpopular as it was – Democrats did not reintroduce it.</td><td>The complex bill had multiple (often conflicting) distributional effects, which are difficult to disentangle

It was criticized for helping ‘big business’: also inefficient companies, who could sell at higher, fixed prices (a re-doing of antitrust legislation), while wages did not rise as quickly

In some industries, it pitted larger, more cost-effective firms against smaller ones – as they could set price controls on a lower level.

Minimum wage legislation helped lower and middle-class workers

PWA’s beneficiaries were unemployed (males) in the construction sector</td></tr>
</table>

B) Inflationary policies – supporting indebted farmers and home owners

Notwithstanding the New Deal's legendary status, based on economic historians' assessment cited above, monetary stimulus made a bigger impact on the recovery than the incoherent and timid fiscal programs (Romer 1992, Jalil and Rua 2015). The inflationary bills and exiting the gold standard, although not so widely cited among Roosevelt's stimulus efforts as the New Deal legislation, were more forceful interventions and had a large redistributive effect. They enjoyed bipartisan support, driven by agrarian states' representatives from both parties.

Liquidity traps create a distributional conflict between savers and borrowers. Deflation hurts borrowers: it increases their real burden of debt. Escaping deflation through expansionary fiscal and monetary policy results in lower interest rates and higher inflation, redistributing income from savers. This redistribution seemed to work in a desirable direction – taking from the less deserving ('bankers') and giving to the more deserving ('indebted farmers'). The same was the case with the bills redistributing income to indebted middle class homeowners.

Influential Detroit Priest and radio broadcaster Charles Coughlin used this distributional tension quite forcefully. Narrative records show a reflationary social movement preceding Roosevelt's election led by Coughlin, who was preaching his "chief fury for the bankers" in his Sunday radio sermons to his 30 million listeners. His main message was to "inflate away the burden of debt under which so many citizens (…) especially farmers are being crushed" (Jalil and Rua 2015: 10) Father Coughlin appeared on air in 1930 and by March, 1933, the need for higher inflation was a general discussion topic in the public, and the 1932 Congressional elections also saw the arrival of members elected on that reflationary platform. (Jalil and Rua cite multiple contemporary journals featuring it prominently on their agenda.)

The inflationists in the government were "led by Cornell University agricultural economist George Warren, with support from gentleman farmer and Roosevelt neighbor Henry Morgenthau". They also had intellectual backing, as economic historian Barry Eichengreen explains – "by Yale University monetary economists James Harvey Rogers and Irving Fisher. Rogers was an expert on the gold standard and could speak with authority on its deflationary effects. Fisher['s] (…) 1933 article on debt deflation, in which he argued that falling wages and incomes could further damage the economy by making existing debts harder to repay, lent intellectual heft to Warren's case for inflation." (Eichengreen, 2015: 227-228)

Table 2, Inflationary bills

<table>
<tr><th>Measure</th><th>Date</th><th>Bipartisanship</th><th>Constituency</th></tr>
<tr>
<td>Agricultural Adjustment Act

Aimed to raise the price level of agricultural products – providing subsidies to farmers to reduce their production</td>
<td>May 12, 1933</td>
<td>Republican vote:
H.R. 3835 (315-98)
<table><tr><td>YEA</td><td>NAY</td><td>NV</td></tr><tr><td>39</td><td>73</td><td>5</td></tr></table>
S. #43 (64-20)
<table><tr><td>YEA</td><td>NAY</td><td>NV</td></tr><tr><td>15</td><td>15</td><td>4</td></tr></table></td>
<td>Main beneficiaries are (Southern) farmers with large holdings

Redistribution from poor households who spend larger income share on food</td>
</tr>
<tr>
<td>Thomas Inflation Amendment to the AAA

Gave the President large discretional powers to control the volume and gold content of the currency (thus de facto abandoning gold conversion) and to request monetary financing from the FED; and granted him power to issue legal tender notes up to $ 3 billion</td>
<td>May 12, 1933</td>
<td>Republican vote*
H.R. 124 (307-86)
<table><tr><td>YEA</td><td>NAY</td><td>NV</td></tr><tr><td>30</td><td>79</td><td>6</td></tr></table>
S. #41 (64-21)
<table><tr><td>YEA</td><td>NAY</td><td>NV</td></tr><tr><td>13</td><td>17</td><td>4</td></tr></table>
* Binder and Spindel (2017) show that Congressmen from agrarian states from both parties were more likely to support the bill</td>
<td>Inflation redistributed income from savers to borrowers (by reducing the real burden of nominally fixed debt) – indebted farmers were explicitly targeted beneficiaries of the bill

Farmers also benefitted from the rise of price levels of their products (see above)</td>
</tr>
<tr>
<td>Home Owners Refinancing Act created the Home Owners' Loan Corporation (HOLC) and the Federal Housing Administration (FHA)

The HOLC and FHA helped struggling</td>
<td>June 13</td>
<td>Republican vote:
H.R. 5420 (383-4)
<table><tr><td>YEA</td><td>NAY</td><td>NV</td></tr><tr><td>100</td><td>1</td><td>16</td></tr></table>S: voice vote</td>
<td>Middle class homeowners (borrowers) – until its suspension in early 1936, HOLC refinanced

"up to one-fifth of all mortgaged urban</td>
</tr>
</table>

<table>
<tr>
<td>borrowers to avoid foreclosure by term extension or other kinds of mortgage assistance</td>
<td></td>
<td></td>
<td>homes in America, approximately 992,531 home loans” (Hanes and Hanes 2003: 56)</td>
</tr>
<tr>
<td>Gold Reserve Act

The act revalued gold – raised its nominal dollar price – prompting a large inflow of gold raising money supply, lowering real interest rates and stimulating investment

Explicit devaluation of the dollar to generate inflation</td>
<td>Jan 30, 1934</td>
<td>Republican vote:

H.R. 6976 (360-40)
<table>
<tr><td>YEA</td><td>NAY</td><td>NV</td></tr>
<tr><td>69</td><td>37</td><td>9</td></tr>
</table>
S. #107 (66-23)
<table>
<tr><td>YEA</td><td>NAY</td><td>NV</td></tr>
<tr><td>10</td><td>22</td><td>3</td></tr>
</table>
</td>
<td>Inflation redistributes income from savers to borrowers – see: above</td>
</tr>
</table>

C) Social security – supporting the elderly

Social security was one of the landmark welfare state innovations that were applauded by both parties (see the almost universal public support in the polling data of Table 3 and the overwhelming Republican legislative support in Table 4). Theda Skocpol and Vanessa Williamson’s (2012) research on the Tea Party movement suggests that that has been an enduring feature of conservative constituencies. Conservatives believe these insurance-schemes do not make them ‘freeloaders’ of society. They earned it, as they worked for it.

Before the passing of the Social Security Act, a more radical plan, a sales tax-financed universal pension scheme was put forward by California physician and self-made pensions advocate Francis Townsend, who proposed a $200 monthly retirement stipend for all Americans over the age of 60. The “Townsend plan” gained ground and inspired a movement across the country – over 5,000 ‘Townsend clubs’ were founded, counting 2 million members. As also argued by Edwin Amenta’s historical account ‘*When Movements Matter: The Townsend Plan and the Rise of Social Security*’ (2006), Dr. Townsend viewed himself and his movement as responsible for “making the nation pension-conscious” and contributing to the eventual passing of the Social Security Act.

Newman and Jacobs (2007: 7) also point to the important difference between the scheme envisioned by the Townsendites and the bill passed by Congress –

> Social security, understood as system of social insurance supported by workers through contributions from their wages, was promoted as "self-financing" and limited to the deserving workers, as opposed to the taxeating pension system envisioned by Townsend that would be distributed to all elderly citizens regardless of their past involvement in the labor force.

This is in line with the arguments of Michael Schiltz's seminal work *Public attitudes toward social security, 1935-1965* (1970), which also connected the popularity of these schemes as opposed to other type of welfare transfers to the fact that they are insurance-based.

Table 3, Social Security enjoyed remarkable public support from the early years on (source of data: Shapiro and Smith 1985: 566)

GALLUP: Are you in favor of government old-age pensions for needy persons?[6]

	12/35	***8/38*** [a]	***1/39*** [a]	***11/39*** [a]	***7/41*** [b]
Yes	89%	91%	94%	90%	93%
No	11	9	6	10	7

ROPER, GALLUP, NORC: Do you approve of the United States old-age pension law?[7]

	Roper		*Gallup*		*NORC*	
	2/37 [a]	***1/38*** [b]	***7/38*** [c]	***1/39*** [d]	***4/43*** [e]	***8/44*** [f]
Approve, good idea	78%	73%	89%	87%	97%	96%
Disapprove, bad idea	22	27	11	13	3	4

[6] **a** Do you believe in government old-age pensions? **b** Are you in favor of government old-age pensions?

[7] **a** Estimate from Schiltz (1970, Table 2-1). **b** Do you approve of this [the present Social Security] tax? **c** Do you approve of the present social security laws which provide old age pensions and unemployment insurance? **d** Would you be willing to pay a sales tax or an income tax in order to provide these [old-age] pensions? **e** As you may know, under the present Social Security law, workers in certain occupations have to save money so when they are too old to work they will receive money from the government like insurance. Do you think this is a good idea or a bad idea? **f** As you know, at the present time some workers have 1% taken out of their pay checks under the Social Security law. This assures them some income when they become too old to work. Do you think this is a good idea or a bad idea?

Table 4, The Social Security Act

<table>
<tr><th>Measure</th><th>Date</th><th>Bipartisanship</th><th>Constituency</th></tr>
<tr>
<td>Social Security Act

Set up a program of social insurance – including unemployment benefits, old age pension, aid to mothers, children and the blind</td>
<td>May 12, 1935</td>
<td>Republican vote:

H.R. 7260 (372-33)
<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>79</td><td>18</td><td>6</td></tr></table>
S. #82 (77-6)
<table><tr><th>YEA</th><th>NAY</th><th>NV</th></tr><tr><td>16</td><td>5</td><td>4</td></tr></table></td>
<td>Main beneficiaries are middle class workers with enough insurance time</td>
</tr>
</table>

4) Limits of New Deal liberalism

As Ira Katznelson (2013) and other New Deal historians have explored in their more recent works, the early New Deal Coalition was held together by Roosevelt’s concessions to conservative Congress members, mainly Southern Democrats. It naturally limited its prospects of going further with a progressive agenda – the New Deal had a “Southern Cage”.

At the time of FDR’s first Presidential victory, economic liberalism was not yet aligned with civil rights liberalism and Southern Democrats were scared by more radical labor reforms, promoting a racially integrated South. It is also well documented that Roosevelt consciously kept silent on the civil rights agenda, as he did not want to alienate Southern Congress members –

> if I come out for the anti-lynching bill, they [i.e. the southern Democrats in Congress] will block every bill I ask Congress to pass to keep America from collapsing. I just can't take that risk (Roosevelt in: Schickler 2012: 30)

Farm workers and maids were excluded from its beneficiaries of minimum wage, maximum work hours, social security and the right to unionize – so labor legislation effectively cut out African Americans (60% of them were in these professions). Even though public opinion did not support these exclusions and favored the extension of the programs to farm workers and household help (Schickler and Caughey 2011).

By the end of the 30s, the New Deal brand had changed – incorporated the civil rights agenda as well as more far-reaching labor reforms. From the 1936 elections on, the group composition of the Democrats changed – civil rights supporters (CIO unions and African American groups) got into the Party.

The Committee for Industrial Organization (CIO), led by John L. Lewis emerged as a strong polarizing force, successfully pushing issues of labor and race onto the public policy agenda. The CIO used innovative, visible campaign instruments such as the sit-down strike, and pushed for "dramatic expansions of the New Deal welfare state, including national health care, expanding Social Security to cover farm and domestic workers, and civil rights protections for African Americans." (Schickler, 2013: 87)

Before the CIO, the labor movement was not an unequivocal supporter of civil rights – they turned to African American workers as a key constituency only in the late 1930s. As the labor movement and the civil rights movement moved closer to each other, discovering their shared interest, both got detached from Southern conservatives. There was a rapid polarization of the political discourse. As Schickler explains –

> "In the CIO vocabulary, the enemies of African American rights and of labor rights were the same: southern "Tories," business interests that sought to weaken labor by dividing workers on the basis of race, and even fascists from abroad. Indeed, the CIO and allied left-wing groups repeatedly pointed to Hitler and the Nazis as a threat both to labor and to racial and religious minorities, juxtaposing fascism to liberal New Deal principles." (2013: 88)

Southern Democrats and Republican opponents denounced them as being linked to Communism, inciting racial warfare and "demoralizing" industry. (Ibid.)

The CIO and other left-wing groups' growing influence within the Democratic Party pushed FDR to the left as well. This meant, however, as Schickler and his coauthors demonstrate in a series of empirical articles, that Roosevelt lost the South, ie. his New Deal coalition, and expansions of more extensive welfare and labor legislation effectively stopped. In the meantime, the racial realignment of the two parties gained momentum, making way to the groundbreaking civil rights achievements of the 60s.

5) Conclusion

The findings of the short case analysis lend support to the claim, also made by Skocpol and Williamson (2012), Newman and Jacobs (2007) and others, that Keynesian policy initiatives get support from conservative-leaning constituencies if spending programs are targeted to those viewed as 'deserving' members of the community – along the following lines:

Table 5 – Beneficiaries of government spending

Deserving	**Non-deserving**
working middle class males	unemployed/ idle (females?), poor
white	non-white
farmers, home owners (debtors)	bankers (creditors)
middle aged, old	young (?)

More specifically, the findings of the case study are as follows –

- Early New Deal fiscal stimulus policies, especially work relief programs like the Civilian Conservation Corps or insurance-based pension schemes for elderly members of the labor force did enjoy remarkable bipartisan support (relying on the votes of Southern Conservatives from both parties) as long as they benefitted white middle class constituencies, and were disproportionately targeted to Southern states. Nonworking women, the poor and African Americans (along with other minorities) were generally excluded from ND programs.
- As the New Deal brand got more 'ideological' and more closely associated with the civil rights and labor movements, embracing more ambitious goals of social and political change – i.e. the emancipation of racial minorities and workers' rights – it lost its bipartisan appeal. Race and labor acted as wedge issues, polarizing economic liberal and conservative policy positions, effectively breaking apart the 'New Deal coalition'.
- FDR's inflationary policy interventions (the Thomas Inflation Amendment and the Agricultural Adjustment Act of 1933 as well as the Gold Reserve Act of 1934) had probably the largest redistributive effect, but as they worked in a desirable direction –

> taking from the less deserving ('bankers') and giving to the more deserving ('indebted farmers') – they enjoyed wide bipartisan support. The same was the case with the bills redistributing income to indebted homeowners from their lenders.

This argument is in line with the often discussed incoherence in conservative constituencies' policy preferences regarding government spending – for instance in the qualitative evidence of Skocpol and Williamson (2012) about the Tea Party movement's similar policy stance. It might help better understand 'big government conservative' attitudes among President Trump's supporters – applauding infrastructure spending projects and suspicious of a healthcare reform understood as redistributing income from the middle class to the poor (Skocpol and Jacobs 2011).

Politics, after all – as Harold Laswell's classic definition from 1936 goes – has been and still seems to be driven by who gets what, when and how.

References

Amenta, E. (2006). When Movements Matter: The Townsend Plan and the Rise of Social Security. Princeton, New Jersey: Princeton University Press.

Bartels, L. (2013). Ideology and Retrospection in Electoral Responses to the Great Recession. Center for the Study of Democratic Institutions, WP 04-2013. Retrieved from http://www.vanderbilt.edu/csdi/research/CSDI_WP_04-2013.pdf

Berinsky, A. J., Powell, E. N., Schickler, E., & Yohai, I. B. (2011). Revisiting public opinion in the 1930s and 1940s. PS - Political Science and Politics, 44(3), 515–520. https://doi.org/10.1017/S104909651100059X

Binder, S., & Spindel, M. (2017). The Myth of Independence: How Congress Governs the Federal Reserve. Princeton, New Jersey: Princeton University Press.

Bremer, W. W. (1975). Along the American Way: The New Deal's Work Relief Programs for the Unemployed. The Journal of American History, 62(3), 636–652. Retrieved from http://www.jstor.org/stable/2936218

Brinkley, A. (1996). The End of Reform: New Deal Liberalism in Recession and War. New York: Random House.

Cox, G. W., & McCubbins, M. D. (2005). Setting the Agenda: Responsible Party Government in the U.S. House of Representatives. Cambridge: Cambridge University Press.

Cushman, B. (2010). The Limits of the New Deal Analogy. Notre Dame Legal Studies Paper; 15 Green Bag 2D 139, No. 1337, 139–147.

Dixit, A., & Londregan, J. (1996). The Determinants of Success of Special Interests in Redistributive Politics. Journal of Politics, 58(4), 1132–1155.

Duch, R. M., & Stevenson, R. T. (2008). The Economic Vote: How Political and Economic Institutions Condition Election Results. Cambridge: Cambridge University Press.

Eichengreen, B. (1992). Golden Fetters. The Gold Standard and the Great Depression 1919-1939. New York: Oxford University Press.

Eichengreen, B. (2015). Hall of Mirrors. The Great Depression, the Great Recession, and the Uses—and Misuses—of History. New York: Oxford University Press.

Friedman, M., & Schwartz, A. (1963). A Monetary History of the United States, 1867-1960. Princeton, New Jersey: Princeton University Press.

Gallup and Fortune. (1940). Gallup and Fortune Polls, 4(1), 83–115. Retrieved from http://www.jstor.org/stable/2744723

Grunwald, M. (2012). The New New Deal: The Hidden Story of Change in the Obama Era. New York: Simon & Schuster.

Hanes, S. M., Hanes, R. C., & McNeill, A. (2003). Great Depression and New Deal Reference Library. Detroit, Michigan: UXL.

Hix, S., & Noury, A. (2016). Government-Opposition or Left-Right? The Institutional Determinants of Voting in Legislatures. Political Science Research and Methods, 4(2), 249–273. https://doi.org/10.1017/psrm.2015.9

Jalil, A., & Rua, G. (2015). Inflation Expectations and Recovery from the Depression in 1933: Evidence from the Narrative Record (Finance and Economics Discussion Series No. 29). Washington, D.C. https://doi.org/10.17016/FEDS.2015.029

Katznelson, I. (2013). Fear Itself. The New Deal and the Origins of Our Time. New York: W. W. Norton & Company.

Keynes, J. M. (1936). The general theory of employment, interest, and money. Keynes' General Theory: Reports of Three Decades. London: Macmillan. https://doi.org/10.1007/978-1-349-81807-5_4

Klein, E. (2011, July 26). Larry Summers: "I think Keynes mistitled his book." The Washington Post. Retrieved from https://www.washingtonpost.com/blogs/wonkblog/post/larry-summers-i-think-keynes-mistitled-his-book/2011/07/11/gIQAzZd4aI_blog.html

Koo, R. (2008). The Holy Grail of Macroeconomics: Lessons from Japan s Great Recession. Hoboken, New Jersey: Wiley.

Krehbiel, K. (1998). Pivotal Politics: A Theory of U.S. Lawmaking. Chicago & London: University of Chicago Press.

Krugman, P. R. (2008, April 8). Rottenness. The New York Times. Retrieved from https://krugman.blogs.nytimes.com/2008/04/08/rottenness/

Lewis-Beck, M. S. (1988). Economics and Elections: The Major Western Democracies. Chicago: University of Michigan Press. Retrieved from https://works.bepress.com/michael_lewis_beck/114/

Mair, P. (2011). Bini Smaghi vs. the Parties: Representative Government and Institutional Constraints. EUI Working Paper RSCAS, 22. Retrieved from http://cadmus.eui.eu/bitstream/handle/1814/16354/RSCAS_2011_22.pdf?sequence=1&isAllowed=y

Moury, C., & De Giorgi, E. (2015). Introduction: Conflict and Consensus in Parliament during the Economic Crisis. The Journal of Legislative Studies, 21(1), 1–13. https://doi.org/10.1080/13572334.2014.939564

Newman, K. S., & Jacobs, E. (2007). Brothers' Keepers? https://doi.org/10.1007/s12115-007-9007-y

Rauchway, E. (2007). The Great Depression and the New Deal: A Very Short Introduction. New York: Oxford University Press.

Romer, C. D. (1992). What Ended the Great Depression? The Journal of Economic History, 52(4). Retrieved from https://campus.fsu.edu/bbcswebdav/users/jcalhoun/Courses/Growth_of_American_Economy/Chapter_Supplemental_Readings/Chapter_23/Romer-What_Ended_the_Great_Depression.pdf

Romer, C. D. (2013). Lessons from the Great Depression for Policy Today. University of Oklahoma, Teach-In on the Great Depression and World War II.

Rosenthal, M. (2013). Fear Itself: The New Deal and the Origins of Our Time. Ira Katznelson. Reviewed by Marguerite Rosenthal. The Journal of Sociology & Social Welfare, 40(3). Retrieved from http://scholarworks.wmich.edu/jssw

Schickler, E. (2012). Racial Realignment: The Transformation of American Liberalism, 1932–1965. Princeton, New Jersey: Princeton University Press.

Schickler, E. (2013). New Deal Liberalism and Racial Liberalism in the Mass Public, 1937–1968. Perspectives on Politics, 11(1), 75–98. https://doi.org/10.1017/S1537592712003659

Schickler, E., & Caughey, D. (2011). Public Opinion, Organized Labor, and the Limits of New Deal Liberalism, 1936–1945. Studies in American Political Development, 25(2), 162–189. https://doi.org/10.1017/S0898588X11000101

Schiltz, M. A. (1970). Public attitudes toward social security, 1935-1965. Washington, D.C.: U.S. Social Security Administration, Office of Research and Statistics.

Skocpol, T. (1995). Protecting Soldiers and Mothers. The Political Origins of Social Policy in United States. Cambridge, MA: Belknap Press.

Skocpol, T., & Jacobs, L. R. (2011). Reaching for a New Deal: Ambitious Governance, Economic Meltdown, and Polarized Politics. In T. Skocpol & L. R. Jacobs (Eds.), Reaching for a New Deal: Ambitious Governance, Economic Meltdown, and Polarized Politics in Obama's First Two Years (pp. 1–49). New York: Russel Sage Foundation.

Skocpol, T., & Williamson, V. (2012). The Tea Party and the Remaking of Republican Conservatism. New York: Oxford University Press.

Stokes, S. C. (2009). Pork, by Any Other Name...Building a Conceptual Scheme of Distributive Politics *. Working Paper for the American Political Science Association. Retrieved from https://dornsife.usc.edu/assets/files/docs/news_events/TCC_/Stokes_APSA_2009.pdf