

NEW YORK CITY AND THE NEW DEAL

Session One | The Old New Deal

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I've been asked to talk about the cash assistance programs that were inaugurated during the New Deal, the period when our first national income support programs were created, including Social Security, unemployment insurance and the programs we call welfare.

Usually when we think about this, those of us who support the programs attribute the fact of their creation to the rebirth of the Democratic Party as a labor party, or something like a labor party, or at least as close as we've ever come to having a labor party in American history.

I think the explanation is more complicated, and I want to discuss this with you this morning. There were actually two important phases in the creation of income support or cash assistance programs in the 1930s. Those two are sometimes called the First New Deal and the Second New Deal.

When historians talk about the First New Deal and the Second New Deal, they usually describe the First New Deal as timid, conservative and business-oriented. The Second New Deal by contrast is said to represent the flowering of progressive New Deal legislation, including progressive income support programs.

I think that view is wrong. When Roosevelt took office in the Spring of 1933, he immediately pushed emergency relief legislation through the Congress. It was a huge program. The Congress acted quickly, Roosevelt signed the bill, and within only three weeks the first grants were made to the states. And then the money was rammed down the throats of state legislators. In fact, the legislation required the states to contribute two dollars for every federal dollar. But in their haste to implement the program, federal administrators simply ignored that requirement.

The scale of the program was mind-boggling. Twenty three million people were rapidly placed on cash assistance or early work relief. The payments were comparatively generous. Policy experts thought that there should be distinctions between employables and unemployables, for example. But in fact, no categorical distinctions were introduced. Instead, between 1933 and 1936, the money simply poured out to the needy. By 1935, fully five percent of our GNP was being spent on these programs, an amazing development compared to what has happened since.

Well, why did this happen? Why did New Deal democratic leaders do this? The easy answer is that America was in a crisis, in the depths of the Depression; the economy had collapsed and something had to be done.

Well, yes, that is certainly part of the answer. But economic crisis alone did not move government. We have to attend to the translation of economic breakdown into politics. Economic hardship helped to give rise to a mass protest movement of the unemployed. It was this movement, the largest movement of the unemployed in our history, that forced the spigots of relief to open. The big city mayors who were close to the urban concentrations of the angry unemployed, and politically exposed to them, tried to respond to mass hardship with various makeshift and voluntary programs. But these efforts were no match for the scale of the disaster, and so the mayors became the first to clamor for federal relief. Even during the Hoover administration, they testified to the Congress about the emergency they were confronting. The mayor of Chicago, for example, warned the Congress to send relief now, or federal troops later. As demonstrations and riots by the unemployed escalated, the political emergency was such that even business leaders in the big cities supported generous emergency relief.

Somewhat later, when the national and federal relief apparatus had been established under the direction of Harry Hopkins, Hopkins had his staff fan out across the country to report back to him on how the relief programs were working, and the temper of the population, in places like Alabama or Missouri. Again and again these staff reports said, well, revolution was brewing here a year ago, but now things are much, much calmer.

Of course, not everyone liked the new federal relief programs. The very fact that the program reached so many people, that it did not make distinctions between widows and the unemployed and the unemployables, that it was relatively generous in the benefits that it paid, all of this generated political opposition.

But the most vociferous opposition came from employers, especially low-wage employers, and particularly low wage employers in agriculture. Farmers protested the fact that people could get as much money from relief as they could get from digging potatoes in the Idaho potato fields. Or that day laborers in the South could get as much money from work relief as they could get picking cotton. Indeed, Southern interests were especially vocal in their opposition, and especially important, for in the South, the fear of federal intervention was deeply rooted in past experience. Southern opposition came not only from employers and plantation owners, but also from southern, and Democratic, politicians. Lurking over these protests was the fear that generous income support programs mounted from Washington D.C. would undermine the caste labor arrangements of the south and the low wages it guaranteed. People would stop chopping cotton and go on relief.

Well, the opposition generated by the first period of generous cash assistance led to the second phase of national income support programs. The key measure was the Social Security Act of 1935. Now, we generally laud the Social Security Act and for some good reasons. It did establish a legislative framework for what there is of the American welfare state.

But while we are far better off with the Social Security Act than without it, it was for the poor a large step backward from the emergency programs of 1933. The crafting of the Act involved a refashioning of income support programs so that they were firmly work-conditioned. No one was eligible for a Social Security pension unless they had worked for specified periods in specified occupations. In

the 1930s, lots of people didn't qualify, and low wage workers were least likely to qualify. Indeed, agricultural and domestic workers, which meant most workers in the South, were specifically excluded, in deference to the wishes of Southern congressmen. Moreover, both the unemployment insurance program established by the Social Security Act, and the "categorical assistance" programs for those deemed unemployable, fragmented the poor according to ancient distinctions between people with different family or biological characteristics. There was a program for the aged poor, another for orphans, and still others for the disabled and blind. Our contemporary welfare programs are a descendent of those categorical assistance programs.

Moreover, both the unemployment insurance program and the categorical programs were turned over to the states. In the case of the categorical programs, most states in turn devolved the administration of the programs to the counties. This devolution ensured that the benefit levels and eligibility criteria of the cash assistance programs would be crafted in ways that would mesh with local labor markets.

As a consequence, in practice few people could get unemployment insurance if they could possibly get a job under the conditions of the local labor markets. They would certainly not get categorical assistance if there was cotton chopping or planting to be done. And black mothers, if they got welfare benefits at all, would not receive more than the wages they could earn in the cotton fields or cleaning the kitchens and bathrooms of the masters.

So what should we think about the Social Security Act and the Second New Deal in income support programs? Well, in a way, the Social Security Act was a response to economic crisis. And as a result, we provide assistance for the aged, for the unemployed, and a small measure of assistance for the poor. In these ways, the Act did reflect the interests of the working class constituency that Depression had brought into Democratic Party folds.

But the Act also registered employer and sectional interests that mobilized in reaction against the generous cash assistance programs of the First New Deal. The AFDC program that came out of the second period was really very much like the welfare program that we have now, created in 1996 by the Personal Responsibility and Work Opportunity Reconciliation Act.

The official name of the 1996 welfare program is Temporary Assistance to Needy Families, or TANF. The colloquial name is "Work First." It has kept benefits very low, and given local staff enormous discretion in deciding whether to give women and children assistance at all. And it has revived the worst stigmatizing features of poor relief, in particular, the wanton use of sexual stigma to justify denying people benefits and investigating them endlessly.

As I said at the outset, we tend to think of the New Deal Democratic Party with nostalgia as a sort of labor party. But labor was only one element in a coalition that also included the south -- the racist, unreformed south -- and the big city political machines.

Those other and older elements of the Democratic Party wielded devastating influence on all of the important New Deal labor initiatives. And they also influenced the cash assistance programs that

were so important in undergirding wages and working conditions. The consequence was that the legislative initiatives of the 1930s were fashioned in a way which ultimately prevented the Democratic Party from thriving and growing as a labor party. Yes, income support programs were created, but they were shaped to enforce work on market terms, and to stigmatize people at the bottom of the working class.