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THE ROOSEVELT YEARS

AND THE RISE OF THE AMERICAN WELFARE STATE

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Sciences Po Lyon

> "The job of creating a program for the Nation's welfare is, in some respects, like the building of a ship. At different points on the coast where I often visit they build great seagoing ships. When one of these ships is under construction and the steel frames have been set in the keel, it is difficult for a person who does not know ships to tell how it will finally look when it is sailing the high seas."
>
> President Franklin Delano Roosevelt, "Fireside Chat", April 28th 1935

What is a welfare state? The debate around this definition has been a recurrent theme in the social science literature for over half a century. The first use of the term in the English language was traced back to *Citizen and Churchman,* a 1941 book by the Archbishop of Canterbury [TITMUSS : 2] arguing in favor of a British regime truly committed to the welfare of its population in direct comparison to Nazi Germany. In the American context, the concept was first adopted by its critics, like former President Herbert Hoover who used the occasion of a speech at Stanford University on August 10th, 1949 to warn that:

> The slogan of a 'welfare state' has emerged as a disguise for the totalitarian state by the route of spending. [HOOVER 1949]

Fifty years later, the hyperbole has barely receded and the idea continues to be contentious. Yet, the underlying criteria for what constitutes a "welfare state" are actually so vague as to make the whole category meaningless

[VEIT-WILSON : 3]. A leading scholar in the field thus has to rely on a quasi tautological description:

> A common textbook definition is that it involves state responsibility for securing some basic modicum of welfare for its citizens. [ESPING-ANDERSEN : 160]

In the United States' common political parlance, “welfare” has come to mean something much more specific. Indeed, “welfare policy” and “welfare reform” are used to refer to specific programs of cash assistance to the poor. It is understood to be very different from social insurance which was created with the Social Security Act of 1935 [WEIR, ORLOFF & SKOCPOL : 338]. And yet, the adoption of this landmark piece of legislation is usually thought to mark the “beginning of a national welfare state in the United States” [QUADAGNO : 634].

Historians usually prefer to collapse both categories of social assistance and social insurance and thus use “welfare state” as a general term for the wide spectrum of governmental activities undertaken in the aim of making sure that the American population can sustain itself. Such a broad definition allows to better understand the historical roots of the American welfare state and not start its history with the Social Security Act. The first aim of this article will therefore be to better contextualize the innovations of the Roosevelt years when it comes to ensuring the people's welfare. The New Deal mystique has added additional drama to what truly was as a pivotal moment in US history. Yet, to further our understanding of the dramatic changes that occurred in the period, it is useful to restore them to their proper place. A thorough study of the historical process that led to the adoption of the policies we now associate with the term “welfare state” can reveal that it cannot be said to have been created. In fact, it evolved from past efforts at the local, state and even national level. Thus the Roosevelt years saw the dramatic *rise* of the welfare state. The term clearly implies that, while there were some forms of welfare policy before 1932, the period was undoubtedly a time a tremendous growth. It is therefore crucial to describe how the Roosevelt administration and the Democratic majorities in Congress acted, and the creation of the Social Security program will be a major focal point. The ambition is nonetheless to demonstrate how the numerous innovations of the Roosevelt years taken together can properly be understood as a “program for the Nation's welfare”. To that end, various policy innovations and the rhetorical strategies used to justify them will be scrutinized. The study will also reveal the numerous gaps that remained in the newly enhanced social safety net built around the Social Security Act. In the process, certain specificities of the American welfare state will emerge and, in fact, it will become clear how certain choices of the 1930s and 1940s continue to shape its content and extent to this day.

The state of welfare in America before the New Deal

The historiography of the welfare state is rich with the diverse accounts of the circumstances of its apparition [BLAU 1989]. A classic explanation centers on how the move to an industrialist economy spawned an urban society that split extended families apart [WILENSKY & LEBEAUX 1965]. This historical shift required new social answers to the needs of those who were now deprived of the assistance they used to find in their families or in their churches. The state then had to move in to fill the vacuum.

While it offers a useful starting point, the basic sequence in this "Logic of Industrialism" [ORLOFF & SKOCPOL: 729] story fails to render the complex and ongoing dialectics between the state, families and charities [CHAMBERS : 425]. Long before the industrial age, the very Constitution of the United States was already promising in its preamble that:

> We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, **promote the general Welfare**, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America. [emphasis added]

Until the Civil War, these words were little more than a statement of intent. They were devoid of any operational effect because it was not the federal government but the states and the local authorities that were deemed responsible to assist those who needed assistance within their communities. The former American colonies of the British Crown had long been used to operating under a system of "poor laws" based on the Elizabethan Poor Laws of 1597 and 1601. One important feature of these laws was to that they were administered at the local level – the parish in the British case. The local authorities were thus in charge of raising the necessary funds, free to decide whom to help among the various categories of people who needed assistance and what would be asked of them.

The tradition of local administration of relief was so well entrenched that it was only by the end of the 19th century that such programs started to be operated at the State level, and then only in certain states [ORLOFF & SKOCPOL 742]. By the 1920s, these early forms of social policy gave way to states' workers' compensation laws and mothers' pensions law for "respectable" widows. The former forced businesses to insure their workers against any accident on the job. The latter left the local authorities entirely free to distribute any benefit and to set the criteria for eligibility [ORLOFF & SKOCPOL : 745].

The states – those "laboratories of democracy" to borrow Justice Brandeis's phrase – were moving toward a more active role in social policy before the Federal government. Public pensions for those who grew too old to work epitomize what was only later called the welfare state. Here again, the first manifestation of such a program appeared at the State level. In fact, before President Roosevelt took the oath of office, a majority of states had enacted some form of old-age pensions legislation [QUADAGNO : 635]. They typically grew out of the poor law framework – they tended to be means-tested so as to target only the poorest among the old.

Likewise, unemployment insurance was first implemented at the State level. In 1932, at the behest of Governor La Follette, the State of Wisconsin became the first in the nation to mandate that corporations set aside unemployment reserves to take care of their own employees. To change the economic incentives for the employers, the size of their contributions depended on their performance in keeping workers on the job. This "merit-ranking" was at the heart of the system originally devised by Professor Commons [SCHLESINGER : 301]. The Wisconsin plan was instrumental in shaping the future federal program as the state produced the "key architects of the Social Security Act" [SKOCPOL & AMENTA : 574] – notably Pr. Edwin Witte and Arthur Altmeyer. Their home-state's plan was competing directly with a proposal put forward by the Ohio Commission on Unemployment. The Ohio plan differed in proposing a statewide fund and contributions from employees as well as employers [SCHLESINGER : 302]. Unlike the Wisconsin plan, though the Ohio proposal had not been implemented.

These programs of social insurance against the risks of work-related disability, old-age and unemployment were loosely based on the Bismarckian model developed in Prussia in the 1880s. In an attempt to ensure the loyalty of the working class to the regime, the chancellor Otto von Bismarck put in place a system of compulsory payroll contributions paid by employers and employees for some workers in certain industries to receive pensions and other benefits. The idea spread to the rest of Europe. By 1911, Britain had enacted a fairly thorough set of protections for workers against the risks of industrial accidents, old-age, sickness, disability and unemployment.

The United States had no such federal system of social insurance until 1935. For that reason, it is common to think of the American welfare system as a "laggard". Contrary to this image, the pioneering work of Theda Skocpol [SKOCPOL 1992] actually revealed that social spending did exist on a massive scale in the United States but under a different guise. Indeed, before there was a federal Social Security program and long before it came to be understood as the basis for the American welfare state, the United States government was spending tremendous sums to provide financial aid to millions of its citizens through the pensions for Civil War veterans and their dependents. Gradually liberalized criteria turned what were initially pensions for the wounded into *de facto* old-age pensions. Anyone who could claim to have fought in the Union army for 90 days and was later disabled, or just turned 62 years old, became eligible for a pension. In the end, fifty percent of White elderly men and many widows were collecting benefits whose cost came to claim one third of the overall federal budget [ORLOFF & SKOCPOL : 728].

Of course the program was not universal at all: Southerners, most African-Americans, and all post Civil War immigrants – *i.e.* most unskilled workers – were excluded. Then again, the same could be said of many European social security system since, at that point, they tended to cover only a portion of the working population in the industry. The same issue would linger under the Social Security Act of 1935.

With World War I, a new system of pensions was put in place. Determined not to repeat what many saw as the corrupt system of Civil War veterans' pensions, the federal government opted to subsidize the purchase of private life insurance by soldiers. Yet, at the same time, "Allotments and

Allowances" taken out of the soldiers' monthly pay were distributed to 2.1 million of their dependents between 1917 and 1921 [HICKEL : 1362] The scheme is especially worthy of notice because it led to the creation of a considerable bureaucratic apparatus to administer it.

Thus, it becomes quite clear that the foundations for the legislative successes of the Roosevelt years were built in the Progressive era. President Roosevelt owes a debt to President Wilson. Beyond the important laws about workplace safety and other economic regulations, the period saw the inkling of an American welfare state develop mostly at the State level and temporarily at the federal level in the case of veterans' benefits. It must be noted that there needed to be a truly functional federal *state* before there could be a truly functional *welfare state*. The slow emergence of an administrative state completed only by the 1920s [SKOWRONEK 1982] was an essential precondition for the emergence of a national welfare state. In a similar manner, the creation of the Federal Reserve system in 1913 was a necessary first step if the federal government were to gain some control over monetary policy.

Faced with the momentous task of dealing with the economic depression that settled after the financial crash of 1929, the administration of President Herbert Hoover mostly stuck with the familiar conservative approach of letting the markets right themselves. As all prices tumbled, the country entered a deflationary spiral that the Federal Reserve proved unable – or unwilling – to stop. It was thought that the return to prosperity would only come once the American economy had repented and rid itself of the excesses of the 1920s. According to President Hoover's memoirs, here was Treasury Secretary Andrew Mellon's only policy recommendations:

> "Liquidate labor, liquidate stocks, liquidate the farmers, liquidate real estate. […] It will purge the rottenness out of the system." [KENNEDY : 51]

Under the Republican Party, those who had lost their jobs could not hope for much help from the federal government. They had to turn to the traditional outlets to get any form of relief. Unfortunately for them, the depression quickly proved too dire for their local authorities' limited means. By 1932, the United States was in an impasse with the federal government reduced to encouraging the population to wait out the bad economic times as millions fell into poverty and could not find any form of help.

It was only after a long wait, that the Hoover administration and the Republican Congress decided to use some of the federal government's powers in an attempt to jump start the economy. The most notable effort of Hoover's "second program" was the creation of the Reconstruction Finance Corporation (RFC), a lending agency authorized to give out emergency loans on the credit of the US government [KENNEDY : 84]. The new institution was supposed to be a "psychological weapon" whose sheer existence would hasten the end of the depression. Unfortunately, while Hoover remained in the White House, it handed out money too sparingly for it to have any effect [SCHLESINGER : 427]. Once President Roosevelt and his appointees – notably the new chairman Jesse H. Jones – seized the reins of the RFC it became a critical tool that disbursed millions of dollars and played a major role in lifting the country out of the doldrums.

The innovations of the Roosevelt years

The electoral tidal wave that carried Franklin Delano Roosevelt to the White House in November 1932 was interpreted as a call to action. The president-elect heeded the message and, in his first inaugural address, he promised "action, and action now" [ROOSEVELT 1933]. The new president declared his determination to try everything and use all the powers of his office and of the US government to restore the country back to economic health. At least in the beginning, the vast Democratic majorities in Congress were willing to follow his lead almost unquestionably. The First Hundred Days of the Roosevelt years were thus marked by an exceptional surge in legislative activity that promised to thoroughly transform the federal government's role and give it the tools to ensure the Nation's welfare.

As Franklin Delano Roosevelt took the oath of office, the whole banking system was on the brink of total collapse and credit was frozen. The first order of business had to be a Banking bill that put the financial industry squarely under the regulation of Washington. The Emergency Banking Act of March 9th and the abandonment of the gold standard on April 19th were quickly followed by the Truth-in-Securities Act on May 27th, the abrogation of the gold clause in public and private contract on June 5th and then the Glass-Steagall Banking Act on June 16th. In a few months, the financial framework of the United States was completely reorganized by government *fiat* in an attempt to make Wall Street serve the interests of Main Street and not the other way around.

This was only the first step in a movement whose goal was to use the power of government to ensure sufficient control over the economy so that the people's welfare could be protected. In the narrowest sense of the words, welfare policy and financial policy are separate. Yet, it is essential to understand that, in a larger sense, the government could not promote the nation's welfare if it did not get a handle on the economic engine since welfare is so closely associated with the idea that the citizens' most elementary material needs would be covered. Here was perhaps the truly innovative aspect of the Roosevelt years. For the first time, the federal government committed itself to ensure the American people's material well-being.

To achieve that goal, it was initially felt necessary to supplant the laws of supply and demand and competition in a market setting with a policy of economic planning under the guidance of the federal government. This idea was at the heart of the National Industrial Recovery Act when it was passed on June 16th 1933. The act quickly showed severe limitations and was losing support [BRINKLEY : 39] even before the Supreme Court struck it down in the 1935 decision *Schechter Poultry Corporation v. United States.*

If industrial planning under the Blue Eagle and the codes of the National Recovery Administration proved short lived, more lasting were the interventions in farm policy. On May 12th, two landmark pieces of legislation were adopted to halt the decades-long decline in farm income. Taken together the Agricultural Adjustment Act and the Emergency Farm Mortgage Act represented a dramatic overhaul of farming. With the latter, Washington took upon itself the refinancing of indebted farmers faced with foreclosures (homeowners in the cities received a comparable form of help through the Home Owners' Loan Corporation). With the former, the federal government was now given the power to essentially set the level of supply and the prices for many commodities to end the vicious circle of overproduction, falling prices and erosion of the soil. The image of the self-reliant farmer that was supposed to be the cornerstone of the Jeffersonian republic lost its allure in favor of a more social control of farming output.

The aim was to promote the welfare of farmers as well as the welfare of urban consumers.

The suffering of many American farmers was linked to the misery of the workers in the city. By 1932, twenty-five percent of the working-age population was unemployed. To reduce unemployment, the Roosevelt administration resorted to many different tactics. The most straightforward was for the federal government to directly employ young Americans into the Civilian Conservation Corps and to finance the construction of thousands of public works through the newly created Public Works Administration that was included in the NIRA legislation. By directly or indirectly providing employment and giving idle workers a paycheck, the federal government would help restart the economic engine as those workers would in turn spend their income.

Still, these programs could only concern a sliver of the 12 to 15 million who found themselves without a job and thus without any financial means to support themselves and their families. Waiting for economic growth to return would not suffice. The local welfare administrations were overwhelmed by the massive need for aid and quickly exhausted their limited means. As private charities, municipalities, counties and states found themselves unequal to the task, the federal government finally stepped in. To supplement the now insufficient efforts of the traditional sources of aid to the poor, the Federal Emergency Relief Act was also adopted on May 12th. Instead of the previous program of loans to the states, the act appropriated $500 million for grants to local public agencies. The funds were to be distributed by a newly created Federal Emergency Relief Administration led by Harry Hopkins. While it was the first time that Washington was stepping so forcefully onto the prerogatives of the states and municipalities, it must be noted that the intrusion was only through financial support. The local authorities remained in charge of allocating the funds to the proper beneficiaries and the Washington bureaucrats around Harry Hopkins were anxious not to take over relief administration from them [SCHLESINGER : 267].

Wary that receiving relief would undermine the morale of the unemployed, FERA tried to privilege work relief programs under which beneficiaries were asked to work in exchange for receiving their benefits. This idea led to the creation of the Civil Works Administration by November 1933, a competing program through which the federal government eventually spent more than a billion dollars to hire four million unemployed for various tasks - most having to do with the construction or improvement of roads and highways, schools, airports, parks, sewers...Contrary to the Civilian Conservation Corps that was reserved for young men, and contrary to the Public Works Administration that was in charge of hiring private companies to build large public works, the Civil Works Administration was a quick and efficient way to tackle unemployment on a larger scale. Yet, in the long run, the federal government would not be willing or able to continue such a feat. More structural reforms were needed to guarantee the American workers' welfare in good and bad times.

Fundamentally, the New Deal promised to ensure the people's welfare by harnessing the economic forces to the democratic impulse. This ambition was pursued through sometimes contradictory means from corporatist planning to anti-monopoly policies [BRINKLEY : 103]. A more consequential and ultimately controversial policy consisted in strengthening labor to counterbalance the financial advantage enjoyed by the employers over the employees. By enhancing the bargaining power of unions, it would lead to a more balanced distribution of the proceeds from enterprise toward the workers. Restoring the American worker's purchasing power would help end the depression. Hence, several attempts were made to establish a National Labor Board (NLB) where employees and employers would bargain under federal government's supervision. The NLB was created under the section 7a of National Industrial Recovery Act but it proved disappointing. At first, the Roosevelt administration was generally not very interested in helping unions [SCHLESINGER : 401]. It was only under the relentless pressure of the senator from New York [MANEY : 456] that it finally relented and declared its support for the National Labor Relations Act, more commonly known as the Wagner Act. The president signed the bill on July 5th 1935, a few weeks before the Social Security Act.

The birth of federal social insurance

President Roosevelt sometimes presented the economic depression as a psychological crisis. As he famously put it in his first inaugural address:

> Let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. [ROOSEVELT 1933]

After having first tackled the banking crisis, provided emergency relief while laying the groundwork for the recovery in agriculture and industry, the

Roosevelt administration turned its energy to the work of "reform and reconstruction" [ROOSEVELT 1934]. The ultimate objective was to restore the self-confidence of the American people by guaranteeing that they would be safe:

> We seek the security of the men, women and children of the Nation. [ROOSEVELT 1934]

To provide that security, the president articulated a program around three principles. First, reforms to ensure the Americans have access to better homes. Second, development of land and water resources for the public good. Finally:

> [...] the third principle is to use the agencies of government to assist in the establishment of means to provide sound and adequate protection against the vicissitudes of modern life – in other words, social insurance. [ROOSEVELT 1934]

It should be noted that, before the implementation of social insurance, in certain industries, corporations sometimes tried to organize pension plans and even health insurance coverage for their workers [SCOFEA : 3]. The costs of these schemes limited them to only a few monopolistic businesses. Besides, having a pension plan tied to your employer was very limiting for the workers whose mobility was strongly impaired. Should they choose to change jobs, they would lose their benefits. Certain labor organizations and some immigrant groups also organized into "friendly societies" that managed collective "sickness funds". All members of the group contributed to insure themselves and one another against the risk of loss of income from disease or disability. Obviously the benefits were limited to the participants and the financial resources of the funds.

Only a program run by the state on a large scale could overcome these problems of limited coverage and excessive costs. Inspired by the Bismarckian model, Progressive reformers had long been asking for the introduction of some kind of social insurance in the United States. In his failed 1912 presidential campaign as a "Bull-Moose", Theodore Roosevelt was already proposing a social insurance scheme. Twenty years later, it was now up to his distant cousin to lead this ambition toward legislative reality.

The Democratic platform of 1932 had called for "unemployment and old-age insurance under State laws" [SCHLESINGER : 301]. This somewhat vague language recognized the difficulties around the appropriate place that should be left to the states. A lot of work remained before it could be translated into a more precise legislative language. On June 29th 1934, President Roosevelt created a Committee on Economic Security (CES) tasked with preparing the administration's proposal (*Executive Order No.* 6757). Chaired by Frances Perkins, the Secretary of Labor, the committee took it upon itself to work on a comprehensive plan that would include unemployment insurance, old-age pensions and workers' compensation but also assistance for the most fragile categories of the population, especially the blind and dependent children, as well as health insurance. This part of the plan was eventually dropped in favor of a more modest policy of increased subsidies for public health. CES members and their staff argued over several months over the right framework to adopt for unemployment insurance and old-age pensions before handing out their final report on January 5th 1935. A few days later, President Roosevelt transmitted their proposal to Congress and asked "*that this legislation should be brought forward with minimum delay*" [ROOSEVELT, January 17th 1935].

The administration proposed an unemployment compensation scheme mostly inspired by the Wisconsin approach. The states would adopt their own versions of unemployment compensation but, to make sure that those who did would not be penalized with higher labor costs in interstate competition, the federal government would levy a tax on payrolls whose cost could be offset with employers' contributions for unemployment reserves in states that adopted such a scheme. This had been the approach favored by New York Senator Robert Wagner in his proposal with Representative David Lewis the preceding year. Appropriately enough, the former was thus tasked with introducing the administration's bill in the Senate.

Concerning old-age pensions, the Committee on Economic Security had proposed a more straightforward national system of compulsory insurance. This bold proposal was made possible by the extraordinary efforts of grassroots mobilization around the issue. Starting in 1933, Dr. Francis Townsend, a retired physician who felt deeply offended by poverty among the aged, had launched a national crusade. He organized thousands of local Townsend clubs to advocate for the scheme he had devised. Dr. Townsend promised to end the depression by distributing $200 per month to every American over 60 on the condition that they spend the full amount. The sudden retirement of this share of the population would reduce unemployment while their new wealth ($200 in 1934 would be the equivalent of $3500 today) would create enough demand to restart the economy. Dr. Townsend's plan may have appeared fantastical to the experts who pointed out that it would make the federal government responsible for a massive transfer of the country's wealth to a small part of the population. It nonetheless proved incredibly popular. The Townsend clubs were politically savvy. They helped elect so many members of Congress that their ideas held considerable sway on Capitol Hill. At that point, many legislators were now eager to vote for some form of old-age insurance.

According to the administration's plan, all workers would be forced to contribute to the system through a new dedicated payroll tax whose proceeds would be pooled into national trust funds. In a manner comparable to a private insurance plan, the system was to be sustainably self-financed in the long-run with the cost of pensions being fully covered by the revenues from this payroll tax. The Treasury of the United States should not contribute to the funds.

It is important to insist on the very different principles behind social insurance and assistance, or “relief” – a term that long implied a certain social stigma [CORSON : 12]. Social insurance is based on the contributory principle: the pensions are not “handed out”; they must be “earned” through years of paying into the system. President Roosevelt was adamant that workers should contribute to the system before they could claim benefits. He believed that this would protect their pensions against the temptations of future politicians. Never mind that, after the 1939 amendments, the trust funds were something of an accounting tool and benefits were financed on a pay-as-you go basis [PATASHNIK : 64]; once the citizen had seen a share of his hard-earned wage supposedly earmarked for his retirement pension, he would be very protective of this benefit and use his vote to make sure that it would not be endangered [SCHLESINGER : 308]. Social insurance is therefore a form of insurance. It is nonetheless very different from private insurance in that it socializes risk. While the benefits vary with the level of lifetime contributions, there is some redistribution. The first redistribution is between those who die young and those who live long. The second, and the more politically charged, is between the rich and the poor. After a certain level of income, contributions and benefits are capped which leads to rich retirees getting somewhat less value for their money [WHITE : 22]. Of course, since the rich tend to live much longer than the poor, the redistribution effects are actually much more complex [CONGRESSIONAL BUDGET OFFICE : 3]. In any case, it was fundamental that the program not be "means-tested" *i.e.* that rich and poor retirees alike would contribute and collect benefits. The universality of the program was a consequence of the insurance concept as well as a political shield when critics would bemoan its costs. As long as "welfare" was to be reserved to the poor, the "welfare state" could not fully grow.

Still, this insurance would not work for everyone, at least in the beginning. In tandem with old-age insurance, the administration proposed a new form of assistance that would target those who could not work and thus contribute to social insurance. The federal government would give grants to the states so they could make sure that the blind, dependent children and the needy old would be taken care of. The insistence on retaining a strong role for the states was guided both by the belief in the virtues of federalism and by the knowledge that most Congress members would be especially attentive on that point.

The Democratic majorities in the House and the Senate and the most important Congressional committees were led by Southerners. These "Dixiecrats" had gained their chairmen's gavels by being reelected to office continually in the one-party South. While remaining diverse in their outlooks and their attitude toward the federal government's intervention in the economy, they were united in their conviction that the promotion of the people's welfare should not be extended to African-Americans. The preservation of segregation and racial discrimination was the overarching goal of these members of Congress and, because their support was essential, they managed to instill their prejudice into most New Deal legislation [MANEY : 459]. Social Security was no exception [KATZNELSON : 163]. To ensure that most Black workers would be excluded from the program, employment was defined as excluding "agricultural labor" and "domestic service in a private home" (Section 210 (b)). This and other such discriminatory policies in the administration of assistance at the state level contributed heavily to the very incomplete protection afforded by the American welfare state.

After the House and Senate passed their own versions of the text with overwhelming majorities of 372 to 33 and 77 to 6, they went to conference and emerged with a compromise that passed both houses on voice vote. On August 14th 1935, the Social Security Act was signed by the President. In its title, the law directly referenced the Constitution's preamble:

> An act to provide for the general welfare by establishing a system of federal old-age benefits, and by enabling the several states to make more adequate provision for aged persons, blind persons, dependent and crippled children, maternal and child welfare, public health and the administration of their unemployment compensation laws; to establish a Social Security Board; to raise revenues; and for other purposes. [Social Security Act, Public Law : 74-271]

The list conveys the ambitious scope of the legislation that amounted to a dramatic expansion of the responsibilities of the federal government. Technically, the Social Security Act left to the states the administration of unemployment pensions and of the assistance the law provided for dependent children, the blind as well as single mothers. In securing the workers' retirement once they turn 65, Washington could present itself as an intermediary that “only” forced workers and employers to set aside the required sums and then redistributed them. Yet, for all these precautions, ultimately, it was indeed the federal government that had taken charge. The law created the Social Security Board and a new administration staffed by thousands of new federal bureaucrats whose task was to collect funds from millions of wages and distribute checks to millions of beneficiaries. The grants to the states for assistance or relief were conditioned on their respecting certain guidelines set by Washington. The tax incentives proved very convincing and all the states chose to pass their unemployment compensation laws in short order. Most also raised their spending on assistance to the needy so as to benefit from the increased matching grants from Washington and thus millions saw their difficult lives made a little easier [KENNEDY : 272].

The Social Security Act was a landmark reform in that it created a compulsory social insurance scheme for workers' retirement while it was largely, if subtly, federalizing the responsibility for relief and assistance. While his critics bemoaned these radical changes, President Roosevelt took pains to present the move away from *laissez-faire* as a rediscovery of past ideals:

> Our task of reconstruction does not require the creation of new and strange values. It is rather the finding of the way once more to known, but to some degree forgotten, ideals and values. If the means and details are in some instances new, the objectives are as permanent as human nature. [ROOSEVELT, June 8th 1935]

The policy innovations of the Roosevelt administration could be downplayed as the new forms of familiar ideals; natural changes that new circumstances entailed but that did not mean a betrayal of the traditional vision. In the same spirit, in 1944, when he developed his vision of the American citizens' economic rights he spoke of a "Second Bill of Rights" whose truth was, in the phrase of the Declaration of Independence "self-evident" [ROOSEVELT 1944]. These rights involved a guarantee of the Federal government's protection which required a new interpretation of federalism and government's power [MELNICK : 326]. As with the other New Deal legislation, it was therefore unavoidable that the Supreme Court would weigh in on the issue of the constitutionality of the Social Security Act. Timing was essential. Justice Roberts's famed "switch in time that saved nine" in March 1937 also saved Social Security. On May 24th 1937, the Supreme Court handed down its three decisions upholding the constitutionality of the Social Security Act of 1935 (*Helvering v. Davis, Steward Machine Company, Carmichael v. Southern Coal & Coke Co. and Gulf States Paper*). Justice Cardozo's majority opinions in the first two cases recognized the act as a valid exercise of the federal government's powers toward promoting the general welfare.

A beginning, not an end

Upon signing the Social Security Act, President Roosevelt insisted that it was only a first step:

> This law, too, represents a cornerstone in a structure which is being built but is by no means complete. [ROOSEVELT, August 14th 1935]

After having won reelection in a landslide and having seen the Supreme Court recognize the constitutional validity of the effort, President Roosevelt started proposing a first series of amendments to Social Security in December 1937. By 1938, he was advocating in favor of a clear liberalization of the program and on August 11th 1939 he signed into law a sweeping reform that expanded dramatically the reach of the Social Security system.

To compensate for the obvious problem that early beneficiaries could not have contributed to the system sufficiently, the 1935 Act had planned for a steep increase in payroll taxes in the beginning to build up the funds until the first pensions would be paid on January 1942. The Social Security Amendments of 1939 modified the schedule and the mode of financing. With the economy in recession it was deemed unwise to put aside more money to pay for future benefits. Instead of extracting additional savings before paying pensions, the direct link had to be broken and today's contributions should be used to pay for today's benefits so as to redistribute disposable income instead of leaving it idle. The amendments therefore cancelled the scheduled payroll tax increases and allowed for payments to start on January 1940 and, on January 17th 1940 Ida M. Fuller from Vermont received the first Social Security check.

Even more dramatic was the change in the beneficiaries of the program. The initial law had reserved retirement benefits to the workers who had contributed toward them. The 1939 amendments added a new supplementary benefit for their wives and dependent children. On top of this, even in the event of the worker's premature death, his “survivors” could now receive benefits. With the creation of these new benefits it was not just the security of the workers against the risk of old-age that was covered anymore; so was the security of their dependents against the risk of his death. The US government had further socialized risk in an effort to continue to promote a more general welfare.

The mobilization for World War II did not spell the end of the welfare state. On the contrary, the federal government's war-time policy was marked by extensive economic planning with boards in Washington controlling the allocation of resources and the prices of most goods. As the United States quickly turned themselves into the “arsenal of democracy” and more than 10 million young men were eventually drafted into the Armed forces, the country returned to full employment. This was a dramatic turnaround after the “Roosevelt recession” of 1937-1938. The ethical justification for the federal government's commitment to the Nation's welfare could now clearly be supplemented by an economic justification. Only then, did the Keynesian idea that economic prosperity required mass-based consumption backed by government support finally took hold [BRINKLEY : 268].

To paraphrase Randolph Bourne, war also proved the health of the welfare state because the constant need for additional revenues led to a profound transformation of federal taxation. To pay for the war, the federal government decided to turn to its people through a massive expansion of the income tax. Until the Revenue Act of 1942, only the rich were affected by the tax. As the law ended numerous exemptions, middle-class families became liable to pay the income tax as well. There were 3.9 million individual taxpayers in 1939. In 1945, the number was 42.6 million [BROWNLEE : 115]. The tax rates were also raised and made more progressive and, the following year, a new mechanism was introduced to process payments with taxes directly withheld from the salaried workers' paychecks. The mass-based progressive income tax became the most important funding source for the federal government. Washington thus found itself with the financial means to go along its now enhanced prerogatives in ensuring the American people's welfare [WALLIS : 72].

Conclusion

At the end of the Roosevelt years, the contours of the American welfare state had been sharpened. All workers now were enrolled in a social insurance program to provide them a minimum income if they lost their jobs or when they retired. Their dependents were also now provided for. All the states' assistance programs were expanded and revamped under the guidance of a federal government who saw the legitimacy of its regulation and even its management of the US economy bolstered by the return to full-employment. There was now a promise of economic rights to go along political rights and improve the lot of the American people. After President Roosevelt's death, with the notable exception of the labor rights roll back in the Taft-Hartley Act of 1947, this basic framework will be left intact.

The long-term success of the Social Security program is made evident when it is noted that the successive expansion of the American welfare state took the form of amendments to the original legislation. In 1956, was added a new Social Security Disability Insurance. In 1965, it was health insurance for the aged (Medicare) and a portion of the very poor (Medicaid). Yet, contrary to the hopes of many liberals, the American welfare state has not reached the same level of universality in its coverage as most other Western countries. One reason for this continuing peculiarity is the importance of path dependence in institutional development, which a leading scholar on this question defined as:

> […] the dynamics of self-reinforcing or positive feedback in a political system. Such processes […] can be highly influenced by relatively modest perturbations at early stages. Thus, such processes can produce more than one outcome. Once a particular path gets established, however, self-reinforcing processes make reversals very difficult. [PIERSON : 10]

One famous example of path dependence was the decision by the IRS during the war to treat employer-provided health insurance as a tax deductible in-kind benefit. To limit inflation during the war, wages were frozen and, competing for a shrinking pool of workers, employers started proposing health insurance as an alternative. The result was that, when the war ended, millions of workers and their unions had become used to receiving private health insurance through their employers. They formed a strong constituency that had nothing to gain but feared to lose from the creation of a public health insurance program. This contributed to the fact that, to this day, despite the adoption of the Affordable Care Act or "Obamacare", the United States still does not have universal insurance coverage against the risk of sickness.

The initial choices of the Roosevelt years and the limits put on the reach of the welfare state by constitutional federalism and prejudices in Congress had long-term consequences. Still, the host of policy innovations that were implemented then, transformed the expectations of the American toward Washington. The rise of the American welfare state was a crucial element in the partisan realignment between Democrats and Republicans. To this day, the parties continue to debate to what extent the federal government should commit "to promote the general welfare". They have stopped debating whether it should do so at all.

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