Politics, Relief, and Reform: The Transformation of America’s Social Welfare System during the New Deal

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Prior to the New Deal almost all public social welfare spending, or what contemporaries called “relief,” was provided by local governments. The administration of local public relief had long been associated with patronage, political manipulation, and corruption. Between 1933 and 1940, federal, state, and local governments combined to spend $2 billion per year to provide relief to at least 2 million cases (families) per month. In 1933, when unemployment reached 25 percent, the federal government introduced a relief program redistributing 4 percent of GNP to a quarter of all the nation's families. Surprisingly, while the administration of public relief was widely regarded as corrupt before 1933, the New Deal public welfare system, as refined through the 1960s and largely in place today, is often castigated as bureaucratic, but rarely corrupt. What changed? How did the country enter the Depression with a public welfare system riddled with political manipulation and emerge with one that was not?

Our answer is straightforward. The President, Franklin Roosevelt, and other members of the executive branch gained little or nothing from the kinds of corruption involved in public relief. But they stood to incur enormous losses if the New Deal relief program was perceived as corrupt by the voting public. Roosevelt and the Democrats brought relief to millions of families every month; the gratitude of relief recipients was Roosevelt's political payoff. Other politicians -- Senators, Representatives, governors, and mayors -- wanted to control relief and use it for political gain. Both houses of Congress, the states, and local governments maneuvered, manipulated, and cajoled to get their hands on a share of the billions spent each year on relief. Although Roosevelt made substantial concessions to Congress and to state and local governments in the administration of relief, he was able to curb corruption by his influence over the discretionary allocation of relief funds and, in the long run, by bureaucratizing the

administration of public welfare. Politics were paramount in the structure of New Deal relief programs, it just turned out that the best political outcome meant a reduction in corruption. Corruption was curbed because it was in Roosevelt's political interest to see it curbed.

We begin with a brief over view of relief during the New Deal, followed by a more detailed history. We then trace how political influences shaped the administration of relief programs, document how relief administered by the national government differed from relief administered by states, and describe how the administration of relief evolved under the Social Security Board.

1. A Brief History

The history of the New Deal relief programs falls into two eras: from May 1933 to the summer of 1935, and from the summer of 1935 onwards. They are distinguished by the amount of administrative discretion exercised by the national government and the discretion remaining in the hands of state and local officials. Table 1 provides a list of the major New Deal relief programs. The upper portion of the table gives the dates for which the program was in existence (several Social Security Programs are still in force). The lower portion of the table sorts the programs by there administrative character. In "national" programs the national government exerted a preponderance of administrative influence. In "federal" programs state and local governments shared administrative discretion with the national government, and in many programs possessed the preponderance of influence. Table 2 list the average monthly number of cases receiving relief for the nation as a whole, and for each of the major relief programs.

In the spring of 1933 the Federal Emergency Relief Act created the Federal Emergency Relief Administration, known as FERA. Roosevelt chose Harry Hopkins as the FERA Administrator. The FERAct appropriated $500 million to FERA to be allocated among the states, half on a matching basis and half at the discretion of the administrator. Once funds were given to states, FERA grants legally became the property of the states. Hopkins attempted to

raise the standards of relief administration, but his ability to do so was limited by the relative independence of state relief administrations. Hopkins could, and did, threaten to withhold federal grants for relief to states with corrupt or inefficient relief administrations. Withholding funds, however, was a blunt policy tool that worked to the direct disadvantage of the unemployed in the state, in contradiction to FERA's mandate. FERA was the largest and most important relief program before 1935.

In 1935, Roosevelt submitted an "economic security act" to Congress. As passed, the act provided a permanent, nationally administered program of old age insurance, what today we call social security. It also provided for a national payroll tax for unemployment insurance programs run by the individual states; 90 percent of the payroll taxes paid in each state were held in trust for that state. Finally, the act provided relief for three categories of persons: old age assistance, aid to the blind, and aid to dependent children. The categorical programs were financed from general revenues and allocated among the state by strict matching grants. Federal grants to states were determined solely by state expenditures. As a result, it was the states, and not the federal government, who controlled spending on the categorical programs.

The second element of the 1935 reforms was the creation of an "emergency" relief administration, funded by a series of ongoing emergency relief appropriation acts. Under the act of 1935, Roosevelt created the Works Progress Administration (the WPA), and a number of smaller relief programs: the National Youth Administration, the Rural Electrification Administration, the Farm Security Administration, and others. The WPA, also headed by Hopkins, was structured so that Roosevelt could make discretionary allocations between the states and, importantly, WPA officials retained the right to approve individual projects within states. Over time, Congress required a larger degree of state and local participation. This moved the WPA closer to a matching program, but matching was never complete. The WPA also financed a number of nationally administered programs in the arts, theater, literature, and history that did not have state or local sponsors. After the summer of 1935, the WPA was the largest

single relief program.

Our hypothesis is that Roosevelt found it in his advantage to reduce corruption, while Congress and state and local governments continued to press for a relief structure that allowed them to use relief to their own political advantage. The key element, therefore, was the allocation of administrative discretion. If the President possessed administrative and fiscal discretion, he and Hopkins could reduce corruption. Likewise, if state and local relief administrators possessed administrative and fiscal discretion, they could pursue their political ends. Accordingly, our empirical approach considers the development of administrative policy. We examine the specific role that administrative discretion played in the difference between Senate and House versions of bills, differences that correspond directly to the interests of state and local governments. We also compare the allocation of funds between the states under FERA and the WPA. Hopkins possessed a much wider range of policy instruments under the WPA, and we expect and find that the allocation of WPA spending differed significantly from the FERA allocations. When Roosevelt and Hopkins had discretion, they pursued "relief, recovery, and reform" and curbed corruption.

II. Early Relief: 1933 to 1935

Early twentieth century American social welfare policy had its roots in the English Poor Law of 1603. Relief was administered locally through a complex network of public and private agencies, ranging from the poorhouse to the Community Chest, who assessed need and distributed benefits. The intellectual high ground in the emerging field of social work was dominated by private, rather than public, organizations. The centuries old debate over using relief to care for the truly needy as opposed to a dole for the idle, shiftless, and worthless produced a philosophy of social welfare focused on the individual case. Social workers identified the deserving poor and relief was tailored to suit the needs of the needy and to discourage the dissolute. Independent private social agencies could make these distinctions without bias. The preference for private rather than public relief was further strengthened by the

general low regard for the capacity of local governments, run by local machine politicians, and staffed by untrained politicos as rewards for political service. Public relief agencies were always tainted by the possibility of the using relief for political purposes. Patronage and political influence – "corruption" – rather than the interests of the poor, were believed to motivate public relief.

It came as a surprise when the newly formed Committee on Social Statistics reported in 1929 that in the nation's 15 largest cities over 70 percent of all relief funds, whether disbursed by public or private agencies, came from local governments. Relief, it turned out, was often publicly financed even where it was privately administered. As the depression deepened, both public and private sources of funds were called on. The growing burden of relieving the unemployed was well beyond the ability of private agencies and relief spending by local, and eventually state, governments rose steadily.[1] Public relief officials, who had taken a backseat to professional private social workers for decades, now began exerting a larger influence in discussions about and planning for a larger relief effort. But the leadership of the social work movement had their roots in private social agencies, and these leaders assumed important positions in the national government after 1933. They brought with them the idea that local public relief administration was inefficient and subservient to politics.

Those ideas posed problems for Roosevelt and Hopkins when they began operations under FERA. Corruption in the administration of a relief program could come in several forms: political preference in the selection of recipients; manipulation of in-kind relief (for example, issuing food checks drawn on a local grocer or mandating that coal be bought from one supplier rather than another); misappropriation and corruption in the execution of work relief projects (bid rigging, contract corruption, kickbacks, etc.); or imposing political dues on the few who obtained administrative jobs in the relief agency. All of these problems depended to a degree on administrative discretion. For example, a social worker with a free hand in determining who was needy and who was not, could easily, and legally, reward friends, family, and the politically

connected with relief, while another applicant could be denied relief. The dominate philosophy of private social work in the 1920s was to determine what was best for each relief recipient on a case by case basis, allowing the local relief agency the maximum degree of flexibility and discretion in spending money. A more abstract form of corruption at the national and state level involved the allocation of relief funds between political units (states, counties, and cities).

The prospect of distributing $500 million in federal government funds through the existing system of local public relief agencies presented a nightmare of accountability for Hopkins. Giving control of the funds to public relief agencies seemed guaranteed to exacerbate the use of relief for political purposes. Giving control of the funds to private agencies seemed guaranteed to insure that millions of decisions about who would receive how much relief would be made by social workers in the best interest of the needy, with no possibility of consistently explaining why one person got relief and another did not.

Roosevelt and Hopkins were in a hurry, however, and their initial decisions about FERA reflected the need to get started quickly. In the summer of 1933 they had to figure out how to get hundreds of millions of dollars in relief to millions of families throughout the country. The FERAct required Hopkins to distribute the money to the states, even though most states had no formal structure for administering relief. The understanding was that most of the money would end up with local relief agencies. Hopkins and FERA were given some discretion in passing out money between the states (in the initial $500 million appropriation, half the money allocated by matching state and local contributions and the other half as allocated at the discretion of the administrator on the basis of need) and Hopkins could use this discretionary fiscal power to influence the standards of relief administration within individual states.[2] The original $500 million appropriation was to run for two years, a serious underestimate of the nation's relief needs. FERA spent roughly $4,000 million between the summer of 1933 and the summer of 1935.

Hopkins made three key administrative decisions in 1933:

1) All relief funds would be spent by public agencies.

2) Relief benefits would be set on a case by case basis using a need based standard.[3]

3) Hopkins made it very clear that FERA would enforce the highest standards of relief administration possible; that it would use the threat of withholding funds to enforce and persuade state and local relief administrations to meet those standards; and that it would vigorously prosecute state and local relief officials who used relief for their own political purposes. FERA established a division of investigation which would look into over a thousand complaints (ranging from the trivial to the felonious). FERA also initiated a program requiring each state to file monthly financial and administrative reports, detailing case loads, benefit payments, and administrative costs in each county. Hopkins continually pressed states to increase the amount of funding they provided for relief, raise the standards of relief administration, and to reduce corruption and the political use of relief.

Under FERA, national relief funds were distributed to the states each month. The goal was getting the maximum amount of relief to the largest number of people, quickly, and with a minimum of administrative costs.[4] FERA granted money to states and either state or local agencies spent the money.[5] The state and local share of relief expenditures varied from a high of 62 percent in Rhode Island to a low of 5.4 percent in Alabama. There was constant friction between FERA and state governments over the administration and financing of relief. Hopkins threatened to withhold FERA grants to several states that refused to increase state contributions. The disputes were significant in 12 states (detailed later). He made good on his threat to withhold funds in Colorado and Missouri. Dissatisfaction with the way relief was administered led Hopkins to take over, or "federalize the administration of relief in six states.[6] In North Dakota, Governor Langer was indicted and convicted for extorting kickbacks from federal government employees, although he wiggled out of serving jail time. In Ohio, Governor Davey had a long feud with Hopkins over the administration of relief.[7] When Roosevelt finally authorized the federalization of relief in Ohio his letter began “My Dear Mr. Hopkins: I have

examined the evidence concerning corrupt political influence with relief in the State of Ohio. Such interference cannot be tolerated for a moment. I wish you to pursue these investigations diligently and let the chips fall where they may. This administration will not permit the relief population of Ohio to become the innocent victims of either corruption or political chicanery" (as quoted in Brown, p. 210).

Roosevelt reaped enormous political gains from the relief programs: he was seen as the source of relief for millions of American families. At the same time, garnering the credit for relief obligated Roosevelt to bear the political costs of corruption when it was exposed.[8] Roosevelt's interest in an incorruptible system were at odds with the interests of individual Democratic senators, congressmen, governors, mayors, and state legislators who gained little or nothing from relief if that they could not use it for their own political purposes.

The decisions to make FERA a joint effort of national, state, and local governments was mandated by the national emergency in 1933. There was no other way to spend several billion dollars on relief on short notice without using the entrenched relief bureaucracy. The decisions made by Harry Hopkins about how relief would be administered inevitably involved setting the interests of the federal government at odds with state and local governments and, critically, involved conflicts between the president and Congress over how the relief program should be structured. Out of the resolution of these conflicts emerged the modern welfare state.

III. Relief after 1935

Planning for a more permanent relief system began in1933. From the beginning, FERA's loose administrative structure embroiled Hopkins in arguments with governors and state relief systems across the country about how much financial support state governments would provide, how relief benefits were to be determined, what constituted adequate relief, whether relief was to be given in cash or in kind, and over state and local efforts to bend the administration of relief to serve political ends. Characteristically, Republicans accused Hopkins of playing politics with

relief while Democrats accused Hopkins of appointing Republicans to important relief posts. There was no happy medium for Hopkins. His only certain solution to corruption was to create a national relief agency, staffed by civil servants answerable only to Hopkins; that solution was not acceptable to Congress or state and local governments. The compromise reached in 1935 enabled Hopkins and the federal government to put some bounds on the agency problem they faced in allocating federal relief at the local level.[9]

The second stage of New Deal relief administration was marked by the passage of the Emergency Relief Appropriation Act of 1935 (ERAA) and the Social Security Act of 1935 (SSA). The two bills embodied the compromise between the President and the Congress. Both bills were introduced in January, the ERAA passed in March and the SSA in August. Two distinctions were critical: between employable and unemployable persons and between the temporary and the permanent relief programs. The ERAA appropriated $4.8 billion for the relief of the unemployed, to be spent at the discretion of the president, through agencies unnamed in the bill but to be created under its authority (these ultimately included the WPA, REA, FSA, and NYA). This was emergency legislation: a one-time, temporary appropriation of funds for the relief of employable persons (people who would have had jobs had it not been for the depression).[10] The emergency appropriation was intended to tide the country over until the "permanent" relief structure could be put in place.

The Social Security Act created the permanent program. The original bill submitted to Congress by the President's Committee on Economic Security, contained a plan for a national program of Old Age insurance and nationally administered "categorical" programs for the relief of specific portions of the population: the unemployed, the old (those not covered by the insurance program), the blind, and dependent children. Congress left old age insurance under the administration of the national Social Security Board. Administration of the categorical programs was lodged with state governments and financed by matching national grants. Unemployment Insurance was funded by a nationally administered payroll tax. UI programs

were administered by state governments, who could draw on their individual state funds. Because states had a right to draw on their UI funds and because federal matching of qualified state expenditures in categorical programs, the national government had virtually no control over spending in this part of the welfare system.[11] Although the Social Security Board was responsible for approving the initial design of state programs, actual administration of the programs was left up to the states. Significantly, the Board was explicitly prohibited from interfering with personnel policies of the state administration or withholding matching funds because of personnel policies. Control over patronage in unemployment insurance and categorical relief programs was firmly located at the state and local level. During the FERA administration, Hopkins had used the threat of withholding funds and federalizing relief to pressure state relief administrations. Those tools were taken away from the national administration in the Social Security Act.

The elements of the compromise were clear. Roosevelt was given a free hand in the administration of emergency relief for the remainder of the depression. The temporary programs created under the ERAA, of which the WPA was the most important, provided the lion's share of relief for the rest of the 1930s. How Roosevelt used his authority was up to him, subject to Congress's power to approve further appropriations. Congressional Democrats lost the immediate advantage of controlling relief. But their position as the majority party was strengthened by the prospect of Roosevelt's reelection, and they could reasonably expect to share in some of the benefits of administering relief through the normal political process. Roosevelt and Hopkins could not afford to alienate powerful congressional interests. And in the permanent program almost all of the discretionary powers over relief administration had been reserved for the states. The national government's hands were tied, fiscally and administratively.

The social welfare profession was incensed at what it perceived to be a betrayal of its basic principles. National support and administration of relief was to be abandoned. Control over the permanent relief program was given over to the states. General relief, relief for those

who did not fit into a category of relief supported under the Social Security program, was returned to local governments. Only the needy who were unemployed, aged, blind, or dependent children came under the protection of the federal system. The compromise of 1935 cast relief back into the realm of politics: "One of the greatest difficulties in the way of sound organization [after 1935] was political interference with legislation and standards of personnel... The fact remains that much of the confusion and many of the backward steps taken in state and local administration were due to political pressures" (Brown 1940, p. 321).

IV. Congress and the Politics of Relief: Geography and Jurisdiction

Political institutions that endure must provide political actors with incentives to maintain the system. Prior to 1933, local governments dominated the provision of public relief and the financing of private relief. Accepted wisdom was that local public relief was more corruptible than private relief: relief was more likely to go to the politically connected needy, or at least to those in need willing to pledge their vote; that relief expenditures were likely to line the pockets of patrons; that funds were likely to go to wards or counties where votes mattered; and that administrative jobs went not to those with professional training but those enjoying political patronage. If the New Deal relief programs challenged these local prerogatives, why did politicians elected from state and local constituencies, support the New Deal reforms? Or, as many have argued, did elected politicians support New Deal relief programs because they believed that they perpetuated, rather than reformed, the local political abuses of relief?

In this section, we examine the passage of New Deal legislation to determine whether Congress played politics with relief. First, differences between House and Senate versions of the same bill are examined to see if the two branches of Congress allocated of funds between large and small states in a predictable way. Large states are better represented in the House and small states in the Senate. These differences provide a simple and clean test of whether politics mattered in the political economy of New Deal spending. Second, differences between House and Senate versions of the same bill are scrutinized to see if the House was more likely to create

administrative discretion and authority at the local level and if the Senate was more likely to create administrative discretion and authority at the state level. Since using relief for political ends required administrative discretion, these results give us an indirect indication of what politicians hoped to accomplish by structuring the relief programs in particular ways. The ten important pieces of relief legislation during the New Deal are listed in Table 3.

Congress influenced the geographical allocation of relief spending in two ways. First, within a given program legislation could specify that funds be spent in a particular way or according to a given formula. For example, in the Federal Emergency Relief Act, HR 4606 72nd Congress, the Senate bill appropriated $500 million to be divided between a $300 million matching fund ($3 state to $1 national matching rate) and a $200 million discretionary fund to be allocated by the Relief Administrator. The House bill allocated $250 million to each fund. The Act was ultimately passed with the House allocation. We can compare how the $50 million would have been allocated under the House and Senate versions, using the actual allocation of funds in the discretionary and matching funds to guide the counterfactual. Alternatively, Congress could distribute funds between programs with different patterns of allocation. In the Emergency Relief Appropriation Act of 1935, HR 9830 73rd Congress, the Senate proposed a transfer of $100 million in FERA funds to the PWA; the House version did not transfer the funds. Since FERA and the PWA expenditures across states were different, we can compare the House and Senate allocations by examining how the $100 million would have been spent under the two proposals.

The difference between the House and Senate allocation of funds to state *i* is:

(1) $DF_i = \text{House allocation}_i - \text{Senate allocation}_i$

The proposition that the House will allocate more funds to large states better represented in the House than in the Senate can be tested using the regression:

(2) $DF_i = a + b * \text{Voting Share}_i$

where the independent variable is the voting share of state *i* in the House.

The House and Senate differed over the allocation of funds in seven of the ten pieces of New Deal relief legislation. Estimates of equation (2) for those seven bills are shown in Table 4. The dollar differences ranged between $50 million to $200 million, significant amounts of money but fairly small portions of the overall appropriations. In five of those cases the differences between the House and Senate versions were positively and significantly related to a state's voting share in the House. In the other two cases the coefficients were insignificant, one positive and the other negative. Geographical interests were, it seems, an important determinant of differences between the House and Senate.

A curiosity of the regression results lends additional support to the geographic story. We can solve for the voting share in the House that results in no difference between the House and Senate versions (i.e., $x = -a/b$ from equation (2)). The last column in Table 4 lists the implied "critical size" for each regression estimate. In six of the seven cases, states with 15 votes in the House received more money from the House bill than the Senate bill. Only nine states had 14 or more votes in the House, but the total vote of those states was 217, one vote shy of a majority of the 435 House votes. The nine states that, on average, benefited more from the House version than the Senate version were the minimum number of states required to pass legislation in the House.

The House and Senate allocations differ in systematic and understandable ways. Unemployment, and therefore relief spending at the state level, was concentrated in the large industrial states of the northeast and upper midwest. These states were much better represented in the House, and the House pursued programs that allocated relative large amounts of money to large states. An important way of doing that was through matching grants, since the more wealthy, industrial, and hard hit states spent more of their own state and local funds on relief and therefore qualified for larger matching grants. The Senate, on the other hand, tended to prefer (relative to the House) programs and methods of allocation that favored the geographically large, sparsely populated states of the west and midwest. They preferred allocation formulae, like

population or land size, that funneled more money into the west. They also showed a strong preference for large public works projects, like the type conducted by Harold Ickes and the PWA located primarily in western states with an abundance of public land, over the small, often urban work relief projects conducted by Harry Hopkins and the WPA.[12]

Jurisdictional differences between the House and Senate were more marked and more important than geographic differences. Geographical differences were usually over substantial amounts of money, but were minor in relation to the whole relief package and they never proved to be significant impediment to the passage of legislation. Jurisdictional disputes, however, were over central issues of administrative control and, on at least one occasion, were capable of bringing the whole legislative process to a halt.[13] There were four general types of differences: decisions about money, patronage, project selection, and recipient selection. In general, we expect the House to locate administrative control over these functions at the local level and the Senate to locate control at the state level. Table 5 lists the ten relief bills, whether there was a difference in one of these four areas, and whether the difference was as expected (Y if it was N if it was not). An example from each category:

1) Money: The very first relief bill, HR 12445 72nd Congress, authorized the Reconstruction Finance Corporation (RFC) to make loans to the states for relief purposes. The Senate version of the bill restricted RFC loans to the states, local governments could not apply. The House version of the bill allowed cities to apply directly to the RFC for loans, rather than going through the state government. In this case the House version was adopted.

2) Patronage: In the ERAA of 1935, the House proposed that any county relief agency was required to hire its administrative employees from the residents of that county, which would have given local relief authorities and congressmen strong control over patronage. The Senate version stipulated that administrative employees within a state had to live within the state, but employees from one county could be hired in another county. Neither restrictive residency requirement survived in the final bill.

3) Project Selection: Under the WPA, a class of projects called "federal projects" were financed and administered directly by the WPA with no state or local sponsorship. The most prominent of these were the art and theater projects. In the Emergency Relief Appropriation Act of 1939, both versions of the bill eliminated all federal theater projects, and the House version of the bill required that any new federal projects have a local sponsor. The Senate bill had no provision for local sponsorship. The local sponsorship provision stayed in the final bill.

4) Recipient Selection: There was never a hard and fast legislative decision on who should select the recipients for the WPA. In practice local relief agencies "referred" potential recipients to the WPA, and it was usually impossible to receive a WPA relief job without the referral.[14] Local relief agencies were not paid, at least not directly, for this task and so effectively remained independent of the WPA. Hopkins and the WPA several times requested funds from Congress to pay local relief agencies for providing referral services, and a provision for payment was included in several Senate bills. In every case the provision was eliminated from the bill by the House. Hopkins was unable to exert even indirect control on local recipient selection by providing money for the referral service, money that could have been withheld or reduced.

These examples are indicative of House and Senate concerns in relief legislation. As Table 5 shows, differences in the kind of administrative arrangements preferred by the House and Senate were frequent, persistent, and systematic. In 17 of the 18 cases where the House and Senate differed over administrative procedures, the differences are as predicted.[15] Both Senators and Congressmen were interested in locating administrative control of the relief program at the level of government where they exercised the most control. The changes Congress made to the Social Security Act submitted by Roosevelt were of exactly this form: moving administrative control to the state and local level.

V. Roosevelt's interests: Comparing the Intra-State Allocation of FERA and WPA Funds

Dividing administrative control over relief between national, state, and local governments was the key element in the compromise of 1935. Congress located administrative control over the permanent categorical relief programs, unemployment insurance, and general relief at the state level. The national government was given control of the temporary relief programs and the permanent social insurance program. Roosevelt and Hopkins were given a blank check for $4.8 billion in the ERAA of 1935. Did they play politics with relief too? Compared to Congress, Roosevelt had less to gain and much more to lose if the public perceived that relief was corrupt. When Roosevelt and Hopkins were given a free hand in 1935, they pursued policies that were more in line with the stated New Deal goals of "relief, recovery, and reform" and paid less attention to politics.

The WPA succeeded FERA as the primary national program for the relief of the unemployed. Under Hopkins, the WPA provided work relief to over 2 million cases each month. Unlike FERA, the WPA was a national program. Administrative employees worked directly for the federal government. Most work relief jobs on the WPA were created by projects sponsored by state and local governments, and in that sense there was a federal component to the WPA. But the national and regional WPA field offices decided what projects would be funded. Unlike FERA, WPA administrators controlled the intra-state allocations of WPA funds.[16] Hopkins centralized decision making about the intra-state distribution of funds because of the problems created by the independent administration of FERA grants by state relief administrations. We expect that the WPA matched better what Hopkins and the Roosevelt administration intended, the promotion of relief, recovery, and reform.[17]

We examine whether the distribution of funds between counties within the states differed between the WPA and FERA. In order to compare allocation policies directly, the values for every variable (dependent and independent) for each county are normalized by subtracting the state mean for that variable and then by dividing by the standard deviation within the same state. As a result every variable in every state has a mean of zero and a standard deviation of one.

This facilitates comparison of the coefficients determining spending for FERA, the WPA, and the difference between the two programs.[18] We include key variables that influence the distribution of relief grants, as discussed in the literature on the allocation of New Deal funds (see Fishback, Kantor, and Wallis 2003 for references and a summary of the variables).

One group of variables measures economic conditions across counties that reflect the New Deal's stated goals of relieving financial distress, promoting recovery, and redistributing income. Relief spending should have been positively related to a measure of unemployment (measured in the 1930 census), negatively related to economic growth from 1929 to 1933 (measured as the change in log retail sales per capita between 1929 and 1933), negatively related to a measure of the share of high income people (the percent of the population paying income taxes in 1929), and negatively related to a measure of average consumption in 1929 (retail sales per capita in 1929). Unemployment relief programs were targeted at urban areas, so the coefficient on percent urban should be positive.

The second group of variables reflects political influences. The Roosevelt administration may have used the allocation of funds to promote their prospects for re-election by rewarding long-term loyal Democrats (measured by the mean percent voting Democrat in presidential elections from 1896 through 1928), by trying to attract voters who were relatively fickle in their support of the Democrats (measured by the standard deviation of the percent voting Democrat from 1896 through 1928), by rewarding voters who swung to Roosevelt in 1932 (the percent voting for Roosevelt in 1932 minus the mean percent voting Democrat from 1896 through 1928), or by spending more in areas with higher turnout (the number of presidential votes in 1932 relative to the population in 1930) (see Wright 1974, Fleck, 1994, 1999, Wallis, 1998, Fishback, Kantor and Wallis, 2003).

The first two specifications in Table 6 show the results for the WPA and FERA separately. With regard to the economic variables, both programs provided more funds per capita in urban areas, provided more funds in counties with higher unemployment, and provided

fewer funds to higher income counties as measured by retail sales per capita. FERA provided more funds, while the WPA provided fewer funds, to counties with higher tax returns per capita. On the political side, both FERA and WPA gave less money to counties that traditionally voted Democratic and more money to counties that swung to Roosevelt in 1932 and that had higher voter turnout. FERA gave more funds to counties with higher variance in their party voting, while the WPA gave less to these counties.

Our specific interest, however, is in the impact of the shift in administration from the FERA to the WPA. In the third specification in Table 6, the dependent variable is per capita WPA spending minus per capita FERA spending. The specification allows us to test whether the intra-state allocation of funds responded to different economic and political factors differently under FERA than under the WPA.

The shift toward more central administration associated with the move to the WPA appears to have led the federal funds to be distributed internally within the states with more attention to the goals of unemployment relief and redistribution and less attention to presidential politics. Because of the way the variables were scaled, a one unit change in a variable represents a change of one standard deviation in each variable. So, for example, a unit increase in the unemployment percentage produced an increase in WPA funds that was 0.055 larger (5.5 percent of a one standard deviation increase in funding) than the response by the FERA. An increase retail sales per capita in 1929 was associated with a reduction in WPA spending that was .08 greater than for FERA spending. Both differences are statistically significant.

The critical results in column three of the table show that 1) the WPA was less responsive to presidential politics than FERA. The effect of long-term swing voters and voter turnout were statistically significant and lower by .06 and .03 for the WPA than for FERA, respectively. The response to the Roosevelt swing voters was also lower under the WPA, but not in a statistically significant way.

2) Economic factors played a more important role in WPA than FERA allocations.

Counties with higher unemployment received relatively larger grants under the WPA than under FERA. The difference between WPA and FERA spending in urban areas is particularly telling. Representation in state legislatures was skewed in favor of rural areas. The national government distributed large amounts of aid to farmers through agricultural programs. Hopkins wanted FERA and the WPA to focus on relief of unemployed workers, not low income farmers. It is not surprising that Hopkins provided significantly more funds to urban areas under the WPA than state administrators provided under FERA. On the other hand, FERA seems to have been more responsive to the depths of the crash between 1929 and 1933, as measured by the growth (or reduction) in retail sales per capita in those years.

When the WPA gained control of within-state variation in spending, the Roosevelt administration moved more relief spending to urban areas, to promoting relief and redistribution, and paid less attention to the presidential politics.

Another way see the effect of the WPA is to compare states that caused problems for Hopkins under FERA. We identified twelve "disputed" states where Hopkins withheld or threatened to withhold federal funds, including the six states where the administration of relief was federalized. One of the issues Hopkins was concerned about was the within-state allocation of funds. We can compare the distribution of funds in the disputed states under FERA and the WPA, to see if the change in fund allocation is greater in the disputed states.[19]

Table 7 reports the results of a set of regressions, where we create a dummy variable for disputed states and interact the dummy variable with all of the independent variables. The upper panel of the table gives the coefficients for the undisputed states, the second panel gives the coefficients on the difference between the disputed states and undisputed states (the coefficient on the interaction terms), and the lower panel the implied coefficients in the disputed states (the sum of the coefficients in the first two panels). The first two specifications in the table examine FERA and the WPA individually. Under both FERA and the WPA the disputed states are different from the rest of the states, F-tests reject the hypothesis that the interaction terms are all

zero.

Since the disputed states are defined by their poor relations with Hopkins during FERA's tenure, we look first at the difference between disputed and undisputed states under FERA, the first specification in the middle panel of the table. Under FERA, disputed states allocated less money areas with higher incomes (as measured by retail sales per capita). On the political side, the disputed states handed out less money to areas with more long-term swing voters and less to areas with higher voter turnout. Thus, at first look it appears that the troubled states were paying too little attention to politics and also not enough to relief and redistribution.

So what did the WPA do about it? The third specification in the table compares the difference between the WPA and FERA allocation of funds, and, again, the coefficients in the middle panel reflect how disputed states differed from undisputed states. Under the WPA, the disputed states became considerably more responsive to economic factors. Urban areas received relatively more in the disputed states and their high-income areas, as measured by retail sales and tax returns per capita, received less.

The political variables also tell an interesting story. Political forces had numerically larger effect in disputed states, in both FERA and the WPA, as seen in specification (1) and (2). The coefficients on long-term swing voters, the swing to Roosevelt in 1932, and turnout all have the "right" sign for the Democrats in the non-disputed states and the "wrong" sign for the Democrats in the disputed states. These differences are large and statistically significant, as shown in the middle panel. What happens when the WPA gets control of all the states? In both the disputed states and the non-disputed states the WPA is less sensitive to politics than FERA was, the absolute value of the coefficients go down or stay constant on every political variable in both types of states. But in the disputed states the effect of politics is still the wrong sign: the WPA did not reverse the effect of politics on allocations in the disputed states. In the case of the economic effects, the WPA did reverse the relationship between income, as measured by per capita tax returns, in the non-disputed states and eliminated the significant positive relationship

between tax returns and allocations in the disputed states. Where the disputed states had paid no attention to urban populations under FERA, they did under the WPA.

The major bone of contention in the political economy of New Deal spending debate is whether economic or political factors influenced the allocation of federal spending. These results clearly show that giving Hopkins direct control over the intra-state allocation of WPA funds produced an allocation pattern that was less sensitive to political factors and more responsive to economic factors. Under the WPA, as under FERA, Hopkins conducted an active campaign to eliminate corruption and improve the standards of relief administration, an effort that shows in the numbers. Hopkins had more administrative discretion under the WPA and, as a result, was better able to improve the standards of relief administration.

One should not conclude from these results that Roosevelt and Hopkins did not use relief for political purposes. There is ample evidence that increasing WPA jobs in a state (or county) increased the number of votes that Roosevelt received in the election of 1936 (Wright 1974). Moreover, Dorsett shows that Hopkins and Roosevelt both communicated with machine bosses in large cities and, perhaps, gave them a freer hand in the administration of relief. The results do show, however, giving Roosevelt and Hopkins more administrative discretion resulted in intra-state allocations of relief funds that were more responsive to underlying economic conditions – unemployment and urbanization in particular – and less responsive to political considerations. State and local officials played more political games with relief under FERA than Roosevelt and Hopkins did with the WPA.

VI. Corruption and the Social Security System

Our conclusion that the United States emerged from the New Deal with a welfare system less corrupt than the system it had in 1932 might seem inconsistent with the history we have recounted. In the Social Security Act Congress deliberately located administrative control of unemployment insurance and categorical relief at the state and local level, leaving Roosevelt

with control of the emergency relief programs. Congress intended to grant state and local relief administrations substantial freedom to administer programs as they saw fit. The Social Security Act explicitly forbade the Social Security Board from withholding funds from a state because of personnel matters, leaving patronage in the hands of state politicians. The dedicated unemployment trust funds and the strict matching provisions for categorical relief tied the hands of the Social Security Board, limiting their ability to influence state relief administration through fiscal pressure.

But the Social Security Act also included sufficient bureaucratic teeth that the Social Security Board could act positively to limit corruption in the administration of relief. The text of Section 2 of Title I, dealing with old age assistance is given at the end of this section. Section 2a (5): the state plan must "provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan;" The section acknowledges that the Social Security Board cannot interfere with personnel at the state level, but clearly indicates that the Board can require states to provide for appropriate methods of administration. Just as Hopkins required states to file regular detailed financial and case load reports with FERA, the Board was given the power to require regular and accurate reports to insure that relief was efficiently administered.

After World War II, the Social Security Board tried, unsuccessfully, to raise standards of relief in poorer states unwilling to spend much of their own money, particularly in the south. The Social Security Act guaranteed that states could set their own relief budgets, benefit levels, and personnel policies. But the Board steadily pressured state relief agencies to upgrade their standards of administration and closely monitored the financial and administrative details of each

state's programs. The national administration could not force Mississippi to give needy children larger benefits each month, but the national administration could insure that relief was administered impartially and apolitically in Mississippi and every other state in the nation.

The compromise of 1935 left states in charge of their own permanent relief systems. They had the power to determine how much was spent and the national government could not influence state policies by threatening to withhold funds. But the price of state independence was granting the Social Security Board the power to monitor state relief programs to insure that they were not corrupt. Like Roosevelt, the Social Security Board gained nothing from corrupt administration of relief at the state level. Again, the politics of relief at the national level after the Social Security Act was put in place, created strong political interests and discretionary administrative power in the Social Security Administration to limit and actively police corruption at the state level.

The Social Security Act (Act of August 14, 1935) [H. R. 7260][20]

STATE OLD-AGE ASSISTANCE PLANS

SEC. 2. (a) A State plan for old-age assistance must

(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;
(2) provide for financial participation by the State;
(3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;
(4) provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such State agency;
(5) provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be necessary for the efficient operation of the plan;
(6) provide that the State agency will make such reports, in such form and containing such information, as the Board may from time to time require, and comply with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and
(7) provide that, if the State or any of its political subdivisions collects from the estate of any recipient of old-age assistance any amount with respect to old-age assistance furnished him under the plan, one- half of the net amount so collected shall be promptly paid to the United States. Any payment so made shall be deposited in the Treasury to the credit of the appropriation for the purposes of this title.

SEC. 2. (b) The Board shall approve any plan which fulfills the conditions specified in subsection (a), except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan-
(1) An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or
(2) Any residence requirement which excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or (3) Any citizenship requirement which excludes any citizen of the United States.

VII. Concluding Remarks

The modern American welfare state was created during the New Deal. Prior to 1933, the burden of caring for the needy and unemployed fell on local governments. By late 1935, a

system of nationally funded and administered old age insurance was in place; federally funded and state administered programs providing old age assistance, aid to dependent children, aid to the blind, and unemployment insurance were in place; and a substantial emergency relief structure with both national and state components was working to see the nation through the last years of the depression. In 1932, the administration of public relief was widely regarded as politically corrupt. By 1940, charges of corruption had largely disappeared.

The transformation of public relief in the United States from corrupt to bureaucratic occurred because of the political interests of President Roosevelt and his administration. Local officials, state politicians, and members of Congress were in a position to use relief in the time tested and corrupt ways: getting politically connected people on relief, letting contracts for materials and supplies to political allies, and using administrative jobs to reward loyal followers. Roosevelt, on the other hand, had little use for this type of political machination. The gratitude of millions of relief recipients and the general public impression that the administration was moving decisively to relieve the worst victims of the depression garnered votes for Roosevelt. That support would evaporate if relief was administered in a visibly corrupt manner.

The Federal Emergency Relief Administration, the first New Deal relief program, was created in the spring of 1933 to rapidly distribute millions of dollars to families in immediate need of financial assistance. It was impossible for Roosevelt and Hopkins to solve the agency problem they faced. The crisis forced them to distribute relief money through the established local public relief administrations; it was the only existing structure capable of administering relief to over 4 million families each month. Inevitably, some of the $4 billion distributed to states between 1933 and 1935 was used to further the political ends of state and local politicians. FERA's loose administrative structure did not give Roosevelt and Hopkins the administrative tools to limit local politicians from capturing some of the rents for themselves. As we have seen, Congress was complicit in the political maneuvering. The Senate persistently allocated more money to small states well represented in the Senate, while the House allocated more money to

large states better represented in the House. The Senate tried to locate administrative control of relief at the state level, and the House tried to locate control at the local level. Both were generally hostile to locating administrative control at the national level.

The deal struck in 1935 with the passage of the Emergency Relief Appropriations Act and the Social Security Act gave the Roosevelt administration authority over the distribution of emergency relief. Congress insured, however, that states retained control over important elements of the permanent relief program: unemployment insurance, aid to the blind, old age assistance, and aid to dependent children, but were subject to federal oversight. Although we stress the difference in the interests of Congress and the executive branch, this should not obscure the importance that all Democrats placed on re-electing Roosevelt. Giving Roosevelt control over the emergency relief program allowed him to claim credit for providing relief and employment to millions of families every month. Voters responded by supporting Roosevelt. When Roosevelt and Hopkins obtained direct control over the intra-state allocation of WPA relief funds, they were more responsive to economic factors and less responsive to political influence than state and local administrators had been when they allocated FERA relief funds.

The other side of the bargain gave states more control over the administration of categorical relief and unemployment insurance, as well as complete fiscal autonomy. But state independence came with a catch. The Social Security Board could not force states to spend more or less on relief, nor could it decide who would staff administrative positions, but it could and did require that relief be administered in a fair and impartial manner. Old style corruption would be difficult under the watchful eye of the Social Security Board.

Our explanation for why the New Deal relief policies eliminated corruption does not imply that politics played any less of a role in the 1930s than politics played before the Great Depression. It was in Roosevelt's political interest to eliminate corruption from the administration of relief. It was political interest, and not enlightened social policy, that eliminated corruption.

Table 1

Started	Ended	Legislation/Agency
May 1933	Fall 1935 and on	Federal Emergency Relief Administration (FERA)
		Civilian Conservation Corp (CCC)
December 1933	February 1934	Civil Works Administration (CWA)
Spring 1935	1941	Emergency Relief Appropriations Act of 1935
		- Works Progress/Projects Administration (WPA) - Rural Electrification Administration (REA) - Farm Security Administration (FSA)
Summer 1935	Today	Economic Security Act
		- Social Security Board
		- Old Age and Survivors Insurance (OASI) - Unemployment Insurance - Categorical Relief - Old Age Assistance (OAA) - Aid to the Blind - Aid to the Dependent Children (ADC)

Year	Federal Programs	National Programs
1933	FERA	CCC
1933/34		CWA
1935	WPA - State and Local WPA Projects	WPA - WPA National programs - National Youth Administration
1935		REA
1935		FSA
1935	UI OOA ADC Aid to the Blind General Relief Administered Locally	OASI

Table 2
Number of Cases in Total, and by Major Programs
1000s of cases

Program	TOTAL	FERA	CWA	WPA	OAA	LOCAL RELIEF	UI
Start End	1/33 - 6/40	6/33 - 12/35	11/33 - 4/34	8/35 - 6/40	1/33 - 6/40	1/33 - 5/33 1/36 - 6/40	1/38 - 6/40
1933	5022	3836	2565		109	1990	
1934	6593	4474	2970		142		
1935	6320	4655		1156	303		
1936	5758			2544	737	1667	
1937	5202			1793	1369	1445	
1938	5995			2611	1559	1543	698
1939	6285			2407	1852	1661	718
1940	5943			2102	1941	1547	1065

Source: Social Security Bulletin, February 1941, Table 9, pp. 68-70.

Notes: All figures are the average of monthly case loads for the months listed in the table.

Table 3
Major Relief Legislation
1921-1939

Year	Congress	Bill #	Title
1932	72nd	HR 12445	Emergency Relief and Construction Act
1933	73rd	HR 4606	Federal Emergency Relief Act
1934	73rd	HR 7527	Act of February 15, 1934
1934	73rd	HR 9830	Emergency Appropriation Act of 1935
1935	74th	HJR 117	Emergency Relief Appropriation Act of 1935
1936	74th	HR 12624	Emergency Relief Appropriation Act of 1936
1937	75th	HJR 326	Emergency Relief Appropriation Act of 1937
1938	75th	HJR 361	Emergency Relief Appropriation Act of 1938
1939	76th	HJR 679	Emergency Relief Appropriation Act of 1939

Table 4

Regression Results
Difference in House and Senate Bills
On Voting Share in House

Bill #	Constant	Votes	R2	Critical Vote
HR 12445	-0.601 (1.75)*	14.39 (1.22)	.03	15.2
HR 4606	-0.03 (.72)	3.89 (2.6)**	.13	2.8
HR 9830	-11.38 (2.99)**	277.51 (2.71)**	.14	15.0
HJR 117	-6.49 (5.07)**	157.26 (3.59)**	.22	15.1
HR 12624	-1.38 (8.22)**	33.71 (5.86)**	.42	14.9
HJR 361	-0.82 (2.9)**	19.81 (2.04)**	.08	15.1
HJR 679	0.18 (.27)	-4.13 (.18)	.0007	15.9

Notes:

Dependent variable in all regressions is the difference between the House and Senate versions of the bill.

Independent variable in each regression is voting share of each State in the House.

All regressions have 46 degrees of freedom.

** = 5 percent significance level
* = 10 percent significance level

Table 5

Observable Differences in House and Senate Bills

Bill #	Money	Patronage	Project Selection	Recipient Selection
HR 12445	Y	---	---	---
HR 4606	N	Y	---	---
HR 7527	---	Y	Y	---
HR 9830	Y	---	---	---
HJR 117	Y	Y	Y	---
HR 12624	Y	Y	---	---
HJR 326	---	Y	---	Y
HJR 361	Y	---	---	Y
HJR 679	Y	---	Y	Y

Notes:

Entries correspond to differences in the House and Senate versions of each bill.
Y = Senate Version favored state over local interests.
N = Senate Version did favor state over local interests.
--- = no difference in this aspect of programs.

Table 6

National regressions

Variable	Estimate WPA (1)	t Value	Estimate FERA (2)	t Value	Estimate WPA minus FERA (3)	t Value
% urban	0.216	7.54	0.125	4.29	0.091	3.27
tax returns per capita	-0.005	-0.15	0.076	2.52	-0.081	-2.79
retail sales per capita, 1929	-0.208	-6.74	-0.153	-4.87	-0.055	-1.84
retail sales per capita growth, 29-33	-0.016	-0.87	-0.130	-7.03	0.114	6.44
% unemployed	0.282	13.9	0.227	11.04	0.055	2.77
Democratic Loyalty, 1896-1928	-0.061	-3.28	-0.069	-3.64	0.008	0.43
Swing, 1896-1932	-0.034	-1.74	0.030	1.48	-0.064	-3.33
Turnout	0.048	2.63	0.078	4.21	-0.030	-1.69
Roosevelt Swing, 1932	0.048	2.25	0.056	2.6	-0.008	-0.4
R-squared	0.127		0.099		0.037	
R-bar squared	0.124		0.097		0.034	
N	3061		3061		3061	

Table 7

	Parameter Estimate WPA	t Value	Parameter Estimate FERA	t Value	Parameter Estimate WPA-FERA	t Value
	(1)		(2)		(3)	
Coefficients in non-disputed states						
% urban	0.201	6.17	0.152	4.61	0.049	1.54
tax returns per capita	-0.011	-0.32	0.045	1.28	-0.056	-1.66
retail sales per capita, 1929	-0.168	-4.67	-0.143	-3.93	-0.025	-0.71
retail sales per capita growth, 29-33	-0.019	-0.89	-0.153	-6.96	0.134	6.3
% unemployed	0.285	12.06	0.226	9.46	0.059	2.56
Democratic Loyalty, 1896-1928	-0.051	-2.33	-0.062	-2.83	0.012	0.55
Swing, 1896-1932	0.007	0.3	0.092	3.91	-0.085	-3.75
Turnout	0.100	4.62	0.161	7.36	-0.061	-2.88
Roosevelt Swing, 1932	0.061	2.46	0.057	2.3	0.003	0.14
Differences in coefficients between disputed and non-disputed states (Coefficient on interaction term)						
% urban	0.093	1.38	-0.097	-1.42	0.191	2.88
tax returns per capita	0.012	0.18	0.125	1.83	-0.113	-1.71
retail sales per capita, 1929	-0.149	-2.14	-0.018	-0.26	-0.131	-1.92
retail sales per capita growth, 29-33	0.002	0.04	0.061	1.52	-0.059	-1.53
% unemployed	-0.017	-0.37	-0.014	-0.31	-0.003	-0.06
Democratic Loyalty, 1896-1928	-0.055	-1.34	-0.041	-0.99	-0.014	-0.35
Swing, 1896-1932	-0.148	-3.35	-0.230	-5.16	0.082	1.91
Turnout	-0.169	-4.24	-0.283	-7.03	0.114	2.94
Roosevelt Swing, 1932	-0.038	-0.79	0.012	0.24	-0.050	-1.06
R-squared	0.139		0.120		0.043	
R-bar squared	0.134		0.115		0.038	
N	3061		3061		3061	

Table 7, continued

Coefficients for the disputed states. Sum of coefficients above.						
% urban	0.295	5.01	0.055	0.91	0.240	4.59
tax returns per capita	0.001	0.02	0.170	2.9	-0.169	-3.31
retail sales per capita, 1929	-0.317	-5.35	-0.161	-2.66	-0.156	-2.97
retail sales per capita growth, 29-33	-0.018	-0.54	-0.092	-2.73	0.074	2.55
% unemployed	0.268	6.9	0.212	5.33	0.056	1.64
Democratic Loyalty, 1896-1928	-0.106	-3.04	-0.104	-2.9	-0.002	-0.08
Swing, 1896-1932	-0.141	-3.8	-0.137	-3.63	-0.003	-0.09
Turnout	-0.069	-2.07	-0.122	-3.6	0.053	1.81
Roosevelt Swing, 1932	0.023	0.55	0.069	1.64	-0.047	-1.28

Disputed states are ND, OK, GA, LA, OH, KY, AL, IN, MA, OH, CO, MO

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ENDNOTES

[1]Get numbers from Brown on the share of relief spending from public sources. New York was the first state to establish an unemployment relief agency, TERA (Temporary Emergency Relief Administration) in May 1931. Roosevelt was Governor and Harry Hopkins was appointed the first TERA administrator. By May of 1933, 22 states had provided some money for unemployment relief, but not all states had a functioning state relief administration.

[2]Hopkins had faced a similar problem as the administrator of New York's TERA, where he was given an initial amount of money to distribute, but also charged with improving relief standards throughout the state.

[3] Local relief agencies investigated each case, determine the amount of resources available to each family or individual in need, and then determine the benefits to be paid each month as the difference between the families' available resources and the relief "standard" for families of a given size. This reflected the philosophy of private social work that each case should be treated individually. This opened the door to endless wrangling about the determination of benefits and accusations of political favoritism. On the other hand, it was popular with the social workers who staffed local relief agencies and it gave the entire relief structure an inherent fiscal flexibility. Since benefits were determined case by case on the basis of need, it was relatively easy, when budgets got tight, to reduce all benefits slightly. Had benefits been flat and fixed, adjustments to budget fluctuations would have had to come in the number of cases rather than the generosity of benefits, which was something everyone wanted to avoid. Budget flexibility turned out to be important, the initial FERA appropriation was intended to last two years, but exhausted by the fall of 1933. FERA received new appropriations roughly every six months. The flow of national, state, and local funds to local relief agencies was never steady.

[4] During the winter of 1933/1934, Roosevelt established the Civil Works Administration, which was a temporary program designed to provide jobs for 4 million unemployed. The CWA was a "national" program, in the sense that the federal government issued checks to individual recipients, and CWA administrators nominally worked for the federal government. In effect, the CWA was largely administered by FERA personnel, most of whom were state and local employees temporarily transferred to the federal government's payroll during the winter.

[5] FERA established a transient relief program for people who could not establish residence in a state. FERA administered the transient relief program directly.

[6]The six states were Oklahoma, North Dakota, Massachusetts, Ohio, Georgia, and Louisiana. Relief was federalized in Massachusetts because state law prevented the state from allocating relief funds between townships on any basis other than population.

[7]For example, and I need to find the citation for this one, Governor Davey instructed relief administrations throughout the state to insert notes into the envelopes containing relief checks that went something like "courtesy of Governor Davey."

[8]The "political economy of New Deal spending" literature provides a thorough, exhausting, and somewhat inconclusive picture of the overall use of federal allocation of grants between the states for political purposes. See Wright, Wallis, Fishback, Kantor and Wallis, etc. There is evidence that Hopkins was in direct contact with relief administrations in large cities, including important and influential Democratic machine politicians, Dorsett, ???

[9] The compromise between Congress and Roosevelt in 1935 is studied in detail in Wallis 1991.

[10] There were ERAA's in 1937, 1938, and 1939.

[11] The Social Security Board could exercise fiscal influence in times of crisis, for example, when state exhausted their unemployment insurance trust funds, the Board could impose administrative changes on states in return for providing funds.

[12] The importance of land area in the literature on the political economy of New Deal spending reflects the geographic differences between the east and west. See Wallis (1998) and the ensuing exchange between Fleck (2001) and Wallis (2001).

[13] The case where a jurisdictional dispute prevented any legislation from passing was, interestingly, a relief bill proposed in the last Hoover Congress. The jurisdiction at issue was national versus state. In January of 1932 a bill sponsored by Senators LaFollette and Costigan, 72nd Congress S. 3045, proposed the creation of a Federal Emergency Relief Board that would be given $375 million to allocate between the states for relief purposes and an equal amount for highway construction. Forty percent of the $375 million would be divided between the states on the basis of population, the remainder to be allocated at the discretion of the relief board. The bill failed to pass the Senate, but not because of lack of support for relief. A substitute bill was proposed by Senators Black, Walsh, and Bulkley, which differed in only two ways. The substitute bill provided loans rather than grants and allocated all of the $375 million on the basis of population, thereby eliminating the need for a federal board of any kind. The substitute bill failed by a vote of 48 to 31, the original bill failed the next day, after extensive debate, by a vote of 48 to 35. Only 15 Senators voted for both bills -- in all 81 Senators had expressed voting support for some kind of relief program. The bill failed to pass because of differences over how the program should be administered, specifically whether the states should answer to a national relief board or be completely free to administer relief on their own. Since only a handful of states had any existing relief program, the struggle in the Senate was over administrative arrangements that might be created, not interests that already existed.

[14]It was possible to get a non-relief WPA job without a referral. These jobs were either supervisory or administrative. Howard (1943) is the primary source on the WPA. He discusses referral policy on pp. 356-365.

[15]The one anomaly is a special case. In the original FERAct the Senate inserted provision enabling the federal government to take over the administration of relief in a state. This was

called "federalizing" relief and it clearly weakened state independence, which I would not expect the Senate to do. Later, in 1934, the Senator McAdoo from California asked Hopkins to federalize relief in California, because he was in a political battle with the faction of the party controlling the relief administration. It appears that the anomaly in Table 5 was the result of the anticipated political gains that would come to Senators from "federalization." Those gains, it turns out, never materialized.

[16] Of course, Hopkins controlled the inter-state allocation of funds under both FERA and the WPA.

[17] One caveat. WPA grants were not distributed in the absence of state and local activity. States and local jurisdictions lobbied for and spent resources to obtain funds from both FERA and the WPA. Some of the difference in the distribution within states under the WPA and the FERA may reflect differences in state and local behavior, as well as differences in Hopkins's administrative policy.

[18] We have also explored using the ratio of the county observation to the state mean and had the same general results. We have also run the analysis by demeaning the variable but not normalizing. Demeaning the variables does not completely eliminate the scale differences between the WPA and the FERA. The WPA spent more money so that the variance in spending was likely to be higher. In such a situation the WPA and FERA could have responded to the same differences in unemployment by raising spending by 5 percent in that county, but because the WPA spent more on average, the 5 percent will generate a larger coefficient for the WPA than for the FERA.

[19] Hopkins withheld funds from Colorado in December 1933 and from Missouri in April 1935 until the state legislatures produced funds to help pay for relief. Threats to withhold funds went out to Alabama and Kentucky in 1933 and to Illinois in 1934. Federal officials federalized relief in Oklahoma on 2/23/34 when the governor announced that he would not apply for relief unless he had control over the distribution; in North Dakota on 3/1/34 as the result of charges that employees of the state relief administration were being assessed for political contributions; for work relief in Massachusetts on 3/7/34 because the state had a statute that all grants from the state had to be distributed on a population basis not on a need basis; in Ohio on 3/16/35 in a dispute over whether Ohio had supplied a fair share of relief funds; and in Louisiana (4/8/35) and Georgia (4/19/35) due to long-running disputes between the governors and federal administrators over the use of the funds. [Our categorization of disputed states is based on the discussion in E.A. Williams 1968, 170-8, 203-5; the disputed states are ND, OK, GA, LA, OH, KY, AL, IN, MA, OH, CO, MO].

[20] As reported on the Social Security Administration web site: www.ssa.gov/history/35actpre.html